



MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

SHORE GARDENS REHABILITATION AND NURSING CENTER, LLC

Financial Statements

Year Ended December 31, 2023

Shore Gardens Rehabilitation and Nursing Center, LLC

Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members,
Shore Gardens Rehabilitation and Nursing Center, LLC:

Opinion

We have audited the accompanying financial statements of Shore Gardens Rehabilitation and Nursing Center, LLC, 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 Shore Gardens Rehabilitation and Nursing Center, 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 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 Shore Gardens Rehabilitation and Nursing Center, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shore Gardens Rehabilitation and Nursing Center, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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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 Shore Gardens Rehabilitation and Nursing Center, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shore Gardens Rehabilitation and Nursing Center, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Martin Friedman CPA, PC

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

Brooklyn, NY

August 20, 2024

Shore Gardens Rehabilitation and Nursing Center, LLC

Balance Sheet

December 31, 2023

Assets

Cash	\$ 41,427	
Accounts Receivable (Net)	4,306,028	
Prepaid Expenses	245,347	
Exchanges	38,932	
Total Current Assets		\$ 4,631,734
Leasehold Improvements	404,625	
Furniture & Equipment	569,580	
	974,205	
Less: Accum. Depreciation & Amortization	258,138	
Total Fixed Assets		716,067
Right-of-Use Asset	29,007,592	
Goodwill (Net)	1,000,000	
Patients' Trust Fund	64,268	
Total Other Assets		30,071,860
Total Assets		\$ 35,419,661

Liabilities and Equity

Accounts Payable	1,077,407	
Lease Liabilities	807,737	
Equipment Loans Payable	52,019	
Accrued Payroll	440,954	
Accrued Expenses & Taxes	11,182	
Due to Realty	889,067	
Total Current Liabilities		\$ 3,278,366
Lease Liabilities	28,199,855	
Equipment Loans Payable	167,242	
Due to Realty	2,014,105	
Patients' Trust Fund Payable	60,439	
Total Long Term Liabilities		30,441,641
Members' Equity		1,699,654
Total Liabilities & Members' Equity		\$ 35,419,661

Shore Gardens Rehabilitation and Nursing Center, LLC
Statement of Operations
For the year ended December 31, 2023

Total Revenue From Patients		\$ 15,788,125
Operating Expenses:		
Payroll	\$ 6,579,669	
Employee Benefits	1,205,019	
Professional Care	1,441,298	
Dietary & Housekeeping	600,972	
Plant & Maintenance	3,983,518	
General & Administrative	<u>1,531,578</u>	
Total Operating Expenses		<u>15,342,054</u>
Income From Operations		446,071
Other Income		<u>21,997</u>
Net Income		\$ <u>468,068</u>

Shore Gardens Rehabilitation and Nursing Center, LLC

Statement of Members' Equity

For the year ended December 31, 2023

Members' Equity:

Balance as of Beginning of Period	\$ 1,231,586
Net Income for the Period	<u>468,068</u>
Total Members' Equity - End of Period	\$ <u>1,699,654</u>

Shore Gardens Rehabilitation and Nursing Center, LLC
Statement of Cash Flows
For the year ended December 31, 2023

Cash Flows From Operating Activities:

Net Income		\$ 468,068
Adjustments to reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation & Amortization		124,666
Bad Debt Provision		250,000
(Increase) Decrease In:		
Accounts Receivable	\$ (1,244,324)	
Prepaid Expenses	34,809	
Increase (Decrease) In:		
Accounts Payable	378,728	
Accrued Payroll & Withholding Taxes	149,703	
Accrued Expenses & Taxes	(163,399)	
Other Payables	15,322	
Exchanges	(25,616)	
Due to Prior Owner	(206)	
Total Adjustments		<u>(854,983)</u>
Net Cash Used In Operating Activities		<u>(12,249)</u>
Cash Flows From Investing Activities:		
Capital Expenditures	(354,524)	
Other Assets	1,670	
Net Cash Used In Investing Activities		<u>(352,854)</u>
Cash Flows From Financing Activities		
Increase In Short Term Debt	52,019	
Increase In Long Term Debt	167,242	
Other Liabilities	(5,499)	
Net Cash Provided By Financing Activities		<u>213,762</u>
Net Change In Cash		(151,341)
Cash - Beginning of Period		<u>192,768</u>
Cash - End of Period		\$ <u>41,427</u>
Supplemental Disclosures:		
Interest Paid		\$ 53

Shore Gardens Rehabilitation and Nursing Center, LLC
Notes to Financial Statements

1) Organization:

Shore Gardens Rehabilitation and Nursing Center, LLC, a limited liability company, is licensed by the New Jersey State Department of Health to run and operate a 149 bed skilled nursing facility located in Toms River, New Jersey. The Facility began operations in August 2021.

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, 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.

Fixed Assets -

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

Patient Care Revenue -

Major portions of the Facility's revenue are derived from payments under the Medicaid and Medicare programs. Revenue received from these programs is based in part on cost reimbursement principles which are subject to judgmental interpretation and to audits which could result in an adjustment to revenue. Medicare final settlements are reflected as charges or credits to operating revenues in the year finalized.

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.

Shore Gardens Rehabilitation and Nursing Center, LLC
Notes to Financial Statements

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

Accrued Payroll -

Most employees earn credits during the current year for vacations to be taken in the following year. The expense for this liability is accrued during the year vacations are earned rather than in the year vacations are taken.

Resident's Funds –

Residents' funds are held by the Facility on behalf of the residents. Such funds represent allowances received by residents as well as other residents' funds deposited with the Facility for safekeeping. These funds are disbursed by the Facility at the request of, or on behalf of, residents for their personal use.

Income Taxes -

Shore Gardens Rehabilitation and Nursing Center, LLC is treated as a partnership for income tax purposes, and as such the members are taxed separately on their distributive share of the Facility's income whether or not that income is actually distributed.

Advertising –

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense for the year ended December 31, 2023 was \$32,271.

3) **Accounts Receivable:**

The Facility grants credit, without collateral, to its patients, the majority of whom are insured under third-party payor agreements. The amount of receivables from patients and third-party payors at December 31, 2022 was as follows:

Medicaid Patients	\$ 1,343,395
Medicare Patients	319,290
Commercial Patients	1,977,729
Private Patients	<u>1,065,614</u>
	4,706,028
Less: Allowance for Doubtful Accounts	<u>(400,000)</u>
Total	\$ <u>4,306,028</u>

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 accounts receivable.

Shore Gardens Rehabilitation and Nursing Center, LLC
Notes to Financial Statements

4) Nursing Home User Fee:

In 2023, all New Jersey facilities were assessed a provider assessment tax of \$14.67 per patient day. Concurrently with the tax assessment, the State prospectively calculated a revenue add-on to the Medicaid rate.

5) Uncertainty in Income Taxes:

Management has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

6) Right-of Use Asset and Lease Liability:

The Facility's operating lease right-of-use asset and operating lease liability relate to a building lease.

The Facility holds a 30 year lease with Shore Gardens Realty, LLC (a related company) expiring in March 2051. Terms of the lease call for basic rental payments equal to the sum of the monthly mortgage loan payment multiplied by 1.05, plus any other obligations applicable to the property such as, but not limited to, real estate taxes, property insurance, etc. The parties may agree to increase or decrease the multiple, provided that the multiple may never be less than zero.

The Facility recognizes lease expense for this operating lease on a straight-line basis over the lease term. The lease expense for 2023 was \$3,282,577.

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 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, 2023. As of December 31, 2023, the Facility's operating lease liability and corresponding asset was \$29,007,592, of which \$807,737 of the liability was considered short term.

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

2024	\$1,383,375
2025	1,383,375
2026	1,383,375
2027	1,383,375
2028	1,383,375
For the Years Thereafter	\$30,780,094

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.

Shore Gardens Rehabilitation and Nursing Center, LLC
Notes to Financial Statements

7) Subsequent Events:

The Facility has evaluated subsequent events through August 20, 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
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Members,
Shore Gardens Rehabilitation and Nursing Center, LLC:

Our report on our audit of the basic financial statements of Shore Gardens Rehabilitation and Nursing Center, LLC 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 pages 12 through 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Martin Friedman CPA, PC

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

Brooklyn, NY

August 20, 2024

Shore Gardens Rehabilitation and Nursing Center, LLC
Supplementary Schedules
For the year ended December 31, 2023

Revenue From Patients:

Private	\$ 1,623,128	
Medicaid	11,355,028	
Medicare	3,059,969	
Provision for Bad Debts	<u>(250,000)</u>	
Total Revenue From Patients		\$ 15,788,125

Other Income:

Interest	13,090	
Other	<u>8,907</u>	
Total Other Income		<u>21,997</u>

Total Revenue		\$ <u>15,810,122</u>
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Shore Gardens Rehabilitation and Nursing Center, LLC
Supplementary Schedules
For the year ended December 31, 2023

Payroll:

Administrative & Office	\$	703,718	
Nursing		3,906,506	
Therapies		441,568	
Social Services		174,329	
Recreation		363,464	
Dietary		486,984	
Housekeeping		292,949	
Laundry		103,475	
Maintenance		<u>106,676</u>	
Total Payroll	\$		<u>6,579,669</u>

Employee Benefits:

Payroll Taxes		673,368	
Workmen's Compensation		164,790	
Non-Union Pension		2,750	
Employee Benefits		<u>364,111</u>	
Total Employee Benefits	\$		<u>1,205,019</u>

Professional Care:

Prescription Drugs		113,340	
Medical Supplies		89,674	
Contracted Nursing Service		1,033,483	
Fees & Expenses		<u>204,801</u>	
Total Professional Care	\$		<u>1,441,298</u>

Shore Gardens Rehabilitation and Nursing Center, LLC
Supplementary Schedules
For the year ended December 31, 2023

Dietary & Housekeeping:

Food	\$ 388,910	
Other Dietary Expenses	124,212	
Laundry	37,664	
Housekeeping	<u>50,186</u>	
Total Dietary & Housekeeping		\$ <u>600,972</u>

Plant & Maintenance:

Rent	3,300,217	
Equipment Rentals	60,666	
Real Estate Tax	138,312	
Light, Heat & Power	167,302	
Maintenance	107,412	
Contracted Maintenance Services	17,425	
Security	6,708	
Water & Sewer Charges	60,810	
Depreciation & Amortization	<u>124,666</u>	
Total Plant & Maintenance		\$ <u>3,983,518</u>

General & Administrative:

Office	149,543	
Computer Services	114,273	
Telephone	20,932	
Dues & Subscriptions	9,669	
Auto & Travel	20,586	
Professional Fees	87,695	
Insurance	380,825	
Sales Tax	17,867	
Nursing Home User Fee	661,969	
Advertising	32,271	
Miscellaneous	<u>35,948</u>	
Total General & Administrative		\$ <u>1,531,578</u>