



COMPLETE CARE AT HAMILTON, LLC
(a limited liability company)

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITORS' REPORT

To the Members of
Complete Care at Hamilton, LLC

Opinion

We have audited the accompanying financial statements of Complete Care at Hamilton, LLC (a limited liability company), which comprise the balance sheet as of December 31, 2024, and the related statements of operations and members' 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 Hamilton, LLC as of December 31, 2024, and the results of its operations, changes in members' 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 Hamilton, 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 Hamilton, 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 Hamilton, 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 Hamilton, 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.

A handwritten signature in black ink that reads "Brand Sonnenschein LLP". The signature is written in a cursive, flowing style.

May 30, 2025

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

ASSETS

Current assets

Cash (note 2)	\$ 547,291
Cash - restricted (patient funds) (note 2)	41,793
Accounts receivable - net (note 3)	4,396,877
Prepaid expenses and other	<u>104,997</u>
Total current assets	5,090,958

Property and equipment - net (note 4)	442,288
Right-of-use assets - operating lease (note 7)	9,307,710
Goodwill - net (note 5)	27,756
Due from related entities (note 8)	<u>2,107,753</u>

TOTAL ASSETS	\$ <u><u>16,976,465</u></u>
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LIABILITIES AND MEMBERS' DEFICIENCY

Current liabilities

Accounts payable	\$ 892,218
Accrued expenses and withheld taxes	345,759
Due to private and third-party payors (note 17)	1,061,629
Due to landlord (note 8)	1,549,920
Operating lease payable (note 7)	98,309
Due to prior owner (note 14)	7,108
Patients' funds payable	<u>41,293</u>
Total current liabilities	3,996,236

Due to related entities (note 8)	9,260,678
Operating lease payable (note 7)	<u>9,209,401</u>
Total liabilities	22,466,315

Members' deficiency	<u><u>(5,489,850)</u></u>
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TOTAL LIABILITIES AND MEMBERS' DEFICIENCY	\$ <u><u>16,976,465</u></u>
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COMPLETE CARE AT HAMILTON, LLC
(a limited liability company)
STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIENCY
YEAR ENDED DECEMBER 31, 2024

Revenues	\$	14,136,031
Operating expenses		<u>15,146,698</u>
Loss from operations		(1,010,667)
Non-operating revenue (expenses):		
Interest income		21,428
Interest expense		<u>(82,681)</u>
NET LOSS		(1,071,920)
Members' deficiency - December 31, 2023		<u>(4,408,930)</u>
		(5,480,850)
Net members' equity distributed		<u>(9,000)</u>
MEMBERS' DEFICIENCY - DECEMBER 31, 2024	\$	<u><u>(5,489,850)</u></u>

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

Cash flows from operating activities	
Net loss	\$ (1,071,920)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	126,290
Amortization of deferred financing costs included in interest expense	22,047
(Increase) decrease in assets	
Accounts receivable	1,033,153
Prepaid expenses and other	(31,434)
Increase (decrease) in liabilities	
Accounts payable	(1,156,706)
Accrued expenses and withheld taxes	125,345
Due to private and third-party payors	377,019
Patients' funds payable	5,933
Due to prior owner	15,995
Net cash used in operating activities	<u>(148,914)</u>
Cash flows from investing activities	
Purchase of property and equipment	<u>(72,188)</u>
Net cash used in investing activities	<u>(72,188)</u>
Cash flows from financing activities	
Repayment of line of credit	(1,500,000)
Due to/from related entities	1,253,410
Due to landlord	918,281
Increase in deferred financing costs	(22,047)
Members' distribution	(9,000)
Net cash provided by financing activities	<u>640,644</u>
Net increase in cash, restricted cash, and cash equivalents	419,542
Cash, restricted cash, and cash equivalents - December 31, 2023	<u>169,542</u>
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - DECEMBER 31, 2024	<u><u>\$ 589,084</u></u>

See accompanying notes to the financial statements.

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

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

Organization and business – Complete Care at Hamilton, LLC (the “Company”), was formed in the State of Delaware on March 16, 2018, without finite life. Effective June 13, 2018, the Company was licensed to operate a long-term care facility consisting of 120 long-term beds. On July 15, 2022, the Company was licensed to convert 60 long-term care beds to behavioral health beds. The members of the Company are generally protected from liability for acts and obligations of the Company. The operating agreements provide, among other things, for the Company to continue at the will of the General Members, unless sooner terminated as provided in the agreement. The Company leases land, building, and rights to its license in Brick, New Jersey from a related entity.

For 2024, Skilled nursing sales, represented 45% of the Company’s total sales revenue while Behavioral health sales, represented 55% of total sales revenue.

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 - patient funds – The Company 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 equivalents be included in beginning and ending cash, restricted cash, and 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 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 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 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 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.

COMPLETE CARE AT HAMILTON, LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
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 we 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 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 our estimates, we adjust these estimates, which would affect net service revenue in the period such variances become known.

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

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 in the personal returns of the members and taxed depending on their personal tax situations. The policy of the Company 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 (“BAIT”) Act. 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 Company recorded New Jersey BAIT income tax of \$9,000 during the year, which has been recorded as a distribution to members.

Estimates – The preparation of financial statements in conformity with the 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.

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

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

Goodwill and other intangible assets – The Company adopted ASU 2014-02 Intangibles - Goodwill and Other (Topic 350): Accounting for Goodwill. With this adoption, the Company amortizes goodwill on a straight-line basis over a weighted-average ten-year period. The Company tests goodwill for impairment if a triggering event occurs. If a triggering event occurs, the Company will test for impairment by comparing the fair market value of the Company at the entity level vs. the recorded value of its goodwill to determine if the Company has experienced an impairment loss. Intangible assets are stated at cost.

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.

Leases – The Company adopted ASC-842 Leases. With 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 May 30, 2025, the date the financial statements were available to be issued. No subsequent events were identified.

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

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	\$	547,291
Restricted deposits – patient funds		<u>41,793</u>
Total cash, restricted cash, and cash equivalents	\$	<u>589,084</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	\$	691,900
Provision for credit losses		1,223,376
Less: write-offs		958,926
Recoveries		<u>14,650</u>
Balance – December 31, 2024	\$	<u>971,000</u>

NOTE 4 – PROPERTY AND EQUIPMENT

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

	Life (Years)		
Furniture and equipment	5-7	\$	680,289
Leasehold improvements	15		<u>412,884</u>
			1,093,173
Less: accumulated depreciation			<u>650,885</u>
		\$	<u>442,288</u>

Depreciation expense was \$118,166 for the year.

NOTE 5 – GOODWILL

The changes in the carrying value of goodwill during the year is as follows:

Historical cost to acquire goodwill	\$	81,238
Less: accumulated amortization		<u>53,482</u>
Carrying value – year-end	\$	<u>27,756</u>

Amortization expense was \$8,124 for the year.

The Company did not experience any triggering events during the year that required the Company to test the value of its goodwill for impairment.

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

NOTE 6 – LINE OF CREDIT

On October 1, 2024, the Company and other related entities entered into a revolving line of credit agreement in the amount of \$3,000,000, with a maturity date of October 1, 2025. Interest on bank advances on the credit line is payable monthly at the rate of SOFR rate plus 3.25%. The rate was 7.80% at December 31, 2024. Interest expense on this line of credit was \$16,418 for the year. The Company also incurred interest expense of \$40,872 on another line of credit which was paid off during the year. At December 31, 2024, there were no open balances due by the Company. The loan is personally guaranteed by members of the Company. The line is subject to certain financial covenants. At December 31, 2024, the Company was in compliance with all covenants.

NOTE 7 – LEASES

The Company has an operating lease for campus facilities and equipment. 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 incremental borrowing rate. 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.

The Company occupies the facility as a party to an operating lease, which commenced in June 2018 and expires in December 2048. 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 (iv) 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	\$ 937,206
Short-term/variable lease cost	<u>146,442</u>
Total	\$ <u>1,083,648</u>

OPERATING LEASES

Operating lease ROU assets	\$ <u>9,307,710</u>
Current operating lease liabilities	\$ 98,309
Long-term operating lease liabilities	<u>9,209,401</u>
Total operating lease liabilities	\$ <u>9,307,710</u>

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

NOTE 7 – LEASES (CONTINUED)

WEIGHTED-AVERAGE REMAINING LEASE TERM

Operating leases 24 years

WEIGHTED-AVERAGE DISCOUNT RATE

Operating leases 10%

Future lease liability maturities as of December 31, 2024, are as follows:

	Operating Leases
2025	\$ 1,024,655
2026	1,024,655
2027	1,024,655
2028	1,024,655
2029	1,024,655
Thereafter	<u>19,468,437</u>
Total undiscounted maturities of lease liabilities	24,591,712
Less: discount on lease liabilities	<u>(15,284,002)</u>
TOTAL LEASE LIABILITIES	\$ <u>9,307,710</u>

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

Operating cash flows for operating leases	\$ 937,206
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NOTE 8 – RELATED-ENTITY TRANSACTIONS

Amounts due to related entities controlled by one of the Company’s members was \$9,260,678 at December 31, 2024 of which \$1,281,570 was due to the related management company. Amounts due from related entities controlled by one of the Company’s members was \$2,107,753 at December 31, 2024. The loans are non-interest-bearing, unsecured, and there is no formal repayment plan for these loans.

The Company recorded \$710,786 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. The balance due to the related landlord was \$1,549,920 at December 31, 2024 (note 7).

NOTE 9 – OTHER LOANS AND GRANT REVENUE

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

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

NOTE 9 – OTHER LOANS AND GRANT REVENUE (CONTINUED)

The Coronavirus Aid, Relief, and Economic Security Act (“CARES act”), and subsequent legislation, provided a refundable employee retention tax credit (“ERC”) to eligible employers who met either a gross receipts test or a government mandate test. The tax credits were equal to a specified percentage of qualified wages paid to employees subject to certain limits. The organization had determined it qualified for the tax credit and has claimed ERC revenue of \$1,390,798 during 2021. Of this amount, \$985,434 was received during 2022. The remaining amount of \$405,364 was received in 2024, and there is no remaining balance. Both the methodology used to determine eligibility for the credit and the calculation of the amount of the credit are subject to audit.

Laws and regulations concerning the employee retention credit 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 employee retention credit, and it is not possible to determine the impact this would have on the Company.

NOTE 10 – REVENUES

Approximately 3% of the skilled nursing revenues during the year were derived from billings to the New Jersey Department of Health for stays by Medicaid patients. Approximately 5% of the behavioral health revenues during the year were derived from billings to the New Jersey Department of Health for stays by Medicaid patients.

Approximately 25% of the skilled nursing revenues during the year were derived from managed care organizations (“MCOs”) approved by the New Jersey Department of Health. Approximately 42% of the behavioral health revenues during the year were derived from MCOs approved by the New Jersey Department of Health.

Approximately 6% of the skilled nursing revenues during 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. Approximately 7% of the behavioral health revenues during 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.

Effective July 2014, the New Jersey Department of Human Services changed its reimbursement methodology to an 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.

As a participant in the Solar Incentive New Jersey programs, the Company earns the revenue whenever their solar panels produce 1 MWh (or 1,000 kWh) of electricity, and reports this to the GATS. This is not a fixed amount per month, but rather a payment each time the company reached the 1,000 kWh threshold over the length of the 15-year program. Revenue from this program for 2024 was \$22,496.

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 an increase of revenues of \$21,018.

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

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000, per entity. At December 31, 2024, the Company had approximately of \$110,700 of uninsured balances.

At December 31, 2024, the Company had approximately 13% of its receivables due from the New Jersey Department of Health, approximately 70% of its receivables due from New Jersey MCOs, and approximately 9% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2024, approximately 67% of the accounts payable balance was payable to two vendors.

NOTE 12 – ADVERTISING

Advertising expense was \$21,910 for the year. There were no direct-response advertising costs either capitalized or expensed.

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$	<u>58,094</u>
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NOTE 14 – DUE TO PRIOR OWNER

The Company had either received payments due to the prior owner or has had the recoupments, which the prior owner was required to reimburse. The balance due to the prior owner at December 31, 2024, was \$7,108.

NOTE 15 – ECONOMIC DEPENDENCY

During the year, the Company purchased a substantial portion of its services from two vendors. Purchases from these vendors totaled approximately \$1,550,000. The balance due to these vendors and included in accounts payable at December 31, 2024, was approximately \$153,000.

NOTE 16 – CONTRACTED SERVICES

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

NOTE 17 - 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.

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

NOTE 18 – 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 for voluntary employee contributions through salary reductions. There were no contributions made by the Company during the year.

NOTE 19 – 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.

The Company is 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 Company is contingently liable for the portion of the line of credit (note 6) owed by the co-borrowers. At December 31, 2024, there was a balance of \$2,000,000 due by the co-borrowers. At December 31, 2024, the Company and co-borrowers were in compliance with all covenants.

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, 2024. 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 Company is jointly and severally liable for its affiliated companies’ insurance responsibility.

The Company has a corporate credit card with a maximum spending limit of \$34,300. At December 31, 2024, there was no balance due on the card.

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.