



**RUNNELLS OPERATING LLC**  
**(a limited liability company)**

**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2024**

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
Runnells Operating LLC

### Opinion

We have audited the accompanying financial statements of Runnells Operating LLC (a limited liability company), which comprise the balance sheet as of December 31, 2024, 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 Runnells Operating LLC 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 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 Runnells Operating LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Runnells Operating 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 Runnells Operating 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.

*Bond Smarshinski LLP*

July 7, 2025

**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**BALANCE SHEET**  
**AT DECEMBER 31, 2024**

**ASSETS**

**Current assets**

Cash and cash equivalents (note 2)	\$ 1,046,795
Cash - restricted (patient funds) (note 2)	419,366
Accounts receivable - net (note 3)	3,475,485
Prepaid expenses and other	1,013,164
<b>Total current assets</b>	<u>5,954,810</u>

Property and equipment - net (note 4)	2,795,482
Security deposits	3,500
Right-of-use asset (note 6)	25,894,119
Due from related entities (note 7)	<u>3,249,014</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 37,896,925</u></u>
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**LIABILITIES AND MEMBERS' EQUITY**

**Current liabilities**

Accounts payable	\$ 4,006,011
Accrued expenses	1,148,694
Accrued and withheld taxes	119,252
Patients' funds payable	247,929
Due to related entity (note 7)	664,747
Operating lease obligation (note 6)	1,280,128
Due to private and third-party payors	3,276,312
<b>Total current liabilities</b>	<u>10,743,073</u>

Security deposits payable	8,100
Operating lease obligation (note 6)	<u>24,613,991</u>
<b>Total liabilities</b>	35,365,164

<b>Members' equity</b>	<u>2,531,761</u>
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<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u><u>\$ 37,896,925</u></u>
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**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**STATEMENTS OF EARNINGS AND MEMBERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2024**

Revenues		\$ 28,506,945
Operating expenses		<u>28,387,987</u>
Earnings from operations		118,958
<b>Non-operating revenue</b>		
Interest income		<u>54,570</u>
<b>NET EARNINGS</b>		173,528
Members' equity - December 31, 2023		<u>2,324,612</u>
		2,498,140
Net members' equity contributed		<u>33,621</u>
<b>MEMBERS' EQUITY - DECEMBER 31, 2024</b>		<u><u>\$ 2,531,761</u></u>

See accompanying notes to the financial statements.

**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2024**

<b>Cash flows from operating activities</b>	
Net earnings	\$ 173,528
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization	809,945
<b>Decrease in assets</b>	
Accounts receivable	1,308,972
Prepaid expenses and other	111,156
<b>Increase (decrease) in liabilities</b>	
Accounts payable	(63,058)
Accrued expenses and withheld taxes	178,842
Due to private and third-party payors	715,783
Patients' funds payable	6,763
<b>Net cash provided by operating activities</b>	<u>3,241,931</u>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	(69,152)
Loans to related entities	(1,823,795)
<b>Net cash used in investing activities</b>	<u>(1,892,947)</u>
<b>Cash flows from financing activities:</b>	
Loans from related entity	787,529
Repayment of member loan	(1,300,000)
Members' equity contributed	195,621
Members' equity distributed	(162,000)
<b>Net cash used in financing activities</b>	<u>(478,850)</u>
<b>Net increase in cash, restricted cash, and cash equivalents</b>	870,134
Cash, restricted cash, and cash equivalents - December 31, 2023	<u>596,027</u>
<b>CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - DECEMBER 31, 2024</b>	<u><u>\$ 1,466,161</u></u>

See accompanying notes to the financial statements.

**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**Organization and business** – Runnells Operating LLC (the “Company”) was formed in the State of New Jersey, on June 3, 2014. The Company commenced operations of a 300-bed nursing facility in Berkeley Heights, New Jersey on June 3, 2014. The members of the Company are generally protected from liability for acts and obligations of the Company. The operating agreements provide, among other things, for the Company to continue at the will of the General Members, unless sooner terminated as provided in the agreement. The Company leases land, a building, and rights to its license in Berkeley Heights, New Jersey, from a related entity.

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

**Cash equivalents** – Cash equivalents represent short-term investments with original maturity dates of three months or less.

**Restricted cash – patient funds** – The Company adopted Financial Accounting Standards Board (“FASB”) standard “ASU-2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.” This standard requires that cash, restricted cash, and cash equivalents be included in beginning and ending cash, restricted cash and cash equivalents on the statement of cash flows. The Company is required to maintain patient funds in a separate restricted account. The amount at all times must be equal to or exceed the aggregate of all outstanding obligations to the patients.

**Trade accounts receivable** – Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company has adopted Accounting Standards Update (“ASU”) No. 2016-13, Measurement of Credit Losses on Financial Instruments, and its related amendments using the prospective method. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. In accordance with Accounting Standards Codification (“ASC”) 326, the Company evaluates certain criteria, including aging and historical write-offs, current economic condition of specific payors and future economic conditions to determine the appropriate allowance for credit losses. The impact of the adoption of ASC 326 to the Company's opening balance of net assets was not material.

**Property and equipment** – Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the asset are capitalized.

**Goodwill** – The Company has adopted ASU 2014-02 Intangibles-Goodwill and Other (Topic 350): Accounting for Goodwill. With this adoption, the Company began amortizing goodwill on a straight-line basis over a weighted average ten-year period. The Company tests goodwill for impairment if a triggering event occurs, instead of using its prior method of performing an annual test for impairment. If a triggering event occurs, the Company will test for impairment by comparing the fair market value of the

**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

Company at the entity level vs. the recorded value of its goodwill for determining if the Company had experienced an impairment loss.

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

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

**Income taxes** – The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations. The policy of the Company is to record interest expense and penalties relating to income taxes in operating expenses.

In 2020, the State of New Jersey passed the Business Alternative Income Tax Act (“BAIT”). This law allowed LLCs to pay tax due on partnership earnings instead of on the individual owners return. The tax rates are graduated and range from 5.675% to 10.9% of earnings. The Company recorded \$162,000 of New Jersey BAIT taxes during 2024, which were included in distributions.

**Government grants** – In 2022, the Company adopted ASU-2021-10, Government Assistance (Topic 832: Disclosures by Business Entities about Government Assistance). The Company’s accounting policy for government grants is to follow International Accounting Standards No. 20 – “Accounting for Government Grants and Disclosure of Government Assistance.”

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

**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

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

**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.

**Leases** – The Company adopted ASC-842 Leases. With this adoption, the Company determined which contracts conveyed the Company a right to control identified property, plant, or equipment for a period of time in exchange for consideration were deemed leases. The Company classified these contracts as Right-of-Use (“ROU”) assets. ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term with lease expense recognized on a straight-line basis.

Lease agreements may contain rent escalation clauses, rent holidays, or certain landlord incentives, including tenant improvement allowances. ROU assets include amounts for scheduled rent increases and may be reduced by lease incentive amounts. Using the transition approach, the Company elected to use the following practical expedients and, therefore, did not reassess any of the following: (1) whether any expired or existing contracts are or contain leases, (2) the lease classification of pre-ASC-842 operating leases, which continue to be reported as operating leases, and the lease classification of pre-ASC-842 capital leases, which are now reported 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 (Loss) 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.

**Variable interest entity** – In 2022, the Company adopted Accounting Standards Update (ASU) 2018-17, Consolidation (Topic 810) - Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements. Under this accounting policy, the Company elects not to evaluate for consolidation a real estate leasing company that is related to the Company through common ownership. Consequently, the 2024 financial statements do not reflect the effect, if any, of having consolidated the real estate leasing company.

**Subsequent events** – The Company has reviewed subsequent events and transactions for potential recognition and disclosure in the financial statements through July 7, 2025, the date the financial statements were available to be issued. No subsequent events have been identified.

**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS**

The balance in cash, restricted cash, and cash equivalents at December 31, 2024, consists of the following:

Operating cash	\$ 1,046,795
Restricted cash – patient funds	<u>419,366</u>
Total cash, restricted cash, and cash equivalents	\$ <u>1,466,161</u>

**NOTE 3 – ALLOWANCE FOR CREDIT LOSSES**

The following table summarizes the changes in the allowance for credit losses included in accounts receivable for the year ended December 31, 2024:

**Activity:**

Balance – December 31, 2023	\$ 1,028,000
Provision for credit losses	331,735
Less: write-offs	<u>843,035</u>
Balance – December 31, 2024	\$ <u>516,700</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2024, are summarized as follows:

	Life (Years)	
Leasehold improvements	15	\$ 3,524,642
Furniture and equipment	5	<u>2,062,985</u>
		5,587,627
Less: accumulated depreciation		<u>2,792,145</u>
		\$ <u>2,795,482</u>

Depreciation expense was \$480,278 for the year.

**NOTE 5 – GOODWILL**

The changes in the carrying value of goodwill during the year are as follows:

Historical cost to acquire goodwill	\$ 3,440,000
Less: accumulated amortization	<u>3,440,000</u>
Carrying value – end of year	\$ <u>0</u>

Amortization expense was \$329,667 for the year.

**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 5 – GOODWILL (CONTINUED)**

The Company did not experience any triggering events during the year that required the Company to test the value of its goodwill for impairment.

**NOTE 6 – LEASE**

The Company has an operating lease for the nursing facility. 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 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 risk-free borrowing rate. The Company used its risk-free borrowing rate of 4.06% to calculate the present value of its operating lease liability. The risk-free 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.

Beginning in 2014, the Company occupies its premises under an operating lease from a related entity that is set to expire on December 15, 2039, unless sooner terminated or extended as agreed to by the parties. The lease provides for a monthly base rent equal to 105% of the cost of the debt service and replacement reserve payments of the lessor on the mortgage loan. Effective December 1, 2023, the lease was amended to provide for a fixed annual base rent of \$2,300,000.

The following table is a summary of components of lease expense and year-end ROU assets and lease liabilities relating to operating leases for the year ended December 31, 2024.

Operating lease cost	\$ 2,300,000
Short-term lease cost	<u>81,031</u>
Total	\$ <u>2,381,031</u>

**OPERATING LEASES**

Operating lease ROU assets	\$ <u>25,894,119</u>
Operating lease current liabilities	\$ 1,280,128
Operating lease long-term liabilities	<u>24,613,991</u>
Total operating lease liabilities	\$ <u>25,894,119</u>

**WEIGHTED-AVERAGE REMAINING LEASE TERM**

Operating leases	15 years
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**WEIGHTED-AVERAGE DISCOUNT RATE**

Operating leases	4.06 %
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**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 6 – LEASE (CONTINUED)**

Undiscounted maturities of lease liabilities were as follows:

<b>For the Years Ended December 31</b>	<b>Operating Lease</b>
2025	\$ 2,300,000
2026	2,300,000
2027	2,300,000
2028	2,300,000
2029	2,300,000
Thereafter	<u>23,000,006</u>
Total undiscounted maturities of lease liabilities	34,500,006
Less: discount on lease liabilities	<u>(8,605,887)</u>
<b>TOTAL LEASE LIABILITIES</b>	<b>\$ <u>25,894,119</u></b>

The following table presents supplemental cash flow information for the year ended December 31, 2024:

2024 cash paid for amounts included in  
the measurement of lease liabilities:

Operating cash flows for operating leases	\$ 2,400,000
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**NOTE 7 – RELATED-ENTITY TRANSACTIONS**

Amounts due from related entities controlled by the Company’s members were \$300,612 at December 31, 2024. The loans are deemed to be non-interest-bearing, unsecured, and there is no formal repayment plan for these demand loans.

Amounts due to the Company’s related landlord were \$664,747 at December 31, 2024. The loans are deemed to be non-interest-bearing, unsecured, and are expected to be repaid within one year.

The Company recorded \$500,000 of management fees to related companies in 2024. There was no balance owed to the management companies at December 31, 2024.

During the year, the Company received reimbursement from a related entity for shared services. Total shared services for the year were \$3,217,702. At December 31, 2024, the Company was due \$2,948,402 from the related entity.

**NOTE 8 – LOAN PAYABLE - MEMBERS**

At December 31, 2023, the Company had loans payable to its members in the amount of \$1,300,000. These loans were repaid in 2024.

**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 9 – REVENUES**

Approximately 3% of the revenues in 2024 were derived from billings to the New Jersey Department of Health for stays by Medicaid patients. Approximately 74% of revenues in 2024 were derived from billings to Managed Care Organizations (“MCOs”) that were approved by the New Jersey Department of Health.

Approximately 11% of the revenues in 2024 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, respectively.

Effective July 2014, the New Jersey Department of Human Services changed its reimbursement methodology to an MCO system. The Company entered into contracts with state-approved MCOs that are paying for all new Medicaid admissions. Subsequent rates are negotiated between the Company and each MCO.

**NOTE 10 – RENTAL INCOME**

Effective December, 2014, Operations assumed the existing lease effective August, 2010, for a portion of its property to be used for a cell tower. The lease provides for 4 five-year terms that are automatically renewed unless the tenant notifies Operations of its intention not to renew the lease at least 60 days prior to the expiration of the then current term. The initial rent was \$5,400 per month and there is a 3% increase in the first month of each renewal term. Rental income was \$63,513 for the year, and was included in revenues.

Future minimum annual lease payments to be received under the above leases at December 31, 2024, are as follows:

2025	\$	69,608
2026		70,812
2027		70,812
2028		70,812
2029		70,812
Thereafter		<u>41,307</u>
	\$	<u>394,163</u>

**NOTE 11 – CONCENTRATION OF CREDIT RISK**

The Company maintains its cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2024, the Company had uninsured cash balances in one banking institution with uninsured amounts of approximately \$1,450,000.

At December 31, 2024, the Company had approximately 26% of its receivables due from the New Jersey Department of Health for Medicaid patients, and 45% of its receivables due from MCO’s for Medicaid-approved patients, and 8% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2024, approximately 58% of the accounts payable balance was payable to three vendors.

**RUNNELLS OPERATING LLC**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 12 – ADVERTISING**

Advertising expense was \$39,073 for the year. There were no direct-response advertising costs either capitalized or expensed.

**NOTE 13 – ECONOMIC DEPENDENCY**

In 2024, the Company purchased a substantial portion of its services from one vendor. Purchases from this vendor totaled approximately \$1,323,000. The balance due to this vendor at December 31, 2024, was approximately \$918,000.

**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 as of the date of the financial statements. Such adjustments, if any, will be reflected in revenues in the period in which they are ascertained.

At times, the Company 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.

The Company has two corporate credit cards, which they can use for corporate purchases. The first credit card has an unlimited spending limit and a balance of \$4,573 included in accounts payable at December 31, 2024. The second credit card has an unlimited spending limit and no balance due included in accounts payable at December 31, 2024.

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.

In February 2021, the Company's landlord refinanced its mortgage with a Federal Housing Administration Section 232 mortgage note under the U.S. Department of Housing and Urban Development ("HUD"), in the principal amount of \$23,773,100. As per the terms of the lease, the Company was required to enter into a sub-lessee nursing home regulatory agreement with HUD under which it granted a first lien security interest in all of the assets of the Company.

**RUNNELLS OPERATING LLC**  
**(a limited liability company)**  
**SCHEDULE OF REVENUES**  
**YEAR ENDED DECEMBER 31, 2024**

**Current year**

Medicaid - NJ	\$ 910,940
Medicaid - Managed care	21,167,058
Private	1,974,493
Medicare - Part A	2,429,181
Medicare - Part A bad debts	(245,290)
Hospice	380,809
Insurance	<u>517,805</u>

**Total current year**

27,134,996

**Miscellaneous**

Therapy	1,040,059
Other	<u>331,890</u>
	<u>1,371,949</u>

**TOTAL REVENUES**

\$ 28,506,945