MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

BARNERT SUBACUTE REHABILITATION CENTER, LLC

Financial Statements

Year Ended December 31, 2024

Barnert Subacute Rehabilitation Center, LLC

Year Ended December 31, 2024

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS:	
Balance Sheet	3
Statement of Operations	4
Statement of Members' Deficit	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11
AUDITOR'S LETTER	12
SUPPLEMENTARY SCHEDULES:	
Revenue	13
Operating Expenses	14 - 15

MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members,
Barnert Subacute Rehabilitation Center, LLC:

Opinion

We have audited the accompanying financial statements of Barnert Subacute Rehabilitation Center, LLC, which comprise the balance sheet as of December 31, 2024, and the related statement of income, members' deficit, and cash flow 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 Barnert Subacute Rehabilitation Center, LLC as of December 31, 2024, and the results of its operations 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Barnert Subacute Rehabilitation Center, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Barnert Subacute Rehabilitation Center, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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, including omissions, 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.

T 718.338.6900
F 718.692.1992
w mfandco.com

New York Office
2600 Nostrand Avenue
Brooklyn, NY 11210

New Jersey Office
200 Blvd of the Americas, STE 102
Lakewood, NJ 08701

MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

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 Barnert Subacute Rehabilitation Center, 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 Barnert Subacute Rehabilitation Center, 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.

Martin Friedman CPA, PC

MARTIN FRIEDMAN, C.P.A. P.C.
Certified Public Accountants

Brooklyn, NY

July 3, 2025

T 718.338.6900
F 718.692.1992
w mfandco.com

New York Office
2600 Nostrand Avenue
Brooklyn, NY 11210

New Jersey Office
200 Blvd of the Americas, STE 102
Lakewood, NJ 08701

Barnert Subacute Rehabilitation Center, LLC
Balance Sheet
December 31, 2024

Assets

Cash	$ 118,685		
Accounts Receivable	1,520,928		
(Net of Allowance for Credit Losses of $343,906)			
Prepaid Expenses	41,497		
Total Current Assets		$	1,681,110
Leasehold Improvements	3,318,340		
Furniture & Equipment	909,951		
	4,228,291		
Less: Accum. Depreciation & Amortization	4,063,376		
Total Fixed Assets			164,915
Security Deposits	72,837		
Patients' Trust Fund	7,333		
Total Other Assets			80,170
Total Assets		**$**	**1,926,195**

Liabilities and Equity

Accounts Payable	$ 2,171,074		
Accrued Payroll	246,883		
Accrued Expenses & Taxes	26,355		
Exchanges	11,064		
Due To Third Party Payors	594		
Loans Payable - Related Parties	5,218,746		
Total Current Liabilities		$	7,674,716
Notes & Loans Payable	1,025,000		
Patients' Trust Fund Payable	14,468		
Total Long Term Liabilities			1,039,468
Members' Deficit			(6,787,989)
Total Liabilities & Members' Deficit		**$**	**1,926,195**

See accompanying notes to the financial statements.

Barnert Subacute Rehabilitation Center, LLC
Statement of Operations
For the year ended December 31, 2024

Total Revenue From Patients		$ 10,063,786
Operating Expenses:		
Payroll	$ 4,844,520	
Employee Benefits	767,069	
Professional Care	1,572,595	
Dietary & Housekeeping	285,088	
Plant & Maintenance	2,308,495	
General & Administrative	1,475,709	
Total Operating Expenses		11,253,476
Loss From Operations		(1,189,690)
Other Income		5,413
Net Loss		**$ (1,184,277)**

See accompanying notes to the financial statements.

Barnert Subacute Rehabilitation Center, LLC
Statement of Members' Deficit
For the year ended December 31, 2024

Members' Deficit:	
Balance as of Beginning of Period	$ (5,553,712)
Net Loss for the Period	(1,184,277)
Members' Distributions	(50,000)
Total Members' Deficit - End of Period	**$ (6,787,989)**

See accompanying notes to the financial statements.

Barnert Subacute Rehabilitation Center, LLC
Statement of Cash Flows
For the year ended December 31, 2024

Cash Flows From Operating Activities:		
Net Loss		$ (1,184,277)
Adjustments to reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation & Amortization		262,102
Allowance for Credit Losses		68,289
(Increase) Decrease In:		
Accounts Receivable	$ (419,620)	
Prepaid Expenses	(25,438)	
Increase (Decrease) In:		
Accounts Payable	98,530	
Accrued Payroll & Withholding Taxes	(6,188)	
Accrued Expenses & Taxes	3,484	
Exchanges	8,392	
Total Adjustments		(340,840)
Net Cash Used In Operating Activities		(1,194,726)
Cash Flows From Investing Activities:		
Loans Receivable - Related Parties	1,166,482	
Capital Expenditures	(20,997)	
Other Assets	600	
Net Cash Provided By Investing Activities		1,146,085
Cash Flows From Financing Activities		
Increase In Short Term Debt	200,000	
Other Liabilities	9,657	
Distributions	(50,000)	
Net Cash Provided By Financing Activities		159,657
Net Change In Cash		111,016
Cash - Beginning of Period		7,669
Cash - End of Period		**$ 118,685**
Supplemental Disclosures:		
Interest Paid		$ 85,639

See accompanying notes to the financial statements.

Barnert Subacute Rehabilitation Center, LLC
Notes to Financial Statements

1) Organization:

Barnert Subacute Rehabilitation Center, LLC (the "Facility"), a limited liability company, is licensed by the New Jersey State Department of Health to run and operate a 68 bed long-term care facility, located in Paterson, New Jersey. The facility began operations on December 15, 2010.

2) Summary of Significant Accounting Policies:

The accounting policies that affect the significant elements of the financial statements are summarized below.

Method of Accounting -

The Facility maintains its books and prepares its financial statements based on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Cash –

For purposes of the statement of cash flows, the Facility considers time deposits, certificates of deposits, and all highly liquid investments, with maturity of three months or less, to be cash. The Facility maintains cash balances at financial institutions, which may periodically exceed the Federal Deposit Insurance Corporation limit during the year.

Property and Equipment –

Property and equipment, including items acquired under capital leases are recorded at cost of acquisition. Fully depreciated assets are written off against accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of assets.

Compensated Absences -

The Facility recognizes a liability for compensated absences when the employees have earned the rights to the leave through their service, the leave is expected to be used in the future, and the amount can be reasonably estimated. Compensated absences include accrued vacation and sick leave as well as personal time off. The liability is calculated based on the employee's current pay rate and number of remaining unused days. As of December 31, 2024, the liability for compensated absences amounted to $36,269, which is included in the total accrued payroll liability of $246,883.

Patient Care Revenue Recognition -

Revenue for services provided to residents is recognized at the amount the Facility expects to receive in exchange for providing care to the residents. This revenue includes amounts due from residents, third-party payors (such as health insurers and government programs), and incorporates variable considerations for potential retroactive adjustments resulting from audits and reviews. Typically, the Facility bills residents and third-party payors a few days after services are provided or when the resident no longer requires care. Revenue is recognized as performance obligations are fulfilled.

2) Summary of Significant Accounting Policies: (Continued)

Performance obligations are identified based on the nature of the services provided. For obligations satisfied over time, revenue is recognized based on the percentage of completion method, i.e., actual charges incurred relative to the total expected charges. This approach is believed to accurately reflect the transfer of services throughout the performance obligation period, particularly for residents receiving post-acute care services in the Facility.

Revenue for performance obligations fulfilled at a specific point in time is generally recognized when goods are provided to residents in a retail setting (e.g., personal care services and additional meals not included in the resident contract) and when no further goods or services are required.

The transaction price is determined based on standard charges for services rendered, adjusted for contractual allowances given to third-party payors, discounts for uninsured residents per the Facility's charity care policy, and implicit price concessions for uninsured residents. Estimates for contractual adjustments and discounts are based on contractual agreements, Facility policies, and historical data. Implicit price concessions are estimated from historical collection experiences with each group of residents.

Revenues are recorded based on current billings of the estimated net realizable amounts from patients, third-party payors and others for services rendered. Settlements for retroactive adjustments due to audits or investigations are considered variable considerations and are included in the transaction price estimation for resident services. These settlements are estimated based on agreements with payors, relevant correspondence, and historical settlement activities. Adjustments are made in subsequent periods as new information becomes available or when cases are settled. Such adjustments, if any, will be reflected in revenues in the period in which they are received.

Changes to transaction price estimates are recorded as adjustments to resident service revenue in the period of change. Adverse changes in residents' ability to pay, as well as any estimates of future adverse changes, are recorded as credit loss expense and included in general and administrative expenses.

Agreements with major third-party payors typically stipulate payments at amounts lower than established charges. A summary of the payment arrangements with key payors includes:

- **Medicare:** Certain in-resident post-acute care services are reimbursed at predetermined rates per service, influenced by clinical and diagnostic factors. Other services are reimbursed based on cost-reimbursement methodologies, with physician services paid according to established fee schedules. Medicare revenue primarily consists of fixed regional rates adjusted for patient acuity, subject to audit verification.

- **Medicaid:** Under the current statewide pricing methodology, Medicaid revenue is based on the rate in effect as of July 1, 2014. The State has made statewide adjustments in some years, but the rates are not subject to audit.

  In January 2014, New Jersey implemented a managed care Medicaid formula, requiring Medicaid patients to enroll in managed long-term care plans. The State's executive budget mandates that managed care companies pay rates no less than the current Medicaid methodology, with New Jersey Department of Health calculating these rates annually.

2) Summary of Significant Accounting Policies: (Continued)

- **Other:** Payment agreements with various commercial insurance carriers, health maintenance organizations, and preferred provider organizations typically provide for payment based on predetermined rates per service, discounts from standard charges, and daily rates.

Residents covered by third-party payors are generally responsible for deductibles and coinsurance, which can vary. The Facility also serves uninsured residents and offers discounts as required by policy or law. Estimates of transaction prices for these residents are based on historical data and market conditions. Revenue from resident's deductibles and coinsurance are included in the preceding categories based on the primary payor.

Compliance with government regulations, particularly concerning Medicare and Medicaid, is complex and can be subject to interpretation. Facilities may receive requests for information and notices of alleged noncompliance, leading to potential settlement agreements. Future regulatory reviews may result in fines, penalties, and/or exclusion from programs. The Facility believes they are currently in compliance with all applicable laws and regulations.

Use of Estimates –

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising –

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense amounted to $41,010 for the year ended December 31, 2024.

Income Taxes –

The Facility is treated as a partnership for income tax purposes, and as such each member is taxed separately on his distributive share of the entities' income whether or not that income is actually distributed.

Uncertainty in Income Taxes –

Management has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ended December 31, 2021 and subsequent remain subject to examination by applicable taxing authorities.

3) Accounts Receivable and Allowance for Credit Losses:

The Facility grants credit, without collateral, to its patients, the majority of whom are insured under third-party payor agreements. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The amount of receivables from patients and third-party payors at December 31, 2024 was as follows:

3) Accounts Receivable and Allowance for Credit Losses: (Continued)

Accounts Receivable		
Medicaid Patients	$	508,514
Medicare Patients		309,432
HMO Patients		555,140
Private Patients		491,748
Less: Allowance for Credit Losses		(343,906)
Total	**$**	**1,520,928**

Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on the current expected credit loss (CECL) model. Credit losses that are expected to occur in the future are recognized at the time the receivable is recorded. The Facility uses a pooled approach to group together receivables with similar risk characteristics into portfolios categorized by major payor class. Estimated credit losses are calculated based on historical loss data for each portfolio as well as current and forecasted economic conditions. Management periodically reviews the allowance to ensure it accurately reflects the expected credit losses. Any adjustments that are needed are recognized currently as credit loss expense. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Allowance for Credit Losses		
Balance, January 1, 2024	$	275,616
Provision for expected credit losses		460,000
Write-offs charged against the allowance		(391,710)
Credit Loss Recoveries		-
Balance December 31, 2024	**$**	**343,906**

4) Line of Credit:

The Facility has an open line of credit with Valley National Bank. Interest on the unpaid balance is calculated at a floating rate equal to the Wall Street Journal's announced Prime Rate. At year end there was a balance of $1,025,000. The balance is classified as long-term as no principal payments are due within the next 12 months.

5) Related Party Transactions:

The Facility has various non-interest bearing loans, with no terms for repayment, to and from related entities**.**

The Facility pays management fees to Chestnut Ridge Care Associates, LLC which has common ownership with the Facility. Fees paid for year ended December 31, 2024 were $336,000.

The Facility pays rent for occupancy of the building to a related party. There is no lease agreement in place. As such, the rent expense is on a month-to-month basis. For the current year, rent expense was $1,682,378.

6) Nursing Home User Fee:

All New Jersey facilities are currently assessed a provider tax assessment. During 2024 the rate was $14.67 for each Private and Medicaid patient day. The nursing home user fee for the year ended December 31, 2024 was $162,177.

7) Union:

Some of the Facility's employees are members of 1199 SEIU United Healthcare Workers East. All the eligible employees are covered by a contract regarding wages and benefits, entered into by the Union and the Facility's collective bargaining agent. The expense for this liability is recognized when the employee wages are paid.

8) Subsequent Events:

The Facility has evaluated subsequent events through July 3, 2025, the date which the financial statements were available to be issued. No significant subsequent events have been identified by management.

MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Members,
Barnert Subacute Rehabilitation Center, LLC:

Our report on our audit of the basic financial statements of Barnert Subacute Rehabilitation Center, LLC for 2024 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 13 through 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Martin Friedman CPA, PC

MARTIN FRIEDMAN C.P.A. P.C.
Certified Public Accountants

Brooklyn, NY

July 3, 2025

T 718.338.6900
F 718.692.1992
w mfandco.com

New York Office
2600 Nostrand Avenue
Brooklyn, NY 11210

New Jersey Office
200 Blvd of the Americas, STE 102
Lakewood, NJ 08701

Barnert Subacute Rehabilitation Center, LLC
Supplementary Schedules
For the year ended December 31, 2024

Revenue From Patients:		
Private & HMO	$ 4,792,528	
Medicaid	2,190,169	
Medicare	3,081,089	
Total Revenue From Patients		$ 10,063,786
Other Income:		
Interest	3,823	
Other	1,590	
Total Other Income		5,413
Total Revenue		**$ 10,069,199**

Barnert Subacute Rehabilitation Center, LLC
Supplementary Schedules
For the year ended December 31, 2024

Payroll:

Administrative & Office	$ 572,189	
Nursing	2,571,406	
Therapies	732,620	
Social Services	161,333	
Recreation	135,329	
Dietary	431,011	
Housekeeping	140,662	
Maintenance	99,970	
Total Payroll		**$ 4,844,520**

Employee Benefits:

Payroll Taxes	429,581	
Workmen's Compensation	123,025	
Non-Union Pension	7,070	
Employee Benefits	195,390	
Uniform & Transp. Allowance	12,003	
Total Employee Benefits		**767,069**

Professional Care:

Prescription Drugs	270,627	
Medical Supplies	405,633	
Contracted Nursing Service	689,093	
Fees & Expenses	207,242	
Total Professional Care		**1,572,595**

Barnert Subacute Rehabilitation Center, LLC
Supplementary Schedules
For the year ended December 31, 2024

Dietary & Housekeeping:

Food	$ 167,459	
Other Dietary Expenses	24,009	
Housekeeping	25,299	
Contracted Dietary Services	3,595	
Contracted Housekeeping Services	64,726	
Total Dietary & Housekeeping		**$ 285,088**

Plant & Maintenance:

Rent	1,682,378	
Mortgage Interest	85,639	
Equipment Rentals	16,072	
Real Estate Tax	220,614	
Maintenance	22,045	
Contracted Maintenance Services	8,388	
Security	11,257	
Depreciation & Amortization	262,102	
Total Plant & Maintenance		**2,308,495**

General & Administrative:

Office	119,332	
Contracted Admin. Services	232,852	
Computer Services	82,333	
Telephone	21,293	
Auto & Travel	8,026	
Professional Fees	114,288	
Insurance	188,002	
Nursing Home User Fee	162,177	
Advertising	41,010	
Credit Losses	460,000	
Miscellaneous	46,396	
Total General & Administrative		**1,475,709**