MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

FAMILY OF CARING HEALTHCARE AT MONTCLAIR, LLC

Financial Statements

Year Ended December 31, 2025

Family Of Caring Healthcare At Montclair, LLC

Year Ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Members,
Family Of Caring Healthcare At Montclair, LLC:

Opinion

We have audited the accompanying financial statements of Family Of Caring Healthcare At Montclair, LLC, which comprise the balance sheet as of December 31, 2025, and the related statement of operations, members' equity, 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 Family Of Caring Healthcare At Montclair, LLC as of December 31, 2025, 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 audit 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 Family Of Caring Healthcare At Montclair, 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 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 Family Of Caring Healthcare At Montclair, 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.

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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 Family Of Caring Healthcare At Montclair, 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 Family Of Caring Healthcare At Montclair, 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

May 25, 2026

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Family Of Caring Healthcare At Montclair, LLC
Balance Sheet
December 31, 2025

Assets			
Cash	$ 180,610		
Accounts Receivable	1,755,733		
(Net of Allowance for Credit Losses of $469,578)			
Prepaid Expenses	45,663		
Loans Receivable - Related Parties	483,621		
Total Current Assets		$	2,465,627
Leasehold Improvements	2,774,366		
Furniture & Equipment	680,387		
	3,454,753		
Less: Accum. Depreciation & Amortization	869,861		
Total Fixed Assets			2,584,892
Right-of-Use Asset	6,453,885		
Goodwill (Net)	24,937		
Patients' Trust Fund	4,866		
Total Other Assets			6,483,688
Total Assets		**$**	**11,534,207**
Liabilities and Equity			
Notes & Loans Payable	$ 885,157		
Accounts Payable	516,248		
Lease Liabilities	777,413		
Accrued Payroll	317,164		
Accrued Expenses & Taxes	32,192		
Exchanges	80,747		
Loans Payable - Related Parties	795,000		
Patients' Security Deposits	23,610		
Total Current Liabilities		$	3,427,531
Lease Liabilities	5,676,472		
Patients' Trust Fund Payable	4,849		
Total Long Term Liabilities			5,681,321
Members' Equity			2,425,355
Total Liabilities & Members' Equity		**$**	**11,534,207**

See accompanying notes to the financial statements.

Family Of Caring Healthcare At Montclair, LLC
Statement of Operations
For the year ended December 31, 2025

Total Revenue From Patients		$ 12,235,112
Operating Expenses:		
Payroll	$ 5,145,772	
Employee Benefits	859,572	
Professional Care	1,706,116	
Dietary & Housekeeping	350,053	
Plant & Maintenance	1,967,015	
General & Administrative	1,957,045	
Total Operating Expenses		11,985,573
Income From Operations		249,539
Other Income		5,400
Income Before Taxes		254,939
Less: Pass-Through Entity Taxes		14,000
Net Income		**$ 240,939**

See accompanying notes to the financial statements.

Family Of Caring Healthcare At Montclair, LLC
Statement of Members' Equity
For the year ended December 31, 2025

Members' Equity:	
Balance as of Beginning of Period	$ 2,184,416
Net Income for the Period	240,939
Total Members' Equity - End of Period	**$ 2,425,355**

See accompanying notes to the financial statements.

Family Of Caring Healthcare At Montclair, LLC
Statement of Cash Flows
For the year ended December 31, 2025

Cash Flows From Operating Activities:		
Net Income		$ 240,939
Adjustments to reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation & Amortization		204,421
Amortization of Debt Issuance Costs		1,200
Allowance for Credit Losses		183,450
(Increase) Decrease In:		
Accounts Receivable	$ (422,397)	
Prepaid Expenses	12,754	
Increase (Decrease) In:		
Accounts Payable	(169,810)	
Accrued Payroll & Withholding Taxes	(2,868)	
Accrued Expenses & Taxes	11,464	
Due to Third Party Payors	(4,265)	
Patients' Security Deposits	23,610	
Exchanges	43,170	
Total Adjustments		(508,342)
Net Cash Provided By Operating Activities		121,668
Cash Flows From Investing Activities:		
Loans Receivable - Related Parties	14,531	
Capital Expenditures	(89,149)	
Other Assets	24,352	
Net Cash Used In Investing Activities		(50,266)
Cash Flows From Financing Activities:		
Decrease In Short-Term Debt	(112,343)	
Other Liabilities	(20,918)	
Net Cash Used In Financing Activities		(133,261)
Net Change In Cash		(61,859)
Cash - Beginning of Period		242,469
Cash - End of Period		**$ 180,610**
Supplemental Disclosures:		
Interest Paid		$ 69,986
Income Taxes Paid		14,000

See accompanying notes to the financial statements.

Family of Caring Healthcare at Montclair, LLC
Notes to Combining Financial Statements

1) **Organization**:

Family of Caring Healthcare at Montclair, LLC (Facility), operates a 70-bed long-term care facility located in Montclair, New Jersey.

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 flow, 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 periodically exceed the Federal Deposit Insurance Corporation limit during the year.

Property & 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 the assets.

Resident Funds -

The Facility, as trustees, holds resident funds in escrow accounts. These funds are expended at the direction of the residents for personal items.

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.

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.

2) **Summary of Significant Accounting Policies (Continued)**:

Patient Care Revenue Recognition -

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.

- **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.

2) **Summary of Significant Accounting Policies (Continued)**:

Patient Care Revenue Recognition -

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.

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, 2025, the liability for compensated absences amounted to $61,624, which is included in the total accrued payroll liability of $317,164.

Use of Estimates -

The preparation of 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 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 are expensed as incurred and included in general and administrative expenses. Advertising expense amounted to $24,744 for the year ended December 31, 2025.

Income Taxes -

The members of the Facility are taxed as a partnership. Accordingly, any resulting tax liabilities or tax benefits resulting from operations are those of the individual members.

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, 2025 was as follows:

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

Accounts Receivable		
Medicaid Patients	$	459,798
Medicare Patients		643,622
HMO Patients		401,329
Private Patients		720,562
Less: Allowance for Credit Losses		(469,578)
Total	**$**	**1,755,733**

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, 2025	$	286,128
Provision for expected credit losses		183,450
Write-offs charged against the allowance		-
Credit Loss Recoveries		-
Balance December 31, 2025	**$**	**469,578**

4) **Intangible Assets**:

The following is a schedule of the Facility's intangible assets.

	Gross Carrying Amount	Accumulated Amortization	Estimated Useful Life
Goodwill	$83,146	$58,209	10 Years

5) **Property & Equipment:**

Property and equipment are summarized as follows:

	Life (Years)	
Leasehold Improvements	10	2,774,366
Furniture & Equipment	5-7	680,387
		3,454,753
Less: Accumulated Depreciation		869,861
Total Property & Equipment		$ 2,584,892

Depreciation for property and equipment was $204,421 for the year ended December 31, 2025.

6) **Right-of-Use Asset/Lease Liability:**

The Facility's operating lease right-of-use assets and lease liabilities were for a building lease.

The Facilty recognizes lease expense for operating leases on a straight-line basis over the lease term. The lease expense for 2025 was $1,260,000.

The Facility's determine the present value of the remaining lease payments using the US Treasury risk-free rate at the time of adoption of the Standard, which was 2.01%. The Facility does not have any variable lease payments, residual value guarantees, or material lease incentives.

The Facility has not recognized any material impairments of its operating lease right-of-use asset as of December 31, 2025. As of December 31, 2025, the operating lease liability and corresponding asset for the Facility was $6,453,885 of which $777,413 of the liability was considered short term.

The Facility's future minimum lease payments for the next five years, as of December 31, 2025, were as follows:

2026	$ 900,000
2027	900,000
2028	900,000
2029	900,000
2030	900,000
For the Years Thereafter	2,475,000

The future minimum lease payments include only the remaining non-cancelable lease payments under the operating leases with a term of more than 12 months as of December 31, 2025.

7) **Line of credit:**

During 2018, Ridgewood facility and Montclair entered into a $2,000,000 line of credit (the "Line") agreement with a financial institution. In 2024, the line of credit was split and Montclair's line of credit is $1,000,000. The line expires November 1, 2046. The line is guaranteed by a member of the Facility and collateralized by all assets of the Facility. The line is subject to certain covenants.

As of December 31, 2025, the balance outstanding on the line was $885,157.

8) **Related Party Transactions**:

The Facility has various loans payables and receivables to and from related parties. There is no interest on these loans and no repayment terms. The net payable amount was $311,379 as of December 31, 2025.

9) **Nursing Home User Fee:**

All New Jersey facilities were assessed a Provider Assessment Tax at a rate of $14.67 for each private and Medicaid patient day. Concurrently with the tax assessment, the State prospectively calculated a revenue add-on to the Medicaid rate.

10) **Pass Through Entity Tax:**

The Facility elected to pay an optional Pass-Through Entity Tax to the State of New New Jersey. A pass-through entity such as a partnership or S-corporation can elect to pay the optional state tax, which is a valid deductible business expense for the entity, and the partners are then able to claim a refundable tax credit on their personal tax returns for the taxes paid by the entity. Pass-Through Entity Tax for the year ended December 31, 2025 was $14,000.

12) **Subsequent Events:**

The Facility has evaluated subsequent events through May 25, 2026, 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,
Family Of Caring Healthcare At Montclair, LLC:

Our report on our audit of the basic financial statements of Family Of Caring Healthcare At Montclair, LLC for 2025 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 14 through 16 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

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May 25, 2026

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Family Of Caring Healthcare At Montclair, LLC
Supplementary Schedules
For the year ended December 31, 2025

Revenue From Patients:		
Private & HMO	$ 3,486,001	
Medicaid	2,518,191	
Medicare	6,230,920	
Total Revenue From Patients		$ 12,235,112
Other Income:		
Interest	1,749	
Other	3,651	
Total Other Income		5,400
Total Revenue		**$ 12,240,512**

Family Of Caring Healthcare At Montclair, LLC
Supplementary Schedules
For the year ended December 31, 2025

Payroll:

Administrative & Office	$ 435,737	
Nursing	2,893,779	
Therapies	819,205	
Social Services	105,242	
Recreation	125,861	
Dietary	447,825	
Housekeeping	175,921	
Maintenance	142,202	
Total Payroll		**$ 5,145,772**

Employee Benefits:

Payroll Taxes	449,990	
Workmen's Compensation	150,079	
Non-Union Pension	8,764	
Employee Benefits	242,112	
Uniform & Transp. Allowance	8,627	
Total Employee Benefits		**859,572**

Professional Care:

Prescription Drugs	307,885	
Medical Supplies	244,097	
Contracted Nursing Service	885,844	
Fees & Expenses	268,290	
Total Professional Care		**1,706,116**

Family Of Caring Healthcare At Montclair, LLC
Supplementary Schedules
For the year ended December 31, 2025

Dietary & Housekeeping:

Food	$ 204,720	
Other Dietary Expenses	36,212	
Housekeeping	34,278	
Contracted Dietary Services	3,938	
Contracted Housekeeping Services	70,905	
Total Dietary & Housekeeping		**$ 350,053**

Plant & Maintenance:

Rent	1,260,000	
Mortgage Interest	71,189	
Equipment Rentals	12,590	
Real Estate Tax	183,630	
Light, Heat & Power	103,591	
Maintenance	89,169	
Contracted Maintenance Services	14,247	
Security	10,851	
Water & Sewer Charges	17,327	
Depreciation & Amortization	204,421	
Total Plant & Maintenance		**1,967,015**

General & Administrative:

Office	173,987	
Contracted Admin. Services	540,000	
Computer Services	95,479	
Telephone	28,020	
Auto & Travel	2,349	
Professional Fees	158,937	
Insurance	147,235	
Nursing Home User Fee	161,062	
Advertising	24,744	
Credit Losses	564,830	
Miscellaneous	60,402	
Total General & Administrative		**1,957,045**