

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(a limited liability company)**

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
BALANCE SHEET	3
STATEMENTS OF EARNINGS AND MEMBERS' EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	14
SUPPLEMENTARY INFORMATION:	
REVENUES	15
OPERATING EXPENSES	16
PATIENT DAYS	20
SCHEDULES OF PAYROLL AND BENEFITS	21

INDEPENDENT AUDITORS' REPORT

To the Members of
Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company

Opinion

We have audited the accompanying financial statements Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company (a limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statements of earnings and members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company as of December 31, 2023, and the results of the operations and 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 Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company, 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 Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company'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 Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company'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 Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company'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.

Brand Sonnenschein LLP

November 22, 2024

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(a limited liability company)
BALANCE SHEET
AT DECEMBER 31, 2023**

ASSETS

Current assets

Cash and cash equivalents (note 2)	\$ 646,211
Cash - restricted (patient funds) (note 2)	30,028
Accounts receivable - less allowance for doubtful accounts of \$351,900	671,156
Due from prior owner (note 11)	409,339
Due from related entities (note 8)	15,408
Prepaid expenses	220,418
Total current assets	<u>1,992,560</u>

Property and equipment - net (note 3)	1,189,088
Security deposit	8,000
Right-of-use asset - operating lease (note 5)	<u>5,823,578</u>

TOTAL ASSETS	<u><u>\$ 9,013,226</u></u>
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LIABILITIES AND MEMBERS' EQUITY

Current liabilities

Accounts payable	\$ 874,563
Accrued expenses and withheld taxes	251,565
Due to private and third-party payors (note 13)	333,902
Patients' funds payable	30,028
Due to related entities (note 8)	315,750
Due to landlord (note 8)	910,758
Operating lease payable (note 5)	35,321
Total current liabilities	<u>2,751,887</u>

Operating lease payable (note 5)	<u>5,788,257</u>
Total liabilities	8,540,144

Members' equity	<u>473,082</u>
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TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 9,013,226</u></u>
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**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(a limited liability company)
STATEMENTS OF EARNINGS AND MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2023**

Revenues	\$	9,004,571
Operating expenses		<u>8,732,593</u>
Earnings from operations		271,978
Non-operating revenue (expense)		
Interest income		1,340
Interest expense		<u>(3,761)</u>
NET EARNINGS		269,557
Members' equity - December 31, 2022		<u>203,525</u>
MEMBERS' EQUITY - DECEMBER 31, 2023	\$	<u><u>473,082</u></u>

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(a limited liability company)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

Cash flows from operating activities	
Net earnings	\$ 269,557
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation	2,443
Decrease in assets	
Accounts receivable	696,041
Prepaid expenses	4,578
Increase (decrease) in liabilities	
Accounts payable	242,032
Accrued expenses	(97,230)
Due to private and third-party payors	166,211
Due to landlord	318,334
Net cash provided by operating activities	<u>1,601,966</u>
Cash flows from investing activities	
Purchase of property and equipment	(1,137,129)
Increase in security deposits	(8,000)
Due to related entities	(121,592)
Net cash used in investing activities	<u>(1,266,721)</u>
Cash flows from financing activities	
Due to related parties	(3,873)
Due from prior owner	102,581
Net cash provided by financing activities	<u>98,708</u>
Net increase in cash, restricted cash, and cash equivalents	433,953
Cash, restricted cash, and cash equivalents - December 31, 2022	<u>242,286</u>
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - DECEMBER 31, 2023	<u>\$ 676,239</u>

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(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 – Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company (the “Company”) was formed on August 3, 2021, without a finite life. On June 1, 2022, the Company commenced operations. The Company leases the land and building from a related entity, in Riverton, New Jersey. The Company is licensed to operate a long-term care facility consisting of 60 long-term care beds and 62 comprehensive personal care beds. 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 Companies to continue at the will of the General Members, unless sooner terminated as provided in the agreement.

For 2023, Skilled nursing sales represented 73% of the Company’s total sales revenue, while assisted living sales represented 27% of total sales revenue.

Basis of accounting – The books and records of the Company are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Restricted cash – patient funds – The Company adopted Financial Accounting Standards Board 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. In 2023, the allowance increased by approximately \$282,000.

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

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 payers, 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.

RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(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)

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 in determining the variable component that should be used to arrive at the transaction price, using contractual agreements and historical reimbursement experience within each payer 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, estimates are adjusted, which would affect net service revenue in the period such variances become known.

Income taxes – The Company is treated as a partnership for federal and state income tax purposes and do not incur income taxes. Instead, earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations. The financial statements do not reflect a provision for income taxes. The policy of the Company is to record interest expenses and penalties relating to income taxes in operating expense. For the year ended December 31, 2023, there were no income tax-related interest or penalty expenses and no accrued interest and penalties.

In 2020, the State of New Jersey passed the Business Alternative Income Tax (“BAIT”) Act. This law allowed LLCs to pay tax due on partnership earnings instead of on the individual owners return. The tax rates are graduated and range from 5.675% to 10.9% of earnings. The Company did not record any New Jersey State BAIT income tax during 2023.

Estimates – The preparation of financial statements in conformity with the 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.

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

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.

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(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 2023, the Company adopted ASC-842 Leases. With 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. 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 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 November 22, 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	\$	646,211
Restricted cash – patient funds		<u>30,028</u>
Total cash, restricted cash, and cash equivalents	\$	<u>676,239</u>

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(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:

	Life (Years)		
Leasehold improvements	15	\$	1,187,201
Furniture and equipment	5-7		<u>5,200</u>
			1,192,401
Less: accumulated depreciation			<u>3,313</u>
		\$	<u><u>1,189,088</u></u>

Included in leasehold improvements is \$1,155,600 of construction in progress, which will be depreciated upon completion of the project when assets are placed into service in 2024. Depreciation expense was \$2,443 for the year.

NOTE 4 – REVENUES

During 2023, approximately 2% of the revenues were derived from billings to the New Jersey Department of Health for stays by Medicaid patients and during 2023 approximately 39% of the revenues were derived from billings to the New Jersey Managed Care Companies (“MCO’s”).

During 2023, approximately 28% of the revenues were derived from billings to the Federal government for stays by Medicare patients covered by Part A and for services provided, which are covered by Medicare Part B.

As a result of appeals and changes in interim rates of prior years, adjustments were made to interim rates received in prior years. These adjustments resulted in an increase in revenues of \$176,991 for the year.

Effective July 2014, the New Jersey Department of Human Services changed its reimbursement methodology to a MCO. The Company entered into contracts with state-approved MCO’s that will be paying for all new Medicaid admissions. All subsequent rates will be negotiated between the Company and each MCO.

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023**

NOTE 5 – LEASES

The Company has operating leases for the nursing facility, and equipment. 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 and finance 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 10.50% to calculate the present value of its operating lease liability. The incremental borrowing rate is based on the information available at the commencement date in determining 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.

The Company leases the facility from a related entity, related through common ownership. The initial lease term is for thirty years and expires in April 2052, with optional extensions for two successive ten-year periods. The lease provides for an annual base rent of 1.05 multiplied by the sum of the required monthly interest, principal, sinking fund payments, taxes, insurance, capex reserve, and other payments. Aggregate rent expense under this lease for 2023 was \$1,035,818.

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

Operating lease cost	\$	639,533
Short-term lease cost		16,605
Variable lease cost		<u>499,170</u>
Total	\$	<u>1,155,308</u>

OPERATING LEASES

Operating lease ROU assets	\$	<u>5,823,578</u>
Operating lease current liabilities	\$	35,321
Operating lease long-term liabilities		<u>5,788,257</u>
Total operating lease liabilities	\$	<u>5,823,578</u>

WEIGHTED-AVERAGE REMAINING LEASE TERM

Operating leases	28.25 years
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WEIGHTED-AVERAGE DISCOUNT RATE

Operating leases	10.50%
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**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023**

NOTE 5 – LEASES (CONTINUED)

Future minimum annual lease payments to be paid under the above lease at December 31, 2023, are as follows:

2024	\$ 639,533
2025	639,533
2026	639,533
2027	639,533
2028	639,533
Thereafter	<u>14,869,138</u>
Total undiscounted maturities of lease liabilities	18,066,803
Less: discount on lease liabilities	<u>(12,243,225)</u>
TOTAL LEASE LIABILITIES	\$ <u>5,823,578</u>

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

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$ 653,848
Supplemental non-cash information on lease liabilities resulting from obtaining right-of-use assets	
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 5,855,393

NOTE 6 – LINE OF CREDIT

On April 1, 2022, the Company entered into a revolving line of credit agreement in the amount of \$500,000, with the line initially set to mature on April 1, 2024. On December 22, 2023, the maturity date was extended through June 1, 2025. Interest accrues at a rate of SOFR plus 3.25%. At December 31, 2023, no funds were drawn by the Company. The loan is personally guaranteed by certain members of the Company.

NOTE 7 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at a financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000, per entity. At December 31, 2023, the Company had uninsured bank balances of approximately \$430,000.

At December 31, 2023, the Company had approximately 1% of its receivables due from the New Jersey Department of Health, approximately 30% of its receivables due from the MCO’s, and approximately 26% of its receivables due from the Federal government for Medicare recipients.

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023**

NOTE 7 – CONCENTRATION OF CREDIT RISK (CONTINUED)

At December 31, 2023, approximately 11% of the accounts payable was payable to one vendor.

NOTE 8 – RELATED-PARTY TRANSACTIONS

Related-party loans owed to affiliated entities that are controlled by the Company's members were \$202,165 at December 31, 2023. Related-party loans due from affiliated entities that are controlled by the Company's members were \$15,408 at December 31, 2023. The loans were deemed to be non-interest-bearing and are expected to be repaid in the near future.

The Company recorded \$441,136 of management fees to a related company for 2023. The balance due to the related management company and included in due to related entities at December 31, 2023, was \$113,585.

The Company leases the property from Riverside Propco L.L.C., a related entity, related through common ownership, (note 5). The balance due to the related landlord at December 31, 2023, was \$910,758.

NOTE 9 – ECONOMIC DEPENDENCY

In 2023, the Company purchased a substantial portion of its services from two vendors. Purchases from these vendors were approximately \$1,965,000. The balances due to the vendors and included in accounts payable at December 31, 2023, was approximately \$169,000.

NOTE 10 – ADVERTISING

Advertising expenses was \$19,701 for the year. There were no direct response advertising costs either capitalized or expensed.

NOTE 11 – DUE FROM PRIOR OWNER

The Company had either received payments due to the previous owner or has made the recoupments, which the previous owner was required to reimburse. The balance due from the prior owner at December 31, 2023, was \$409,339.

NOTE 12 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ <u>3,761</u>
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RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2023

NOTE 13 – 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 14 – 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 until the time they are made. Any such adjustments, therefore, are reflected in revenues in the period they are determined.

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

There were no corporate credit cards used by the Company.

Effective October 1, 2020, and extending through June 30, 2023, the New Jersey Medicaid rate was increased by 10% for all skilled nursing facilities. As a condition for being entitled to the rate increase, nursing facilities must expend 60% of the additional funds on wage increases for certified nursing aides providing direct patient care, and 40% on expenses related to COVID-19 preparedness and response. To the extent that the spending requirements are not met, the State will recoup the additional funds received from the rate increase. Management expects to fulfill the requirements to keep these funds.

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.

The Company, along with other companies related through common ownership, maintains a high-deductible health plan policy with stop-loss coverage, which runs on a fiscal year from June 1, through May 31. For the plan year ending May 31, 2024, the companies on the plan are responsible for deductibles of the first \$100,000 of claims for each employee. The plan covers eligible claims above this deductible, with no limit. Once aggregate deductibles reach approximately \$3,021,000, based on the current population of employees, the plan reimburses deductibles, for up to \$1,000,000. The companies are responsible for deductibles in excess of \$1,000,000 above the aggregate deductible. The Company is contingently liable for unpaid claims of its affiliates.

NOTE 15 – RISKS AND UNCERTAINTIES

During 2023 and 2022, 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 0.20% in March 2022 to 4.64% by November 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
Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company

We have audited the financial statements of Riverview Estates Rehabilitation and Senior Living Center Limited Liability Company, as of December 31, 2023, and for the year then ended, and our report thereon dated November 22, 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 contained in the statements of revenues, operating expenses, patient days, and payroll and benefits is presented for purposes of additional analysis of the financial statements, rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is 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 supplementary 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.



November 22, 2024

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(a limited liability company)
SUPPLEMENTARY INFORMATION
REVENUES
YEAR ENDED DECEMBER 31, 2023**

		Per Patient Day
Current year - SNF		
Medicaid	\$ 116,237	\$ 258.30
Medicaid - Managed Care	2,314,919	255.82
Private	1,686,483	371.55
Medicare	1,854,046	683.39
Medicare Part A bad debts	(44,764)	(16.50)
Hospice	174,027	258.20
HMO	<u>122,306</u>	683.27
Total current year - SNF	<u>6,223,254</u>	<u>\$ 353.51</u>
Ancillary - SNF	<u>298,743</u>	
Prior years - SNF		
Medicaid	(49,041)	
Medicare	(7,331)	
Private	54,557	
Insurance	<u>(166)</u>	
Total prior years - SNF	<u>(1,981)</u>	
Current year - ALF		
Medicaid	22,897	\$ 186.15
Medicaid - Managed Care	997,694	122.73
Private	<u>957,688</u>	185.85
Total current year - ALF	<u>1,978,279</u>	<u>\$ 147.58</u>
Ancillary - ALF	<u>322,441</u>	
Prior years - ALF		
Medicaid	7,797	
Medicaid - Managed Care	173,755	
Private	<u>(2,580)</u>	
Total prior years - ALF	<u>178,972</u>	
Other income		
Miscellaneous	<u>4,863</u>	
TOTAL REVENUES	<u>\$ 9,004,571</u>	

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(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	\$ 115,980	\$ 6.59
- LPN	622,767	35.38
- CNA	593,191	33.70
- Other medical staff	51,462	2.92
Employee benefits	241,100	13.70
Contracted nursing	737,436	41.89
	<u>2,361,936</u>	<u>134.18</u>
Routine patient care costs - not directly reported		
Medical supplies	60,464	3.43
Oxygen	3,582	0.20
OTC drugs	13,066	0.74
Incontinency products	25,533	1.45
	<u>102,645</u>	<u>5.82</u>
TOTAL DIRECT PATIENT CARE COST	<u>2,464,581</u>	<u>140.00</u>
ANCILLARY PATIENT CARE COSTS		
Radiology and laboratory	8,379	0.48
Therapy services	555,786	31.57
Prescription drugs	51,916	2.95
TOTAL ANCILLARY PATIENT CARE COSTS	<u>616,081</u>	<u>35.00</u>

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
(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	\$ 132,446	\$ 7.52
- Nursing supervisors	38,318	2.18
- Medical records	20,572	1.17
- MDS Coordinator	84,336	4.79
- Staffing Coordinator	50,204	2.85
- Other - Nursing Administration	87,920	4.99
Employee benefits	72,117	4.10
Clinical consultants	1,948	0.11
	<u>487,861</u>	<u>27.71</u>
 Workforce-related costs - patient care		
Direct patient care recruitment	4,132	0.23
	<u>4,132</u>	<u>0.23</u>
 Patient support services		
Food (including supplements)	202,529	11.50
Salaries - Dietary	375,404	21.32
Employee benefits	65,426	3.72
Contracted dietary	34,490	1.96
Dietary supplies and services	40,051	2.28
Salaries - Housekeeping and laundry	266,570	15.14
Employee benefits	46,458	2.64
Housekeeping and laundry supplies and services	25,532	1.45
Salaries - Social services	68,827	3.91
Employee benefits	11,995	0.68
Salaries - Recreation	122,231	6.94
Employee benefits	21,303	1.21
Contracted recreation	5,855	0.33
Recreation supplies and services	3,766	0.21
Medical director	27,900	1.58
Pharmacy consultant	14,621	0.83
Fire drill	2,800	0.16
Garbage disposal	20,653	1.17
Landscaping/snow removal	17,044	0.97
Exterminating	5,401	0.31
	<u>1,378,856</u>	<u>78.31</u>
 TOTAL INDIRECT PATIENT CARE COSTS	 <u>1,870,849</u>	 <u>106.25</u>

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
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SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023**

		Per Patient Day
ADMINISTRATIVE AND OPERATING COSTS		
Property operating costs		
Salaries - Maintenance	\$ 143,232	\$ 8.14
Employee benefits	24,963	1.42
Maintenance supplies and services	149,074	8.47
Gas	65,360	3.71
Electric	124,194	7.05
Water and sewer	59,883	3.40
Cable	17,237	0.98
Telephone	12,017	0.68
Real estate tax	102,885	5.84
Property insurance	32,060	1.82
	<u>730,905</u>	<u>41.51</u>
 Administrative and operating costs		
Salaries - Administrator	134,633	7.65
Employee benefits	23,464	1.33
Salaries - Office	238,894	13.57
Employee benefits	41,635	2.37
Contracted office	119,635	6.80
Data processing	104,200	5.92
Office and postage	2,269	0.13
Management fees	441,136	25.06
Office supplies and expenses	26,437	1.50
Insurance	158,854	9.02
Accounting	29,300	1.66
Legal	93,673	5.32
Advertising	19,701	1.12
Travel	11,259	0.64
Miscellaneous	8,489	0.48
License, dues, and seminars	21,296	1.21
	<u>1,474,875</u>	<u>83.78</u>
 TOTAL ADMINISTRATIVE AND OPERATING COSTS	 <u>2,205,780</u>	 <u>125.29</u>

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
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SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023**

		Per Patient Day
CAPITAL COSTS		
Depreciation	\$ 2,443	\$ 0.14
Rent	1,035,818	58.84
Equipment lease	16,605	0.94
TOTAL CAPITAL COSTS	<u>1,054,866</u>	<u>59.92</u>
NON-ALLOWABLE COSTS		
Medicaid assessment tax	213,052	12.10
Bad debt expense	291,164	16.54
Non-allowable miscellaneous	16,220	0.92
TOTAL NON-ALLOWABLE COSTS	<u>520,436</u>	<u>29.56</u>
TOTAL OPERATING EXPENSES	<u>\$ 8,732,593</u>	<u>\$ 496.02</u>

**RIVERVIEW ESTATES REHABILITATION AND SENIOR LIVING CENTER
LIMITED LIABILITY COMPANY
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SUPPLEMENTARY INFORMATION
PATIENT DAYS
YEAR ENDED DECEMBER 31, 2023**

		Percent of Total
SKILLED NURSING FACILITY		
Medicaid	450	2.56%
Medicaid - Managed Care	9,049	51.40%
Private	4,539	25.78%
Medicare	2,713	15.41%
HMO	179	1.02%
Hospice	674	3.83%
	<u>17,604</u>	<u>100.00%</u>
Percent occupancy - 60 beds	<u>80.38%</u>	
 ASSISTED LIVING FACILITY		
Medicaid	123	0.92%
Medicaid - Managed Care	8,129	60.64%
Private	5,153	38.44%
	<u>13,405</u>	<u>100.00%</u>
Percent occupancy - 62 beds	<u>59.24%</u>	