CRANFORD PARK CARE

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Management
Cranford Park Care

I have audited the accompanying consolidated financial statements of **Cranford Park Care**, which comprise the consolidated balance sheet as of December 31, 2023 and the related consolidated statements of operations and members' equity and cash flows for year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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; this includes 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.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Cranford Park Care** as of December 31, 2023, and the consolidated results of its operations, changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information
My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Far Rockaway, New York
December 23, 2024

ASSETS	
Current assets:	
Cash & Equivalents	$ 106,951
Resident accounts receivable, net of allowance of $30,200	1,845,081
Prepaid expenses and other current assets	31,067
Mortgage escrow	105,973
Total current assets	2,089,072
Fixed assets, at cost:	
Land	970,000
Building	8,931,505
Furniture, fixtures and equipment	440,000
Less: accumulated depreciation	(468,835)
Net fixed assets	9,872,670
Other assets:	
Restricted cash - patient funds	30,796
Construction in progress	12,220
Total other assets	43,016
Total Assets	**$ 12,004,758**

LIABILITIES AND MEMBERS' EQUITY	
Current liabilities:	
Current portion of mortgages payable	$ 127,733
Accounts payable	994,404
Accrued expenses	196,132
Due to members	344,589
Resident funds payable	30,796
Total current liabilities	1,693,654
Non-current liabilities:	
Mortgages payable, less current portion	$ 8,079,367
Less: unamortized debt issuance costs	(201,082)
Mortgages payable net of unamortized debt issuance costs	7,878,285
Total liabilities	9,571,939
Commitments (Note 7)	
Members' Equity	2,432,819
Total Liabilities and Members' Equity	**$ 12,004,758**

Revenue	
Net resident service revenue	$ 8,713,571
Total Revenue	8,713,571
Operating Expenses	
Payroll	4,155,429
Employee expenses	1,065,974
Professional care	469,842
Dietary and housekeeping	382,507
Property expenses	1,458,462
General and administrative	872,313
Bad debt expense	408,336
Total Operating Expenses	8,812,863
Net loss	(99,292)
Members' Equity - Beginning	2,898,611
Less: distributions to members	(366,500)
Members' Equity - Ending	$ 2,432,819

Cash Flows from Operating Activities	
Net loss	$ (99,292)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation	387,639
Amortization of debt issuance costs	14,624
Provision for bad debt	408,336
Changes in operating assets and liabilities:	
Accounts receivable	(1,137,041)
Prepaid expenses and other current assets	239,779
Accounts payable	75,467
Accrued expenses	111,289
Resident funds payable	(8,110)
Net Cash Used in Operating Activities	(7,309)
Cash Flows from Investing Activities	
Purchase of property and equipment	-
Purchase of intangible assets	-
Net Cash Used in Investing Activities	-
Cash Flows from Financing Activities	
Repayments of mortgages payable, net	(63,400)
Payments to members, net	(21,911)
Net Cash Used in Financing Activities	(85,311)
Net Change in Cash	(92,620)
Cash - Beginning	336,340
Cash - Ending	$ 243,720

1. Organization, Nature of Business and Basis of Presentation:

The consolidated financial statements of Cranford Park Care (the "Company") reflect the operations and balances of the following affiliated entities:

a) Cranford Operating LLC ("Operations") was organized in the State of New Jersey in March 2022 as a limited liability company to operate a skilled nursing facility (the "Facility") in Cranford, New Jersey. The Facility is licensed to operate 100 skilled nursing beds.

b) Cranford Park Propco LLC ("Realty"), was organized in the State of New Jersey in March 2022 to hold title to the Facility and in turn lease the Facility to Operations.

c) Cranford Opco Holdings LLC ("Holdings"), was organized in the State of New Jersey in March 2022 to serve as a holding company for Operation and Realty.

Operations and Realty are wholly-owned by Holdings.

All significant intra-entity transactions and profits or losses have been eliminated in the consolidation.

2. Summary of Significant Accounting Policies:

Use of Estimates - The presentation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Newly Adopted Accounting Standards - On January 1, 2023, the Company adopted FASB Accounting Standards Update (ASU) 2016-13, "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments" (ASC 326). ASC 326 requires an entity to provide an estimate of credit losses for the remaining life of a financial asset using historical data, current conditions, and reasonable and supportable forecasts. It generally applies to financial assets measured at amortized cost, including trade receivables. Such assets are presented at the net amount expected to be collected by using an allowance for credit losses.

Cash and Cash Equivalents - The Company considers all highly liquid, short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Restricted Cash - Patient Funds - The balance represents amounts held on behalf of the patients.

Accounts Receivable - Accounts receivable is due from patients and third-party payors (including health insurers and government programs). Management considers the following factors when determining the collectability of account balances: customer creditworthiness, transaction history, industry trends, and changes in payment terms. Balances due over 120 days and other high-risk amounts are reviewed for collectability. If the financial condition of the Company's customers or third-party payors were to deteriorate, adversely affecting their ability to make payments, additional allowances would be made. The Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances remaining after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Receivables from customers do not bear interest. Payment terms and collection patterns are short-term, and there are no significant financing components. Net receivables due from customers at December 31, 2023 were $1,845,081. The Company does not have contract assets or liabilities arising from contracts with customers.

Property and Depreciation - Property is stated at cost. Depreciation is computed on the straight-line method at rates adequate to allocate the cost of the assets over their estimated useful lives. Land improvements are depreciated over 15 years. Building and improvements are depreciated over 27.5 years. Machinery and equipment are depreciated over five years.

Debt Issuance Costs - The Company presents unamortized debt issuance costs as a deduction from the carrying amount of the related debt. Debt issuance costs are amortized using the straight-line method over the term of the related debt and are included in interest expense.

2. Summary of Significant Accounting Policies (cont.):

Revenue Recognition - In accordance with ASC Topic 606, Revenue from Contracts with Customers, the Company applies a principles-based five-step model to recognize revenue upon the transfer of control of promised goods and services to customers and in an amount that reflects the consideration expected to be entitled to in exchange for those goods and services. The five-step model includes: 1) identifying the contract(s) with a customer; 2) identifying the performance obligations in the contract; 3) determining the transaction price; 4) allocating the transaction price to the performance obligations in the contract; and 5) recognizing revenue when (or as) the obligation is satisfied.

Patient revenue represents the consideration the Company expects to be entitled to in exchange for providing patient care, which includes nursing care provided by registered professional nurses, bed and board, physical therapy, occupational therapy, speech therapy, social services, medications, supplies, equipment, and other services necessary for the health of the patient. These amounts are due from patients and third-party payors (including health insurers and government programs). Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Generally, the Company bills patients and third-party payors several days after the services are performed or after the patient is discharged from the facility.

Revenue is recognized as performance obligations are satisfied, which generally occurs on a per day basis for the goods and services provided to the patient.

The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors. The Company determines their estimates of contractual adjustments based on contractual agreements and historical experience. Agreements with third-party payors provide for payments at amounts less than established charges. Payments are based on prospectively determined daily rates, established fee schedules, discounts from established charges, or cost-reimbursement methodologies subject to certain limits.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, health care organizations may receive requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, can result in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge an organization’s compliance with these laws and regulations, and it is not possible to determine the impact such claims or penalties would have upon an organization. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims. Settlements with third-party payors for retroactive adjustments are reflected as adjustments to revenue in the year they become known. There were no significant adjustments arising from settlements or a change in transaction price at December 31, 2023.

Advertising - Advertising costs are expensed when incurred. Advertising expense for the year ended December 31, 2023 was $1,608.

Income Taxes - All the affiliated limited liability companies are treated as partnerships for federal and state income tax purposes. Accordingly, no provision has been made for federal and state income tax because any income tax is the responsibility of each respective member.

Bed Tax - New Jersey skilled nursing facilities are assessed an annual tax based on the number of licensed beds. The tax is included in general and administrative expenses.

Subsequent Events - Management has evaluated subsequent events through November 26, 2024, the date that the consolidated financial statements were available to be issued.

3. Concentrations of Risk:

a) The Company grants credit without collateral to its residents, most of whom are insured under third-party payor agreements. For the year ended December 31, 2023, approximately 74% of revenue was derived from billings to New Jersey’s Department of Health for stays by Medicaid residents, 19% from billings to the federal government for stays by Medicare residents, and 7% from billings for stays by residents with private health insurance. As of December 31, 2023, approximately 62% of the Company’s total receivables were from New Jersey’s Department of Health, 9% from the federal government, and 29% from private health insurers.

b) The Company maintains cash balances at a financial institution. At times, the balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

4. Mortgage and Term Loan Agreement:

a) Mortgage Loan - On September 30, 2022, in connection with the Company's acquisition of the Facility, Realty entered into a Loan and Security Agreement (the "Loan Agreement") with Liberty CP2 SPV, LP ("Liberty"). Per the terms of the Loan Agreement, Liberty loaned $3,405,500 to Realty as an interim loan until Realty obtains a mortgage loan with the U.S. Small Business Administration Note ("SBA"). On February 7, 2023, Realty finalized its loan agreement with the SBA for $3,499,000 (the "Mortgage Loan"). The mortgage is payable in monthly installments of principal and interest at 4.98% and is due at maturity on March 1, 2048. The mortgage is secured by a first mortgage on Realty's property. The loan is subject to an exit fee of up to 4.93% of the outstanding loan for the first ten years.

b) Term Loan - Per the terms of the Loan Agreement, Liberty loaned $4,865,000 (the "Term Loan"). The mortgage is payable at a fixed amount of $43,816 monthly installments of principal and interest at 9.75% and is due at maturity on April 1, 2026. The mortgage is secured by a second mortgage on Realty's property. The Loan Agreement is guaranteed by the Company and two of its members.

At December 31, 2023, $8,207,100 was due under the Loan Agreement. Future maturities of the Loan Agreement at December 31, 2023 are as follows:

Year Ending December 31,	Amount
2024	$ 127,733
2025	131,553
2026	4,745,823
2027	86,987
2028	91,421
Thereafter	3,023,583
Total future principal payments	$ 8,207,100

5. Due to Members:

The balance due to members at December 31, 2023, is non-interest bearing and due on demand.

6. Related Party Transactions:

a) Due to Members - See Note 5.

b) Due to/from Intra-Entities - The amounts due to/from intra-entities are non- interest bearing, due on demand and have been eliminated in the consolidated financial statements.

c) Lease Agreements - See Note 1b.

d) Management Fees – The Company pays a management fee of approximately 5% of gross revenues to an affiliated entity under common ownership and management.

7. Commitments:

a) COVID-19 Pandemic - As a result of the spread of COVID-19, economic uncertainties have arisen. At this time, the extent to which COVID-19 may impact the Company's financial position, results of operations, and cash flows is uncertain.

b) Guarantee - See Note 4.

8. Cash Flow Information:

a) Cash payments for interest from the Acquisition Date through December 31, 2023 totaled $638,733.

b) In accordance with ASC Topic 230, Statement of Cash Flows, the following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statement of financial position that sum to such amounts in the consolidated statement of cash flows.

The following summarizes all payers and their percentage of revenue for the year ended December 31, 2023:

Cash	$ 106,951
Restricted cash	136,769
Total cash and restricted cash presented in the consolidated statement of cash flows	$ 243,720

SUPPLEMENTARY INFORMATION

		Per Patient Day
Payroll:		
Administrative and office	$ 453,445	$ 18.00
Nursing	2,541,588	103.40
Therapies	361,506	14.71
Social Services	48,906	1.99
Recreation	142,932	5.81
Housekeeping and laundry	251,715	10.24
Dietary	355,337	14.46
Total payroll	4,155,429	168.61
Employee expenses:		
Employee benefits	$ 570,485	$ 23.21
Workers comp insurance	93,548	3.81
Payroll taxes	401,941	16.35
Total employee expenses	1,065,974	43.37
Professional care:		
Prescription drugs	$ 117,567	$ 4.78
Medical supplies	85,015	3.46
Contracted nursing services	240,274	9.78
Contracted therapy services	14,608	0.59
Patient recreation and transportation	12,378	0.50
Total professional care	469,842	19.11
Dietary and housekeeping:		
Food	$ 252,521	$ 10.27
Other dietary expenses	98,460	4.01
Housekeeping	21,701	0.88
Grounds	4,244	0.17
Contracted laundry services	5,581	0.23
Total dietary and housekeeping	382,507	15.56
Bad debt expense		
Bad debt	$ 408,336	$ 16.61
Total bad debt expense	408,336	16.61

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		Per Patient Day
Property expenses:		
Maintenance	$ 240,659	$ 9.79
Real estate taxes	87,100	3.54
Interest	653,357	26.58
Utilities	89,707	3.65
Depreciation & amortization	387,639	15.77
Total property expenses	1,458,462	59.33
General and administrative:		
Advertising	$ 1,608	$ 0.07
Auto and travel	4,219	0.17
Bank fees	14,159	0.58
Contracted administrative services	63,573	2.59
Dues and subscription	995	0.04
Insurance	247,227	10.06
Licences and fees	14,403	0.59
Office and miscellaneous expense	7,917	0.32
Professional fees	71,228	2.90
Management fees	344,589	14.02
Recruiting fees	8,502	0.35
Bed tax	93,893	3.82
Total general and administrative	872,313	35.51
Total operating expenses	$ 8,812,863	$ 358.10

Patient service revenue, net:	
Medicaid	$ 368,997
Medicaid MLTSS	4,000,007
Medicare	2,430,064
Medicare, HMO	656,380
HMO	515,818
Private	680,996
Total patient service revenue, net	8,652,262
Ancillary patient revenue	61,309
Total patient revenue, net	$ 8,713,571