MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

ESSEX GARDEN GROUP, LLC
D/B/A ALLIANCE CARE REHABILITATION AND NURSING CENTER

Financial Statements

Year Ended December 31, 2024

Essex Garden Group, LLC
D/B/A Alliance Care Rehabilitation and Nursing Center

Year Ended December 31, 2024

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members,
Essex Garden Group, LLC
D/B/A Alliance Care Rehabilitation and Nursing Center :

Opinion

We have audited the accompanying financial statements of Essex Garden Group, LLC D/B/A Alliance Care Rehabilitation and Nursing Center , which comprise the balance sheet as of December 31, 2024, and the related statement of income, members' deficit, 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 Essex Garden Group, LLC D/B/A Alliance Care Rehabilitation and Nursing Center as of December 31, 2024, 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 Essex Garden Group, LLC D/B/A Alliance Care Rehabilitation and Nursing Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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Independent Auditors' Report Continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Essex Garden Group, LLC D/B/A Alliance Care Rehabilitation and Nursing Center 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Essex Garden Group, LLC D/B/A Alliance Care Rehabilitation and Nursing Center 's ability to continue as a going concern for a reasonable period of time.

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

Martin Friedman CPA, PC

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

Brooklyn, NY

August 14, 2025

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Essex Garden Group, LLC
D/B/A Alliance Care Rehabilitation and Nursing Center
Balance Sheet
December 31, 2024

Assets		
Cash	$ 695,809	
Accounts Receivable	4,562,833	
(Net of Allowance for Credit Losses of $400,000)		
Prepaid Expenses	44,663	
Total Current Assets		$ 5,303,305
Leasehold Improvements	3,084,953	
Furniture & Equipment	172,634	
	3,257,587	
Less: Accum. Depreciation & Amortization	1,060,083	
Total Fixed Assets		2,197,504
Right-of-Use Asset	13,097,967	
Security Deposits	28,212	
Goodwill	4,673,894	
Patients' Trust Fund	45,199	
Total Other Assets		17,845,272
Total Assets		**$ 25,346,081**
Liabilities and Equity		
Lease Liabilities	$ 4,306,347	
Accounts Payable	5,256,410	
Accrued Payroll	842,163	
Accrued Expenses & Taxes	15,752	
Due to Prior Owner	386,503	
Due To Realty	7,290,830	
Exchanges	402,261	
Loans Payable - Related Parties	3,065,158	
Total Current Liabilities		$ 21,565,424
Line Of Credit	2,870,564	
Construction Loan	2,753,555	
Lease Liabilities	8,791,620	
Loans Related Party	490,000	
Patients' Trust Fund Payable	45,199	
Total Long Term Liabilities		14,950,938
Members' Deficit		(11,170,281)
Total Liabilities & Members' Deficit		**$ 25,346,081**

See accompanying notes to the financial statements.

Essex Garden Group, LLC

D/B/A Alliance Care Rehabilitation and Nursing Center

Statement of Operations

For the year ended December 31, 2024

Total Revenue From Patients		$ 23,355,503
Operating Expenses:		
Payroll	$ 9,310,838	
Employee Benefits	1,877,953	
Professional Care	2,115,945	
Dietary & Housekeeping	1,642,778	
Plant & Maintenance	6,330,807	
General & Administrative	5,440,724	
Total Operating Expenses		26,719,045
Loss From Operations		(3,363,542)
Other Income		300,692
Net Loss		**$ (3,062,850)**

See accompanying notes to the financial statements.

Essex Garden Group, LLC

D/B/A Alliance Care Rehabilitation and Nursing Center

Statement of Members' Deficit

For the year ended December 31, 2024

Members' Deficit:		
Balance as of Beginning of Period	$	(8,107,431)
Net Loss for the Period		(3,062,850)
Total Members' Deficit - End of Period	**$**	**(11,170,281)**

See accompanying notes to the financial statements.

Essex Garden Group, LLC
D/B/A Alliance Care Rehabilitation and Nursing Center
Statement of Cash Flows
For the year ended December 31, 2024

Cash Flows From Operating Activities:		
Net Loss		$ (3,062,850)
Adjustments to reconcile Net Loss to		
Net Cash Provided by Operating Activities:		
Depreciation & Amortization		635,670
(Increase) Decrease In:		
Accounts Receivable	$ 893,755	
Prepaid Expenses	442,032	
Increase (Decrease) In:		
Accounts Payable	977,857	
Accrued Payroll	(128,835)	
Accrued Expenses & Taxes	(59,159)	
Due To Realty	(175,000)	
Exchanges	292,088	
Due to Prior Owner	359,570	
Total Adjustments		2,602,308
Net Cash Provided By Operating Activities		175,128
Cash Flows From Investing Activities:		
Capital Expenditures	(158,475)	
Net Cash Used In Investing Activities		(158,475)
Net Change In Cash		16,653
Cash - Beginning of Period		679,156
Cash - End of Period		**$ 695,809**
Supplemental Disclosures:		
Interest Paid		$ 467,022

See accompanying notes to the financial statements.

1) **Organization:**

On December 20, 2021, Essex Garden Group, LLC purchased the license to operate a 212 bed skilled nursing facility that is located in the State of New Jersey, and is licensed by New Jersey Department of Health.

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 based on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Cash and Cash Equivalents and Concentration of Credit Risk –

Cash and Cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of three months or less. The Facility maintains cash at financial institutions which periodically exceed Federal Deposit Insurance limits during the year.

Property and Equipment –

Property and equipment are stated at cost. Fully depreciated assets are written off against accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Goodwill and Other Intangible Assets -

Intangible assets subject to amortization are net of their accumulated amortization based upon their estimated useful lives. The Facility has classified as goodwill the excess of the purchase price over the fair value of the assets acquired. Goodwill and other intangible assets with indefinite useful lives are not amortized. They are tested, at a minimum, annually for impairment and adjusted accordingly.

Patient Care Revenue Recognition -

Revenue for services provided to residents is recognized at the amount the Facility expects to receive in exchange for providing care to the residents. This revenue includes amounts due from residents, third-party payors (such as health insurers and government programs), and incorporates variable considerations for potential retroactive adjustments resulting from audits and reviews. Typically, the Facility bills residents and third-party payors a few days after services are provided or when the resident no longer requires care. Revenue is recognized as performance obligations are fulfilled.

Patient Care Revenue Recognition (Continued) -

Performance obligations are identified based on the nature of the services provided. For obligations satisfied over time, revenue is recognized based on the percentage of completion method, i.e., actual charges incurred relative to the total expected charges. This approach is believed to accurately reflect the transfer of services throughout the performance obligation period, particularly for residents receiving post-acute care services in the Facility.

Revenue for performance obligations fulfilled at a specific point in time is generally recognized when goods are provided to residents in a retail setting (e.g., personal care services and additional meals not included in the resident contract) and when no further goods or services are required.

The transaction price is determined based on standard charges for services rendered, adjusted for contractual allowances given to third-party payors, discounts for uninsured residents per the Facility's charity care policy, and implicit price concessions for uninsured residents. Estimates for contractual adjustments and discounts are based on contractual agreements, Facility policies, and historical data. Implicit price concessions are estimated from historical collection experiences with each group of residents.

Revenues are recorded based on current billings of the estimated net realizable amounts from patients, third-party payors and others for services rendered. Settlements for retroactive adjustments due to audits or investigations are considered variable considerations and are included in the transaction price estimation for resident services. These settlements are estimated based on agreements with payors, relevant correspondence, and historical settlement activities. Adjustments are made in subsequent periods as new information becomes available or when cases are settled. Such adjustments, if any, will be reflected in revenues in the period in which they are received.

Changes to transaction price estimates are recorded as adjustments to resident service revenue in the period of change. Adverse changes in residents' ability to pay, as well as any estimates of future adverse changes, are recorded as credit loss expense and included in general and administrative expenses.

Agreements with major third-party payors typically stipulate payments at amounts lower than established charges. A summary of the payment arrangements with key payors includes:

- **Medicare:** Certain in-resident post-acute care services are reimbursed at predetermined rates per service, influenced by clinical and diagnostic factors. Other services are reimbursed based on cost-reimbursement methodologies, with physician services paid according to established fee schedules. Medicare revenue primarily consists of fixed regional rates adjusted for patient acuity, subject to audit verification.

- **Medicaid:** Under the current statewide pricing methodology, Medicaid revenue is based on the rate in effect as of July 1, 2014. The State has made statewide adjustments in some years, but the rates are not subject to audit.

  In January 2014, New Jersey implemented a managed care Medicaid formula, requiring Medicaid patients to enroll in managed long-term care plans. The State's executive budget mandates that managed care companies pay rates no less than the current Medicaid methodology, with New Jersey Department of Health calculating these rates annually.

Patient Care Revenue Recognition (Continued) -

- **Other:** Payment agreements with various commercial insurance carriers, health maintenance organizations, and preferred provider organizations typically provide for payment based on predetermined rates per service, discounts from standard charges, and daily rates.

Residents covered by third-party payors are generally responsible for deductibles and coinsurance, which can vary. The Facility also serves uninsured residents and offers discounts as required by policy or law. Estimates of transaction prices for these residents are based on historical data and market conditions. Revenue from resident's deductibles and coinsurance are included in the preceding categories based on the primary payor.

Compliance with government regulations, particularly concerning Medicare and Medicaid, is complex and can be subject to interpretation. Facilities may receive requests for information and notices of alleged noncompliance, leading to potential settlement agreements. Future regulatory reviews may result in fines, penalties, and/or exclusion from programs. The Facility believes they are currently in compliance with all applicable laws and regulations.

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.

Compensated Absences -

The Facility recognizes a liability for compensated absences when the employees have earned the rights to the leave through their service, the leave is expected to be used in the future, and the amount can be reasonably estimated. Compensated absences include accrued vacation and sick leave as well as personal time off. The liability is calculated based on the employee's current pay rate and number of remaining unused days. As of December 31, 2024, the liability for compensated absences amounted to $353,400, which is included in the total accrued payroll liability of $842,163.

Income Taxes –

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

Advertising:

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense amounted to $113,545 for the year ended December 31, 2024.

Uncertainty in Income Taxes –

Management has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ended December 31, 2022 and subsequent remain subject to examination by applicable taxing authorities.

3) **Accounts Receivable and Allowance for Credit Losses:**

The Facility grants credit, without collateral, to its patients, the majority of whom are insured under third-party payor agreements. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The amount of receivables from patients and third-party payors at December 31, 2024 was as follows:

Accounts Receivable

Medicaid Patients	$	485,982
Medicare Patients		1,076,050
Private & HMO Patients		3,400,801
Less: Allowance for Credit Losses		(400,000)
Total	**$**	**4,562,833**

Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on the current expected credit loss (CECL) model. Credit losses that are expected to occur in the future are recognized at the time the receivable is recorded. The Facility uses a pooled approach to group together receivables with similar risk characteristics into portfolios categorized by major payor class. Estimated credit losses are calculated based on historical loss data for each portfolio as well as current and forecasted economic conditions. Management periodically reviews the allowance to ensure it accurately reflects the expected credit losses. Any adjustments that are needed are recognized currently as credit loss expense. 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.

Allowance for Credit Losses

Balance, January 1, 2024	$	400,000
Provision for expected credit losses		956,071
Write-offs charged against the allowance		(956,071)
Balance December 31, 2024	**$**	**400,000**

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

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

The building lease is a non arms length agreement between Essex Garden Group, LLC and Essex Realty Garden Group, LLC,. The lease commenced on December 20, 2021, and expires on December 20, 2027. The lease is automatically extended for one year terms upon expiration unless either party terminates the lease. The lease calls for annual rent of $4,200,000 and for the rent to increase 2% each year on the annual anniversary of the lease. For the year ended December 31, 2024, the lease expense was $3,657,255.

4) **Right-of-Liability Use Asset and Lease Liability (Continued):**

The Facility determines the present value of the remaining lease payments using the US Treasury risk-free rate at the time of adoption of the Standard, which was 1.37%. 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, 2024. As of December 31, 2024, the Facility's operating lease liability and corresponding asset was $13,097,967, of which $4,306,347 of the liability was considered short term.

The Facility's future minimum lease payments as of December 31, 2024 are as follows:

2025	$	4,457,074
2026		4,546,215
2027		4,637,139
Total Minimum Future Rentals	$	13,640,428

5) **Line of Credit:**

On December 20, 2021, the Facility along with other related entities collectively obtained a $6,000,000 revolving line of credit, from Truist Bank to be used for working capital. The line bears interest at the Daily Simple SOFR. The entities assets are used as collateral on the loan. The entities are jointly and severally liable for the line, and the line is personally guaranteed by the members of the entities. Interest only payments are due monthly until the maturity date of December 20, 2026, when all outstanding principal and interest will be due. The balance on the line of credit as of December 31, 2024 was $5,000,000, of which $2,870,564 has been recorded on the Facility's books, and the current interest rate was 7.60%.

6) **Construction Loan:**

On December 20, 2021, the Facility along with other related entities collectively entered into a construction loan agreement with Truist Bank to borrow up to $16,574,473 to be used for various improvements. The loan bears interest at the Daily Simple SOFR. The entities assets are used as collateral on the loan. The entites are jointly and severally liable for the loan, and the loan is personally guaranteed by the members of the entities. Interest only payments are due monthly until the maturity date of December 20, 2026, when all outstanding principal and interest will be due. The balance on the loan as of December 31, 2024 was $16,374,473, of which $2,753,555 has been recorded on The Facilty's books, and the current interest rate was 7.60%.

7) **Related Party Transactions:**

The Facility shares services with other related nursing facilities provided through Excelsior Care Group, LLC. The total cost for these services was $1,144,953 for the year ended December 31, 2024.

The Facility purchased pharmaceutical products from Specialty Rx, Inc. The total cost for these products was $370,119 for the year ended December 31, 2024.

8) **Operating Leases**:

The Facility leases various equipment (nursing, office, maintenance, etc.) under operating leases ranging from 12 months to 60 months. Rent expense for the year ended December 31, 2024 was $431,332.

9) **Covenants:**

The loans from Truist Bank have, and are, being paid on a timely basis. The loans contain covenants which have not been met. The loans are therefore in technical default. The bank has not taken any action as of the date of this financial statement.

10) **Subsequent Events:**

The Facility has evaluated subsequent events through August 14, 2025, 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,
Essex Garden Group, LLC
D/B/A Alliance Care Rehabilitation and Nursing Center :

Our report on our audit of the basic financial statements of Essex Garden Group, LLC D/B/A Alliance Care Rehabilitation and Nursing Center for 2024 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 14 through 16 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

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August 14, 2025

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Essex Garden Group, LLC

D/B/A Alliance Care Rehabilitation and Nursing Center

Supplementary Schedules

For the year ended December 31, 2024

Revenue From Patients:		
Private & HMO	$ 2,745,340	
Medicaid	13,349,756	
Medicare	7,260,407	
Total Revenue From Patients		$ 23,355,503
Other Income (Expense):		
Prior Period Expense	(394,287)	
Interest	9,032	
Other	685,947	
Total Other Income (Expense)		300,692
Total Revenue		**$ 23,656,195**

Essex Garden Group, LLC
D/B/A Alliance Care Rehabilitation and Nursing Center
Supplementary Schedules
For the year ended December 31, 2024

Payroll:

Administrative & Office	$ 567,521	
Nursing	6,435,075	
Therapies	843,559	
Social Services	329,715	
Recreation	276,625	
Dietary	665,010	
Maintenance	193,333	
Total Payroll		**$ 9,310,838**

Employee Benefits:

Payroll Taxes	1,001,827	
Workmen's Compensation	224,417	
Employee Benefits	651,709	
Total Employee Benefits		**1,877,953**

Professional Care:

Prescription Drugs	317,280	
Medical Supplies	535,447	
Fees & Expenses	1,228,054	
Transportation	35,164	
Total Professional Care		**2,115,945**

Essex Garden Group, LLC
D/B/A Alliance Care Rehabilitation and Nursing Center
Supplementary Schedules
For the year ended December 31, 2024

Dietary & Housekeeping:		
Food	$ 400,818	
Other Dietary Expenses	146,211	
Laundry	549,868	
Housekeeping	7,630	
Contracted Housekeeping Services	538,251	
Total Dietary & Housekeeping		**$ 1,642,778**
Plant & Maintenance:		
Rent	3,657,255	
Equipment Rentals	333,688	
Real Estate Tax	557,734	
Light, Heat & Power	295,018	
Maintenance	590,827	
Contracted Maintenance Services	45,812	
Security	12,287	
Water & Sewer Charges	202,516	
Depreciation & Amortization	635,670	
Total Plant & Maintenance		**6,330,807**
General & Administrative:		
Office	321,840	
Contracted Office Services	206,416	
Management Fees	2,431,037	
Computer Services	97,644	
Telephone	14,759	
Professional Fees	85,558	
Insurance	380,143	
Interest	467,022	
Nursing Home User Fee	680,336	
Advertising	113,545	
Credit Losses	556,071	
Miscellaneous	86,353	
Total General & Administrative		**5,440,724**