

SUMMIT RIDGE CARE LLC
(a limited liability company)

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Members of
Summit Ridge Care LLC

Opinion

We have audited the accompanying financial statements of Summit Ridge Care LLC (a limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statements of earnings 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 Summit Ridge Care LLC 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 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 Summit Ridge Care 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 Summit Ridge Care 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 Summit Ridge Care 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 Summit Ridge Care 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.



May 31, 2024

SUMMIT RIDGE CARE LLC
(a limited liability company)
BALANCE SHEET
AT DECEMBER 31, 2023

ASSETS

Current assets

Cash and cash equivalents (note 2)	\$ 960,647
Cash - restricted (patient funds) (note 2)	56,055
Accounts receivable - less allowance of \$385,800	3,054,052
Prepaid expenses and other	<u>121,613</u>
Total current assets	4,192,367

Property and equipment - net (note 3)	2,605,507
Right-of-use assets (note 11)	13,080,560
Due from related entities (note 12)	<u>5,840,089</u>

TOTAL ASSETS	\$ <u><u>25,718,523</u></u>
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LIABILITIES AND MEMBERS' DEFICIENCY

Current liabilities

Line of credit (note 10)	\$ 1,500,000
Accounts payable	1,571,444
Accrued expenses	153,867
Due to private and third-party payors (note 15)	896,437
Patients' funds and deposits payable	55,049
Operating lease payable (note 11)	1,119,917
Due to prior owner (note 8)	<u>76,001</u>
Total current liabilities	5,372,715

Operating lease payable (note 11)	11,960,643
Due to related entities (note 12)	<u>13,699,052</u>
Total liabilities	31,032,410

Members' deficiency	<u>(5,313,887)</u>
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TOTAL LIABILITIES AND MEMBERS' DEFICIENCY	\$ <u><u>25,718,523</u></u>
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SUMMIT RIDGE CARE LLC
(a limited liability company)
STATEMENTS OF EARNINGS AND MEMBERS' DEFICIENCY
YEAR ENDED DECEMBER 31, 2023

Revenues	\$	17,545,722
Operating expenses		<u>16,909,935</u>
Earnings from operations		635,787
Non-operating revenues (expenses):		
Interest income		125,722
Interest expense		<u>(47,686)</u>
NET EARNINGS		713,823
Members' deficiency - December 31, 2022		<u>(6,010,710)</u>
		(5,296,887)
Members' equity distributed		<u>(17,000)</u>
MEMBERS' DEFICIENCY - DECEMBER 31, 2023	\$	<u><u>(5,313,887)</u></u>

SUMMIT RIDGE CARE LLC
(a limited liability company)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities	
Net earnings	\$ 713,823
Adjustments to reconcile net earnings to net cash provided by operating activities	
Depreciation	197,152
(Increase) decrease in assets	
Accounts receivable	2,135,939
Prepaid expenses and other	(32,717)
Increase (decrease) in liabilities	
Accounts payable	(145,390)
Accrued expenses and withheld taxes	(26,424)
Due to third-party payors	281,583
Patients' funds payable	(747)
Net cash provided by operating activities	<u>3,123,219</u>
Cash flows from investing activities	
Purchase of property and equipment	(169,269)
Increase in security deposits	1,671
Net cash used in investing activities	<u>(167,598)</u>
Cash flows from financing activities	
Due to related entities	(2,460,814)
Members' equity distributed	(17,000)
Net cash used in financing activities	<u>(2,477,814)</u>
Net increase in cash, restricted cash, and cash equivalents	477,807
Cash, restricted cash, and equivalents - December 31, 2022	<u>538,895</u>
CASH, RESTRICTED CASH, AND EQUIVALENTS - DECEMBER 31, 2023	<u><u>\$ 1,016,702</u></u>

SUMMIT RIDGE CARE LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023

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

Organization and business – Summit Ridge Care LLC (the “Company”) was formed in the State of New Jersey on September 25, 2018. The Company commenced operations of a 152-bed nursing facility in West Orange, New Jersey on September 25, 2018. 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 West Orange, New Jersey, from a related entity.

Basis of accounting – The books and records of the Company are maintained on the accrual basis of accounting 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 cash equivalents be included in beginning and ending cash, restricted cash, and cash 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. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. 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 trade accounts receivable. The Company decreased the allowance for bad debt by approximately \$540,000 in 2023.

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

Income taxes – The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, their 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.

In 2020, the State of New Jersey passed the Business Alternative Income Tax Act (“BAIT”). 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 taxes of \$17,000 during 2023.

SUMMIT RIDGE CARE LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023

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

Government grants – In 2021, the Company adopted ASU-2021-10, 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.”

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

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 the Company expects to be entitled from patients and third-party payors, including Medicaid, Medicare, and insurers (private and Medicare replacement plans), in exchange for providing patient care. The healthcare services in transitional and skilled, home health, and hospice patient contracts include routine services in exchange for a contractual agreed-upon amount or rate. Routine services are treated as a single-performance obligation satisfied over time as services are rendered. As such, patient care services represent a bundle of services that are not capable of being distinct. Additionally, there may be ancillary services, which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

Revenue recognized from healthcare services are adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration. The Company uses the expected value method to determine the variable component that should be used to arrive at the transaction price, using contractual agreements and historical reimbursement experience within each payor type. The amount of variable consideration, which is included in the transaction price may be constrained and is included in the net revenue only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. If actual amounts of consideration ultimately received differ from estimates, the Company adjusts these estimates, which would affect net service revenue in the period such variances become known.

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Guaranteed payments to members – Guaranteed payments to members that are intended as compensation for services rendered are accounted for as expenses of the Company rather than as allocations of the Company’s net earnings. Guaranteed payments that are intended as payments of interest on capital accounts are not accounted for as expenses of the Company, but rather, as part of the allocation of net earnings.

SUMMIT RIDGE CARE LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023

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

Leases – In 2022, the Company adopted ASC-842 Leases. With this adoption, the Company determined which contracts conveyed the Company a right to control identified property, plant, or equipment for a period of time in exchange for consideration and 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 expired or existing operating leases and recorded them as operating leases and all existing leases that were classified as capital leases as financing leases, and (3) initial direct costs for any existing leases.

With implementation, the Company also elected the following practical expedients of (1) using the Company’s implicit borrowing rate (if available at the time of the lease origination; or (2) using a risk-free discount rate (US Treasury Rate) for the lease-derived ROU assets. ROU assets were treated separately from non-lease components of all asset classes. For leases utilizing the risk-free rate expedient, the Company elected to use a period comparable with that of the lease term, as an accounting policy election for all leases. The Company also made an accounting policy election to not record ROU assets or lease liabilities for leases with an initial term of 12 months or less and will recognize payments for such leases in its Statements of Earnings and Member’s Deficiency 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 31, 2024, the date the financial statements were available to be issued. There were no subsequent events identified.

NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

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

Operating cash	\$ 960,647
Restricted cash – patient funds	<u>56,055</u>
Total cash, restricted cash, and cash equivalents	\$ <u>1,016,702</u>

SUMMIT RIDGE CARE LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023

NOTE 3 – PROPERTY AND EQUIPMENT

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

	<u>Life</u> <u>(Years)</u>	
Leasehold improvements	15	\$ 2,966,523
Furniture and fixtures	3-7	<u>276,185</u>
		3,242,708
Less: accumulated depreciation		<u>637,201</u>
		\$ <u>2,605,507</u>

Depreciation expense was \$197,152 for the year.

NOTE 4 – REVENUES

Approximately 2% of the revenues for the year were derived from billings to the New Jersey Department of Health Services for stays by Medicaid patients and, approximately 54% of the revenues for the year were derived from New Jersey Managed Care Organizations.

Approximately 14% of the revenues for the year were derived from 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 a Managed Care Organization (“MCO”) system. Operations entered into contracts with state-approved MCOs that will be paying for all new Medicaid admissions. All subsequent rates will be negotiated between Operations and each MCO.

NOTE 5 – 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. At December 31, 2023, the Company had uninsured cash balances in two banking institutions with uninsured amounts of approximately \$754,000.

At December 31, 2023, the Company had approximately 4% of its receivables due from the New Jersey Department of Health for Medicaid patients, and 37% of its receivables due from MCOs for Medicaid-approved patients, and 27% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2023, approximately 39% of the accounts payable balance was payable to two vendors.

SUMMIT RIDGE CARE LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023

NOTE 6 – ECONOMIC DEPENDENCY

During 2023, the Company purchased a substantial portion of its services from two vendors. Purchases from these vendors totaled approximately \$267,000 and the balance due to these companies, included in accounts payable at December 31, 2023, was approximately \$316,000.

NOTE 7 – ADVERTISING

Advertising expenses were \$46,986 for 2023. There were no direct-response advertising costs either capitalized or expensed.

NOTE 8 – DUE TO PRIOR OWNER

The Company and the prior owner estimated certain closing adjustments, which will be finalized in the future. In addition, the Company had either received payments due to the prior owner or has had recoupments, which the prior owner was required to reimburse. The balance owed to the prior owner at December 31, 2023, was \$76,001.

NOTE 9 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ <u>47,064</u>
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NOTE 10 – LINE OF CREDIT

On August 2020, Operations entered into a revolving line of credit agreement for \$3,000,000 with a maturity date of June 5, 2023. Operations extended the line of credit for an additional twelve months through June 5, 2024. Interest accrues at LIBOR plus 4.25% and is payable on the first day of each consecutive month beginning September 1, 2020. The base rate shall not be less than 0.75%. The interest rate at December 31, 2023, was 8.86%. Interest expense for 2023 was \$42,684. At December 31, 2023, the balance due on the line of credit was \$1,500,000. The loan is personally guaranteed by a member of the Company.

NOTE 11 – LEASE

The Company has operating leases for the nursing facility, office space, equipment, and vehicles. 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 Company used its incremental borrowing rate of 8% to calculate the present value of its operating lease liability. The incremental borrowing rate is based on the information available at the commencement date to determine the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

SUMMIT RIDGE CARE LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023

NOTE 11 – LEASE (CONTINUED)

On July 1, 2022, the Company entered into a ten-year lease agreement for its nursing facility with a related entity. The lease term has consecutive automatic one-year extensions until either party decides to terminate. The annual base rent is 33% of the product obtained by multiplying 1.05 times the sum of (i) the landlord’s annual principal and interest payments with respect to the loan, (ii) the landlord’s annual mortgage insurance premiums with respect to the loan, and (iii) the landlord’s annual deposits for reserves for replacements. All real estate taxes and other property costs are the responsibility of the Company.

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

Operating lease cost	\$ 1,939,209
Short-term/variable lease cost	<u>544,089</u>
Total	\$ <u>2,483,298</u>

OPERATING LEASES

Operating lease ROU assets	\$ <u>13,080,560</u>
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Operating lease current liabilities	\$ 1,119,917
Operating lease long-term liabilities	<u>11,960,643</u>
Total operating lease liabilities	\$ <u>13,080,560</u>

WEIGHTED-AVERAGE REMAINING LEASE TERM

Operating leases	8.5 years
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WEIGHTED-AVERAGE DISCOUNT RATE

Operating leases	8 %
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Undiscounted maturities of lease liabilities were as follows:

For the Years Ended December 31	Operating Lease
2024	\$ 2,125,890
2025	2,125,890
2026	2,125,890
2027	2,125,890
2028	2,125,890
Thereafter	<u>7,440,615</u>
Total undiscounted maturities of lease liabilities	18,070,065
Less: discount on lease liabilities	<u>(4,989,505)</u>
TOTAL LEASE LIABILITIES	\$ <u>13,080,560</u>

The following table presents supplemental cash flow information for the year ended December 31, 2023:

SUMMIT RIDGE CARE LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023

NOTE 11 – LEASE (CONTINUED)

2023 cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$ 1,939,209
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NOTE 12 – RELATED-PARTY TRANSACTIONS

Related-party loans due to affiliated entities that are controlled by the Company’s members were \$12,510,798 at December 31, 2023. Related-party loans due from affiliated entities that are controlled by the Company’s members were \$5,840,089 at December 31, 2023. The loans are deemed to be non-interest-bearing. There is no formal plan for repayment of these demand loans.

The Company recorded \$885,575 of management fees for the year to a related management company, which is related through common ownership. The balance due to the related management company is \$1,188,254 at year-end, and is included in due to related entities.

The Company leases its facility from a related entity (note 11).

NOTE 13 – EMPLOYEE BENEFIT PLAN

On April 1, 2023, the Company implemented a qualified Salary-Reduction Profit-Sharing Plan (the “Plan”) for eligible non-union employees under section 401(K) of the Internal Revenue Code. The Plan provides for voluntary employee contributions through salary reductions and voluntary employer contributions at the discretion of the Company. No employer contributions were made during 2023.

NOTE 14 – OTHER LOANS AND GRANT REVENUE

To help ease the financial burden created by the COVID-19 pandemic, the Company received funding from various Federal government agencies as described below:

The Coronavirus Aid, Relief, and Economic Security (“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 mandated test. The tax credit was equal to a specified percentage of qualified wages paid to employees subject to certain limits. The Company had determined that it qualified for the tax credit and had claimed ERC revenue of \$2,082,233 during 2021. In 2023, the Company recognized additional ERC revenue of \$38,391. During 2023, \$2,120,624 of ERC funds were received from the government and there is no balance due at December 31, 2023. Interest income of approximately \$120,543 was recognized in 2023 in connection with the receipt of these funds. 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 ERC 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 ERC, and it is not possible to determine the impact this would have on the Company.

SUMMIT RIDGE CARE LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023

NOTE 15 – 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.

NOTE 16 – CONTRACTED SERVICES

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

NOTE 17 – 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.

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

The Company, along with other companies related through common ownership, maintains a high-deductible health plan policy, which runs from June 1 through May 31. For the Plan year ended May 31, 2024, the Company was responsible to pay for claims up to \$250,000 per employee, with no aggregate deductibles.

The Company has a corporate credit card with a maximum spending limit of \$150,000. At December 31, 2023, the balance due on the card and included in accounts payable was \$149,498.

The New Jersey Department of Health is currently in the process of revising the methodology used to calculate the Medicaid reimbursement rate paid to the Company. The effect of these revisions on future operations cannot be determined at this time.

NOTE 18 – RISKS AND UNCERTAINTIES

During 2022 and for the first quarter of 2023, inflationary pressures have caused the cost of services and supplies to increase drastically. In response to this, the Federal Reserve Board has increased the federal funds rate from approximately 0.02% in March 2022 to 5.51% by May 2024. This increase has caused the cost of borrowing to jump significantly in a short period of time. If these increased rates continue for the long-term, it could impact the Company's ability to finance its operations in the future.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of
Summit Ridge Care LLC

We have audited the financial statements of Summit Ridge Care LLC (a limited liability company) as of and for the year ended December 31, 2023, and our report thereon dated May 31, 2024, which expressed an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information of revenues, operating expenses, patient days, and payroll and benefits are presented for purposes of additional analysis and are not a required part of the 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 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 financial statements taken as a whole.



May 31, 2024

SUMMIT RIDGE CARE LLC
(a limited liability company)
SUPPLEMENTARY INFORMATION
REVENUES
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
Current year		
Medicaid	\$ 412,593	\$ 265.67
Medicaid - Managed Care	9,538,530	272.49
Private	814,501	342.66
Medicare - Part A	2,131,354	769.16
Medicare Part A bad debts	(196,806)	(71.02)
Insurance	2,086,147	424.88
Veterans	1,284,209	459.63
Hospice	<u>849,734</u>	278.05
Total current year	<u>16,920,262</u>	<u>\$ 322.50</u>
 Miscellaneous		
Therapy	576,131	
Employee Retention Credit	38,391	
Other	<u>10,938</u>	
	<u>625,460</u>	
 TOTAL REVENUES	 <u>\$ 17,545,722</u>	

SUMMIT RIDGE CARE LLC
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
DIRECT PATIENT CARE COST		
Direct routine patient care costs		
Salaries - RN	\$ 356,698	\$ 6.80
- LPN	1,484,788	28.30
- CNA	1,599,017	30.48
Employee benefits	478,721	9.12
Contracted nursing	1,975,494	37.65
	<u>5,894,718</u>	<u>112.35</u>
Routine patient care costs - not directly reported		
Medical supplies	220,066	4.19
Covid expenses	17,412	0.33
Oxygen	6,261	0.12
Enteral Feeding	24,968	0.48
	<u>268,707</u>	<u>5.12</u>
TOTAL DIRECT PATIENT CARE COST	<u>6,163,425</u>	<u>117.47</u>
ANCILLARY PATIENT CARE COSTS		
Radiology and laboratory	29,579	0.56
Therapy services	728,062	13.88
Prescription Drugs (not OTC)	215,247	4.10
Ambulance	39,916	0.76
	<u>1,012,804</u>	<u>19.30</u>
TOTAL ANCILLARY PATIENT CARE COSTS	<u>1,012,804</u>	<u>19.30</u>

SUMMIT RIDGE CARE LLC
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
INDIRECT PATIENT CARE COSTS		
Nursing administration		
Salaries - DON and ADON	\$ 178,853	\$ 3.41
- Nursing supervisors	404,815	7.72
- Medical records	57,489	1.10
- MDS Coordinator	173,354	3.30
- Staffing Coordinator	47,724	0.91
- Other - Nursing Administration	87,348	1.66
Employee benefits	132,127	2.52
Clinical consultants	10,791	0.21
	<u>1,092,501</u>	<u>20.82</u>
 Workforce-related costs - patient care		
Direct patient care recruitment	42,855	0.82
	<u>42,855</u>	<u>0.82</u>
 Patient support services		
Food (including supplements)	442,704	8.44
Dietary salaries	532,334	10.15
Employee benefits	74,070	1.41
Dietician	98,400	1.88
Contracted dietary	111,974	2.13
Dietary supplies and services	44,594	0.85
Housekeeping and laundry salaries	409,037	7.80
Employee benefits	56,914	1.08
Contracted laundry	155,350	2.96
Housekeeping and laundry supplies and services	212	0.00
Salaries - social services	113,808	2.17
Employee benefits	15,835	0.30
Social services	900	0.02
Salaries - recreation	183,032	3.49
Employee benefits	25,467	0.49
Contracted recreation	5,187	0.10
Recreation supplies and services	5,141	0.10
Medical director	28,109	0.54
Pharmacy consultant	28,680	0.55
Fire drill	1,360	0.03
Garbage disposal	27,954	0.53
Landscaping/snow removal	24,684	0.47
Exterminating	7,171	0.14
	<u>2,392,917</u>	<u>45.61</u>
 TOTAL INDIRECT PATIENT CARE COSTS	 <u>3,528,273</u>	 <u>67.25</u>

SUMMIT RIDGE CARE LLC
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

ADMINISTRATIVE AND OPERATING COSTS		Per Patient Day
Property operating costs		
Salaries - Maintenance	\$ 122,185	\$ 2.33
Employee benefits	17,001	0.32
Maintenance supplies and services	132,757	2.53
Gas	32,795	0.63
Electric	93,227	1.78
Water and sewer	84,092	1.60
Cable	28,726	0.55
Telephone	9,742	0.19
Real estate tax	505,780	9.64
Property insurance	34,650	0.66
	<u>1,060,955</u>	<u>20.22</u>
 Administrative and operating costs		
Administrator	159,818	3.05
Employee benefits	22,237	0.42
Salaries - Office	261,895	4.99
Employee benefits	36,441	0.69
Contracted office	97,408	1.86
Data processing	180,469	3.44
Management fees	885,575	16.88
Office supplies and expenses	29,737	0.57
Insurance	212,155	4.04
Legal	67,137	1.28
Travel	15,503	0.30
Consulting	301,497	5.75
Miscellaneous	19,856	0.38
License, dues, and seminars	24,368	0.46
	<u>2,314,096</u>	<u>44.11</u>
 TOTAL ADMINISTRATIVE AND OPERATING COSTS	 <u>3,375,051</u>	 <u>64.33</u>

SUMMIT RIDGE CARE LLC
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
CAPITAL COSTS		
Depreciation	\$ 197,152	\$ 3.76
Rent	1,939,209	36.96
Equipment lease	38,309	0.73
TOTAL CAPITAL COSTS	<u>2,174,670</u>	<u>41.45</u>
NON-ALLOWABLE COSTS		
Medicaid assessment tax	658,859	12.56
Bad debt expense	(51,553)	(0.98)
Marketing	46,986	0.90
Non-allowable miscellaneous	1,420	0.03
TOTAL NON-ALLOWABLE COSTS	<u>655,712</u>	<u>12.50</u>
TOTAL OPERATING EXPENSES	<u>\$ 16,909,935</u>	<u>\$ 322.30</u>

**SUMMIT RIDGE CARE LLC
(a limited liability company)
SUPPLEMENTARY INFORMATION
PATIENT DAYS
YEAR ENDED DECEMBER 31, 2023**

		Percent of Total
SKILLED NURSING FACILITY		
Medicaid	1,553	2.96%
Medicaid - Managed Care	35,005	66.72%
Private	2,377	4.53%
Medicare - Part A	2,771	5.28%
Insurance	4,910	9.36%
Veterans	2,794	5.33%
Hospice and Respite	3,056	5.82%
	52,466	100.00%
 Percent occupancy - 152 beds	 94.57%	

SUMMIT RIDGE CARE LLC
(a limited liability company)
SUPPLEMENTARY INFORMATION
SCHEDULES OF PAYROLL AND BENEFITS
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
SALARIES		
RN	\$ 356,698	\$ 6.80
LPN	1,484,788	28.30
CNA	1,599,017	30.48
DON and ADON	178,853	3.41
Nursing supervisors	404,815	7.72
Medical Records	57,489	1.10
MDS Coordinator	173,354	3.30
Staffing Coordinator	47,724	0.91
Dietary	532,334	10.15
Housekeeping & laundry salaries	409,037	7.80
Social services	900	0.02
Recreation	183,032	3.49
Maintenance	122,185	2.33
Administrator	159,818	3.05
Nursing administrator	87,348	1.66
Office	261,895	4.99
TOTAL SALARIES	\$ <u>6,059,287</u>	\$ <u>115.49</u>
EMPLOYEE BENEFITS		
Employee benefits	\$ 138,701	
Payroll taxes	573,598	
Workers' compensation	146,514	
TOTAL EMPLOYEE BENEFITS	\$ <u>858,813</u>	
TOTAL EMPLOYEE BENEFITS AS A PERCENT OF SALARIES		<u>14.17%</u>