MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

GROVE HEALTHCARE & REHAB, LLC
DBA IMPERIAL CARE CENTER

Financial Statements

Year Ended December 31, 2023

Grove Healthcare & Rehab, LLC DBA Imperial Care Center

Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members,
Grove Healthcare & Rehab, LLC DBA Imperial Care Center:

Opinion

We have audited the accompanying financial statements of Grove Healthcare & Rehab, LLC DBA Imperial Care Center, which comprise the balance sheet as of December 31, 2023, and the related statement of income, members' equity, 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 Grove Healthcare & Rehab, LLC DBA Imperial Care Center as of December 31, 2023, 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 Grove Healthcare & Rehab, LLC DBA Imperial Care Center 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 Grove Healthcare & Rehab, LLC DBA Imperial Care Center'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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Independent Auditors' Report Continued

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 Grove Healthcare & Rehab, LLC DBA Imperial Care Center'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 Grove Healthcare & Rehab, LLC DBA Imperial Care Center'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

February 8, 2024

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Grove Healthcare & Rehab, LLC DBA Imperial Care Center
Balance Sheet
December 31, 2023

Assets			
Cash	$ 1,042,104		
Accounts Receivable (Net)	1,334,065		
Prepaid Expenses	491,473		
Patient Advances	44,627		
Total Current Assets		$	2,912,269
Leasehold Improvements	1,204,977		
Furniture & Equipment	71,055		
	1,276,032		
Less: Accum. Depreciation & Amortization	627,054		
Total Fixed Assets			648,978
Right-of-Use Asset	2,357,148		
Total Other Assets			2,357,148
Total Assets		**$**	**5,918,395**
Liabilities and Equity			
Accounts Payable	$ 831,389		
Lease Liabilities	448,411		
Accrued Payroll	340,434		
Accrued Expenses & Taxes	134,263		
Exchanges	3,082		
Due To Third Party Payors	1,114,260		
Patients' Security Deposits	44,627		
Total Current Liabilities		$	2,916,466
Lease Liabilities	1,908,737		
Total Long Term Liabilities			1,908,737
Members' Equity			1,093,192
Total Liabilities & Members' Equity		**$**	**5,918,395**

See accompanying notes to the financial statements.

Grove Healthcare & Rehab, LLC DBA Imperial Care Center

Statement of Operations

For the year ended December 31, 2023

Total Revenue From Patients		$ 10,590,222
Operating Expenses:		
Payroll	$ 4,435,216	
Employee Benefits	810,257	
Professional Care	1,679,993	
Dietary & Housekeeping	1,282,257	
Plant & Maintenance	1,219,678	
General & Administrative	1,552,034	
Total Operating Expenses		10,979,435
Loss From Operations		(389,213)
Other Income		159,974
Net Loss		**$ (229,239)**

See accompanying notes to the financial statements.

Grove Healthcare & Rehab, LLC DBA Imperial Care Center

Statement of Members' Equity

For the year ended December 31, 2023

Members' Equity:		
Balance as of Beginning of Period	$	2,122,431
Net Loss for the Period		(229,239)
Members' Distributions		(800,000)
Total Members' Equity - End of Period	**$**	**1,093,192**

See accompanying notes to the financial statements.

Grove Healthcare & Rehab, LLC DBA Imperial Care Center
Statement of Cash Flows
For the year ended December 31, 2023

Cash Flows From Operating Activities:		
Net Loss		$ (229,239)
Adjustments to reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation & Amortization		305,364
(Increase) Decrease In:		
Accounts Receivable	$ (134,635)	
Prepaid Expenses	(92,720)	
Patient Advances	19,776	
Increase (Decrease) In:		
Accounts Payable	75,853	
Accrued Payroll & Withholding Taxes	20,140	
Accrued Expenses & Taxes	6,180	
Patients' Security Deposits	(19,565)	
Exchanges	370,183	
Total Adjustments		245,212
Net Cash Provided By Operating Activities		321,337
Cash Flows From Investing Activities:		
Capital Expenditures	(61,532)	
Net Cash Used In Investing Activities		(61,532)
Cash Flows From Financing Activities		
Distributions	(800,000)	
Net Cash Used In Financing Activities		(800,000)
Net Change In Cash		(540,195)
Cash - Beginning of Period		1,582,299
Cash - End of Period		**$ 1,042,104**
Supplemental Disclosures:		
Interest Paid		$ 3,465

See accompanying notes to the financial statements.

1) **Organization**:

Grove Healthcare & Rehab, LLC D/B/A Imperial Care Center, a limited liability company, is licensed by the New Jersey State Department of Health to run and operate a 121 bed facility in Neptune, NJ. The facility began operations on February 1, 1999.

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 on the accrual basis of accounting.

Cash -

For purposes of the statement of cash flows, cash includes time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of six months or less. The Facility maintains cash at financial institutions which periodically exceeds federally insured amounts during the year.

Fixed Assets -

Fixed assets are stated at cost. Depreciation and amortization for assets are computed using the straight-line method over the estimated useful lives of the assets.

Leasehold Improvements	10 years
Furniture & Equipment	5 years

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 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 for the year was $84,326.

Income Taxes -

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

3) **Accounts Receivable:**

The Facility grants credit, without collateral, to its patients, the majority of whom are insured under the third-party payor agreements. The amount of receivables from patients and third-party payors at December 31, 2023 was as follows:

Medicaid Patients	$	812,751
Medicare Patients		211,150
HMO Patients		99,979
Private Patients		220,185
Less: Allowance For Bad Debt		(10,000)
Total	**$**	**1,334,065**

Management periodically reviews accounts receivable and all receivables deemed uncollectible are charged to income when that determination is made. Management considers accounts receivable as stated to be collectible.

4) **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, 2020 and subsequent remain subject to examination by applicable taxing authorities.

5) **Compensated Absences:**

The Facility recognizes a liability for compensated absences when the employees have earned the right 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, sick leave and 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, 2023, the liability for compensated absences amounted to $163,086, which is included in the total accrued payroll liability of $340,434.

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

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

The Facility occupies premises pursuant to a 30 year, non arms-length lease from Grove Realty, LLC expiring in 2029. The lease, as amended in August 2013, provides for monthly rentals of 105% of debt service, including all escrows required by HUD. Rent expense for the year ended December 31, 2023 was $579,492.

The Facility determines 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 1.63%. The Facility does not have any variable lease payments, residual value guarantees, or material lease incentives.

6) **Right-of-Use Asset and Lease Liability (cont.):**

The Facility has not recognized any material impairments of its operating lease right-of-use asset as of December 31, 2023. As of December 31, 2023, the Facility's operating lease liability and corresponding asset was $2,357,148 of which $448,411 of the liability was considered short term.

The Facility's future minimum lease payments for the next six years, as of December 31, 2023, were as follows:

2024	$	483,492
2025		483,492
2026		483,492
2027		483,492
2028		483,492
2029		40,291

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, 2023.

7) **Nursing Home User Fee:**

All New Jersey facilities were assessed a provider assessment tax of $14.67 for each private and Medicaid patient day. The nursing home user fee for the year ended December 31, 2023 was $410,951. Concurrently with the tax assessment, the State prospectively calculated a revenue add-on to the Medicaid rate.

8) **Patient Care Revenue Recognition:**

Resident services revenue is recognized at the amount the Facility expects to receive in exchange for providing care to 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 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 our 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.

8) **Patient Care Revenue Recognition (cont.):**

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.

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.

  New Jersey implemented a managed care Medicaid formula in January 2014, 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.

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, or exclusion from programs. The Facility believes they are currently in compliance with all applicable laws and regulations.

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.

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. Initial transaction price estimates are calculated by reducing standard charges by contractual adjustments, discounts, and implicit price concessions.

8) **Patient Care Revenue Recognition (cont.):**

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 are recorded as bad debt expense.

Revenue from resident's deductibles and coinsurance are included in the preceding categories based on the primary payor.

Revenues are recorded based on current billings of the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Certain adjustments may be made in subsequent periods as a result of audits or appeals. Such adjustments, if any, will be reflected in revenues in the period in which they are received.

9) **Subsequent Events:**

The Facility has evaluated subsequent events through February 8, 2024, the date which the financial statements were available to be issued. No significant subsequent events have been identified by management.

MARTIN FRIEDMAN CPA PC
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INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Members,
Grove Healthcare & Rehab, LLC DBA Imperial Care Center:

Our report on our audit of the basic financial statements of Grove Healthcare & Rehab, LLC DBA Imperial Care Center for 2023 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 page 13 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.

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February 8, 2024

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Grove Healthcare & Rehab, LLC DBA Imperial Care Center

Supplementary Schedules

For the year ended December 31, 2023

Revenue From Patients:		
Private	$ 1,461,170	
Medicaid	6,758,327	
Medicare	2,370,725	
Total Revenue From Patients		$ 10,590,222
Other Income:		
Interest	49,145	
Other	110,829	
Total Other Income		159,974
Total Revenue		**$ 10,750,196**