MERRY HEART

Senior Care

Family caring for family

December 15, 2024

Noah Glyn
Executive Director
Office of Health Care Financing
New Jersey Department of Health

Dear Mr. Glyn,

Subject: Submission of Owner-Certified Financial Statement

I am writing to submit the owner-certified financial statement for Mary's Heart, LLC / Merry Heart Nursing Home for the fiscal year ending 12/31/2023. This financial statement has been prepared using the accrual basis of accounting and includes the following components, in accordance with Generally Accepted Accounting Principles (GAAP):

- Balance Sheet
- Statement of Operations or Income
- Statement of Members' Equity
- Statement of Cash Flows

Should you require further information or have any questions, please do not hesitate to contact me at (973) 584 4000 ext. 1481 or blancheb@merryheart.com.

Thank you for your attention to this matter.

Sincerely,

Blanquita Bonifacio

Blanquita Bonifacio, LNHA
Owner / Chief Executive Officer / Administrator
Merry Heart Health Care Center
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Mary's Heart, LLC
Financial Statements
December 31, 2023

Mary's Heart, LLC
Balance Sheet
December 31, 2023

Assets		
Current assets		
Cash	$	1,586,447
Patient accounts receivable, net of allowance for credit losses of $185,167		834,871
Due from affiliates		2,972,636
Prepaid expenses and other current assets		15,096
Total current assets		5,409,050
Property and equipment		
Land, building and equipment, net		2,043,264
Total assets	$	7,452,314
Liabilities and members' equity		
Liabilities		
Accounts payable	$	112,438
Accrued payroll and related taxes		496,480
Due to third party payors		127,271
Other accrued expenses		336,276
Total liabilities (all current)		1,072,465
Members' equity		6,379,849
Total liabilities and members' equity	$	7,452,314

Patient service revenue, net	$ 13,035,269
Operating expenses	
Patient room and board costs	1,070,571
Administration	3,834,211
Plant operations	508,992
Direct patient care costs	6,106,187
Depreciation and amortization	170,829
Rent	840,000
Total operating expenses	12,530,790
Income from operations	504,479
Other income	75,000
Net income	$ 579,479

Balance – January 1, 2023	$	6,040,370
Net income		579,479
Distributions		(240,000)
Balance – December 31, 2023	$	6,379,849

Cash flows from operating activities		
Net income	$	579,479
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization		170,829
Change in allowance for doubtful accounts		3,140
Decrease (increase) in operating assets		
Patient accounts receivable		12,036
Due from affiliates		(37,636)
Prepaid expenses and other current assets		(2,361)
Increase (decrease) in operating liabilities		
Accounts payable		6,444
Accrued payroll and related taxes		198,604
Due to third party payors		28,721
Other accrued expenses		16,166
Net cash provided by operating activities		975,422
Cash flows from investing activities		
Purchase of property and equipment		(470,683)
Net cash used in investing activities		(470,683)
Cash flows from financing activities		
Members' distributions		(240,000)
Net cash used in financing activities		(240,000)
Net increase in cash		264,739
Cash, beginning of year		1,321,708
Cash, end of year	$	1,586,447

Note 1 Nature of Operations

Mary's Heart, LLC (the "Company") operates a long-term skilled nursing facility organized in the State of New Jersey. The Company is a wholly owned subsidiary of Merry Heart Operations, which is a wholly owned subsidiary of Bonnies Corporation.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of 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 revenue and expenses during the period. Actual results could differ from those estimates.

Patient Accounts Receivable
Accounts receivable consists of net patient service revenue billed to Medicaid, Medicare and private paying individuals and/or their insurance carriers. These amounts are recorded at net realizable amounts, and adjustments made by Medicaid, Medicare and/or to individuals' balances are treated as reductions in revenue and receivables. Delinquency is determined based on the nature of the receivable. Initial claims may take up to 90 days to collect while recurring Medicaid and Medicare receivables are usually collected within 30 days, and private pay and/or private insurance reimbursements are usually collected within 60 days. Interest is not charged on past due balances.

Outstanding balances are the result of uncollected billings processed as a result of providing professional patient care. Management assesses the ability of all the prospective patients and third-party payers to pay and provides for an allowance for credit losses based on the probability of default, expected collectability after taking into consideration collection history, business and economic conditions, and reasonable and supportable forecast, and any known existing patient and third-party payer specific circumstances. Balances that are still outstanding after reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

Property and Equipment
Property and equipment are carried at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Equipment, furniture and fixtures are depreciated over 5 – 10 years. Vehicles are depreciated over 5 years. Leasehold improvements are with a lessor under common control and are amortized over 30 years, the estimated useful life of the improvement, as allowed by GAAP.

Note 2 Summary of Significant Accounting Policies (continued)

Due to Third Party Payors
This amount due to third party payors represents the refund due to Medicaid, which were determined in the current period. Amounts due to third party payors in the prior year were due to Medicare and totaled $98,550.

Income Taxes
Mary's Heart, LLC, is a single member limited liability company and treated as a disregarded entity for tax purposes. As a result, no provision for federal or state income taxes has been made to these financial statements.

Revenue Recognition
Revenue is recognized in the period in which performance obligations are satisfied by transferring promised services to patients in amounts that reflect expected consideration for providing patient care, which are the transaction prices allocated to distinct services.

Net patient service revenue generally relates to contracts with a duration of less than one year. Also, generally speaking, these contracts are for services rendered on a monthly basis depending upon the respective payment terms and other conditions established with each patient for services rendered.

Skilled Nursing Facility
The Company is a skilled nursing facility. Services provided include nursing care, room and board, administration of medications, program activities, and in-house therapy services. The Company receives fixed daily rates from governmental and contracted third-party payors and charges a predetermined fixed daily rate for private pay residents. Charges for services are billed monthly. Revenue is recognized based on the services provided.

Ancillary Services
Ancillary services, which are billed monthly, include services related to additional health related services such as physical therapy, occupational therapy, speech therapy, pharmacy, laboratory, x-ray, resident medical supplies, healthy support living and laundry services. Ancillary services also include revenue related to other non-healthcare services such as guest meals, beauty shop charges and resident travel. Revenue from ancillary services is recognized when the performance obligation of providing the service is met. Ancillary services are billed monthly.

Revenue from third party payers is generally subject to an audit. Provisions for estimated settlement and other adjustments are provided in the period the related services are rendered. Differences between estimated amounts accrued and final settlements are reported in net patient service revenue in the year of settlement.

Advertising Costs
The Company expenses advertising costs as incurred. Advertising costs were approximately $54,000 for the year ended December 31, 2023 and are included as a component of administration expenses on the statement of operations.

Note 2 Summary of Significant Accounting Policies (continued)

Variable Interest Entity

The Company has elected the private company alternative accounting elections related to variable interest entities under GAAP. Under this guidance the Company does not consolidate or apply the requirements of the variable interest entities subsection to a legal entity under common control because it meets the criteria for exclusion as described in GAAP.

The Company leases a building owned by a related party under common control. The requirements of the lease are described in Note 10. The Company has no further obligation or exposure under this agreement.

Note 3 Property and Equipment

Property and equipment consist of the following as of December 31, 2023:

Leasehold improvements	$ 668,131
Equipment, furniture and fixtures	3,169,091
Vehicles	71,838
	3,909,060
Less: accumulated depreciation and amortization	(1,865,796)
	$ 2,043,264

Note 4 Due to Third Party Payors

The activity of settlement liabilities is as follows:

	Medicaid	Medicare
Balance, beginning of year	$ -	$ 98,550
Settlement of liability	-	(93,466)
Current year estimated settlements	122,187	-
Due to third party payors	$ 122,187	$ 5,084

Note 5 Patient Accounts Receivable and Credit Losses

The closing balances of accounts receivable are as follows:

	2023	2022
Medicaid	$ 370,686	$ 129,135
Medicare	388,369	424,492
Private pay	260,983	484,727
Total receivables	1,020,038	1,038,354
Less: Allowance for credit losses	(185,167)	(188,307)
Patient accounts receivable, net	$ 834,871	$ 850,047

Changes in the allowance for credit losses during the year were as follows:

Balance, beginning of year	$ 188,307
Bad debt expense	185,167
Write-offs	(188,307)
Balance, end of year	$ 185,167

Note 6 Patient Service Revenue

The Company disaggregates revenue from contracts with residents by type of service and payor source as this depicts the nature, amount, timing, and uncertainty of its revenue and cash flows affected by economic factors. Net patient service revenue consist of the following:

	Room and Board	Therapy and Other Medical	Other Patient Services
Medicaid	$ 3,509,041	$ -	$ -
Medicare	3,575,468	137,058	-
Private pay	5,572,208	85,651	155,843
	$ 12,656,717	$ 222,709	$ 155,843

Note 7 Concentration of Credit Risk

Cash

The Company maintains cash balances in a financial institution, the amounts of which at times may exceed the amount of federal insurance coverage available on such accounts. The Company has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk to its cash.

The Company grants credit without collateral to its patients. Collection of these accounts receivable is dependent on the ability of these patients to generate cash flow to meet their obligations. The Company mitigates the associated credit risk by performing credit checks, monitoring, and actively pursuing past due accounts. Allowances are provided for anticipated losses if considered necessary under the circumstances.

Accounts Receivable

Patient accounts receivables and third-party payers as a percentage of total gross receivables:

Medicaid	36%
Medicare	38%
Private pay	26%
Total	100%

Revenue by payor class as a percentage of total net patient service revenue:

Medicaid	27%
Medicare	28%
Private pay	45%
Total	100%

Note 8 401(K) Plan

The Company sponsors a 401(k) salary deferral plan under which eligible employees may choose to contribute a percentage of their salary on a pre-tax basis, subject to certain IRS limits. The Company matches up to a maximum of 25% of the first 15% of an employee's gross salary. In addition, the Company may make discretionary profit-sharing contributions to the Plan. Employer discretionary contributions are allocated based on compensation in relation to all eligible participants. The Company made matching contributions of $102,994 for the year ended December 31, 2023, that are included as a component of administration expenses on the financial statement of operations. The Company did not make any discretionary profit-sharing contributions to the plan the year ended December 31, 2023.

Note 9 Medical Malpractice

The Company maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Company's insurance coverages or will have a material adverse effect on the financial statement.

Note 10 Related Party Transactions

As of December 31, 2023, the Company had net amounts due from affiliates of $2,972,636. The advances related to the affiliates are as follows:

Description	Amount
Advances to 90 Main Street	$ 300,000
Advances to MHAL project	800,000
Advances to 108 Main Street	175,000
Advance Billing – MH Personnel Corp	800,000
Due from Bonnies Corp	897,636
Total	$ 2,972,636

The Company pays rent to a related party for use of the building in which it operates. Rent expense for the year ended December 31, 2023 was $840,000 and is included as a component of operating expenses on the financial statement of operations. The lease is for 12 months and renewed annually.

Note 11 Subsequent Events

The Company has evaluated subsequent events through December 14, 2024, the date the financial statements were available to be issued.