MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

NORTH CAPE POST ACUTE NURSING AND REHABILITATION INC

Financial Statements

Year Ended December 31, 2024

North Cape Post Acute Nursing and Rehabilitation Inc

Year Ended December 31, 2024

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MARTIN FRIEDMAN CPA PC
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
North Cape Post Acute Nursing and Rehabilitation Inc:

Opinion

We have audited the accompanying financial statements of North Cape Post Acute Nursing and Rehabilitation Inc, which comprise the balance sheet as of December 31, 2024, and the related statement of operations, retained earnings, 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 North Cape Post Acute Nursing and Rehabilitation Inc 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Cape Post Acute Nursing and Rehabilitation Inc 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 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 North Cape Post Acute Nursing and Rehabilitation Inc'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 Auditor's 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 North Cape Post Acute Nursing and Rehabilitation Inc'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 North Cape Post Acute Nursing and Rehabilitation Inc'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

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Certified Public Accountants

Brooklyn, NY

September 8, 2025

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North Cape Post Acute Nursing and Rehabilitation Inc
Balance Sheet
December 31, 2024

Assets		
Cash	$ 1,314,722	
Accounts Receivable	2,498,904	
(Net of Allowance for Credit Losses of $271,000)		
Prepaid Expenses	205,538	
Loan Receivable - Related Party	7,483	
Total Current Assets		$ 4,026,647
Right-of-Use Asset	18,895,711	
Due from Third Party	94,091	
Due from Prior Owner	353,584	
Patients' Trust Fund	22,037	
Total Other Assets		19,365,423
Total Assets		**$ 23,392,070**
Liabilities and Equity		
Accounts Payable	$ 1,032,123	
Lease Liabilities	709,844	
Withholding Taxes Payable	5,869	
Accrued Payroll	355,248	
Accrued Expenses & Taxes	3,035,025	
Due To Third Party Payors	21,452	
Patients' Security Deposits	74,858	
Total Current Liabilities		$ 5,234,419
Lease Liabilities	18,185,867	
Due To Third Party Payors	1,038,058	
Due to Realty	240,000	
Patients' Trust Fund Payable	26,414	
Total Long Term Liabilities		19,490,339
Shareholders' Deficit		
Capital stock, $1 par value	100	
Authorized 100 shares		
100 Issued and Outstanding Shares		
Retained Earnings (Deficit)	(1,332,788)	
Total Shareholders' Deficit		(1,332,688)
Total Liabilities & Shareholders' Deficit		**$ 23,392,070**

See accompanying notes to the financial statements.

North Cape Post Acute Nursing and Rehabilitation Inc
Statement of Operations
For the year ended December 31, 2024

Total Revenue From Patients		$ 13,440,739
Operating Expenses:		
Payroll	$ 5,629,703	
Employee Benefits	1,310,015	
Professional Care	1,847,484	
Dietary & Housekeeping	332,542	
Plant & Maintenance	2,902,777	
General & Administrative	2,197,300	
Total Operating Expenses		14,219,821
Loss From Operations		(779,082)
Other Expenses		(51,271)
Loss Before Taxes		(830,353)
Less: Corporate Taxes		3,173
Net Loss		**$ (833,526)**

North Cape Post Acute Nursing and Rehabilitation Inc

Statement of Retained Earnings

For the year ended December 31, 2024

Retained Earnings:		
Balance as of Beginning of Period	$	(499,162)
Net Loss for the Period		(833,526)
Total Retained Earnings (Deficit) - End of Period	**$**	**(1,332,688)**

See accompanying notes to the financial statements.

North Cape Post Acute Nursing and Rehabilitation Inc
Statement of Cash Flows
For the year ended December 31, 2024

Cash Flows From Operating Activities:		
Net Loss		$ (833,526)
Adjustments to reconcile Net Loss to Net Cash Provided by Operating Activities:		
Allowance for Credit Losses		271,000
(Increase) Decrease In:		
Accounts Receivable	$ 1,226,906	
Prepaid Expenses	(22,716)	
Increase (Decrease) In:		
Accounts Payable	354,913	
Accrued Payroll & Withholding Taxes	89,765	
Accrued Expenses & Taxes	(420,348)	
Other Payables	240,000	
Due to Third Party Payors	80,372	
Patients' Security Deposits	10,850	
Exchanges	128,167	
Due to Prior Owner	(607,273)	
Total Adjustments		1,080,636
Net Cash Provided By Operating Activities		518,110
Cash Flows From Investing Activities:		
Other Assets	(2,577)	
Net Cash Used In Investing Activities		(2,577)
Cash Flows From Financing Activities:		
Other Liabilities	6,205	
Net Cash Provided By Financing Activities		6,205
Net Change In Cash		521,738
Cash - Beginning of Period		792,984
Cash - End of Period		**$ 1,314,722**
Supplemental Disclosures:		
Income Taxes Paid		$ 3,173

See accompanying notes to the financial statements.

North Cape Post Acute Nursing & Rehabilitation Inc
Notes to the Financial Statements

1) **Organization**:

North Cape Post Acute Nursing & Rehabilitation Inc, an “S” Corporation, is licensed by the New Jersey State Department of Health to run and operate a 120 bed skilled nursing located in North Cape May, New Jersey. The facility began operations July 1, 2021.

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

The accounting policies that affect the significant elements of the financial statements are summarized below.

Method of Accounting -

The Facility maintains its books and prepares its financial statements based on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Cash -

For purposes of the statement of cash flows, cash includes time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of six months or less. The Facility maintains cash at financial institutions which periodically exceeds federally insured amounts during the year.

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 right 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, sick leave and 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 $183,772, which is included in the total accrued payroll liability of $355,248.

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.

2) **Summary of Significant Accounting Policies: 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.

2) Summary of Significant Accounting Policies: 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.

Advertising -

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense for the year was $30,983.

Income Taxes -

The Facility has elected to be taxed under the provisions of the Internal Revenue Code as a tax-option corporation (an "S" corporation). Accordingly, any resulting tax liabilities or tax benefits resulting from operations are those of the individual shareholders. New Jersey State Corporation taxes are calculated based on income as defined by New Jersey State statute.

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	$	1,222,600
Medicare Patients		250,654
HMO Patients		656,181
Private Patients		640,469
Less: Allowance for Credit Losses		(271,000)
Total	**$**	**2,498,904**

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

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	$	-
Provision for expected credit losses		489,211
Write-offs charged against the allowance		(218,211)
Credit Loss Recoveries		-
Balance December 31, 2024	**$**	**271,000**

4) **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, 2021 and subsequent remain subject to examination by applicable taxing authorities.

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

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

The Facility occupies premises pursuant to an arms length 25 year lease from 3809 Bayshore Rd LLC expiring in June 2046. The lease provides for monthly rental payments equal to the lessor's principal and interest payments plus 90% of the net earnings of the lessee. Rent expense for the year ended December 31, 2024 was $2,400,000.

The Facility determines the present value of the remaining lease payments using the US Treasury risk-free rate at the time of adoption of the Standard, which was 2.01%.

The Facility 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 $18,895,711 of which $709,844 of the liability was considered short term.

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

The Facility's future minimum lease payments for the next five years and thereafter, as of December 31, 2024, were as follows:

2025	$ 1,083,132
2026	1,083,132
2027	1,083,132
2028	1,083,132
2029	1,083,132
Thereafter	17,871,678

The future minimum lease payments include only the remaining non-cancelable lease payments under the operating leases with a term of more than 12 months as of December 31, 2024.

6) **Nursing Home User Fee:**

All New Jersey facilities were assessed a provider assessment tax of $14.67 for each private and Medicaid patient day. The nursing home user fee for the year ended December 31, 2024 was $397,997. Concurrently with the tax assessment, the State prospectively calculated a revenue add-on to the Medicaid rate.

7) **Subsequent Events:**

The Facility has evaluated subsequent events through September 8, 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 Shareholders,
North Cape Post Acute Nursing and Rehabilitation Inc:

Our report on our audit of the basic financial statements of North Cape Post Acute Nursing and Rehabilitation Inc 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 page 13 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

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September 8, 2025

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North Cape Post Acute Nursing and Rehabilitation Inc

Supplementary Schedules

For the year ended December 31, 2024

Revenue From Patients:				
Private & HMO	$	2,717,886		
Medicaid		7,569,590		
Medicare		3,153,263		
Total Revenue From Patients			$	13,440,739
Other Income (Expense):				
Interest		2,314		
Other		(53,585)		
Total Other Income (Expense)				(51,271)
Total Revenue			**$**	**13,389,468**