CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE AND REHABILITATION
(a limited liability company)

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Member of
Crystal Spring Center LLC
d/b/a Crystal Lake Healthcare and Rehabilitation Center

Opinion

We have audited the accompanying financial statements of Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center (a limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statements of earnings and member's 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 Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center as of December 31, 2023, 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 Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center 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 Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center'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 Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation 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 Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation 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.

December 3, 2024

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE & REHABILITATION CENTER
(a limited liability company)
BALANCE SHEET
AT DECEMBER 31, 2023

ASSETS		
Current assets		
Cash and cash equivalents (note 2)	$	757,543
Cash - restricted (patient funds) (note 2)		251,091
Accounts receivable - less allowance of $228,000		2,102,769
Prepaid expenses and other		528,075
Due from landlord (note 5)		350,928
Due from previous owner (note 11)		2,535,213
Total current assets		6,525,619
Property and equipment - net (note 3)		1,298,781
Right-of-use asset - operating (note 6)		19,964,545
Due from related entities (note 5)		995,126
TOTAL ASSETS	$	28,784,071
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	$	1,988,483
Accrued expenses		1,304,038
Accrued and withheld taxes		38,599
Due to private and third-party payors		1,816,293
Patients' funds payable		127,635
Operating lease obligation (note 6)		2,231,521
Total current liabilities		7,506,569
Operating lease obligation (note 6)		17,733,024
Total liabilities		25,239,593
Member's equity		3,544,478
TOTAL LIABILITIES AND MEMBER'S EQUITY	$	28,784,071

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE & REHABILITATION CENTER
(a limited liability company)
STATEMENTS OF EARNINGS AND MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2023

Revenues	$ 20,505,670
Operating expenses	20,370,531
Earnings from operations	135,139
Non-operating revenue (expenses)	
Interest income	73,815
Interest expense	(2,644)
NET EARNINGS	206,310
Member's equity - December 31, 2022	3,520,996
	3,727,306
Net member's equity distributed	(182,828)
MEMBER'S EQUITY - DECEMBER 31, 2023	$ 3,544,478

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE & REHABILITATION CENTER
(a limited liability company)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities	
Net earnings	$ 206,310
Adjustments to reconcile net earnings	
to net cash provided by operating activities:	
Depreciation	114,154
(Increase) decrease in assets	
Accounts receivable	372,639
Miscellaneous receivables	1,068,341
Prepaid expenses and other	(125,937)
Increase (decrease) in liabilities	
Accounts payable	428,739
Accrued expenses and withheld taxes	436,423
Due to private and third-party payors	717,705
Patients' funds payable	(5,564)
Net cash provided by operating activities	3,212,810
Cash flows from investing activities	
Purchase of property and equipment	(244,796)
Loans to related entity	(917,108)
Net cash used in investing activities	(1,161,904)
Cash flows from financing activities	
Due from landlord	(654,427)
Due from prior owner	(1,519,668)
Member's equity distributed	(182,828)
Net cash used in financing activities	(2,356,923)
Net decrease in cash, restricted cash, and cash equivalents	(306,017)
Cash, restricted cash, and cash equivalents - December 31, 2022	1,314,651
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - DECEMBER 31, 2023	$ 1,008,634

See accompanying notes to the financial statements.

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE AND REHABILITATION
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Organization and business – Crystal Spring Center LLC (the "Company") was formed in the State of New Jersey on December 21, 2020, as a wholly-owned subsidiary of PBV Herman Holdings LLC. The operating agreement provides, 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 the land, building, and rights to its license in Bayville, New Jersey from a related landlord. Effective October 22, 2021, the Company was licensed to operate a long-term care facility consisting of 235 Long-Term Care beds. The members of the Company are generally protected from liability for acts and obligations of the Company.

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

Trade accounts receivable – Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable and estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current and historical status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. In 2023, allowance for doubtful accounts increased by approximately $124,000.

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

Revenues – Revenue is derived primarily from providing healthcare services to the Company's 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.

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

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 that 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 is 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, to determine 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, estimates are adjusted, which would affect net service revenue in the period such variances become known.

Leases – The Company adopted ASC-842 Leases. With adoption, the Company determined which contracts conveyed the Company a right to control identified property, plant, or equipment for a period of time in exchange for consideration that 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 expired or existing operating leases recorded as operating leases, and (3) initial direct costs for any existing leases. Furthermore, all existing capital leases have been recorded as finance leases.

With implementation, the Company also elected the following practical expedients: (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.

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

Variable interest entity – The Company made an accounting policy election authorized by "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 its landlord or its landlord's co-borrower, which are related to the Company through common ownership. Consequently, these financial statements do not reflect the effect, if any, of having consolidated the related entities.

Income taxes – The Company is treated as a single-member LLC for federal and state income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the tax returns of the member and taxed depending on the member's tax situations. The Company's policy is to record interest expense and penalties relating to income taxes in operating expenses. For the year ended December 31, 2023, there were no income tax-related or accrued interest and penalty 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 member's return. The tax rates are graduated and range from 5.675% to 10.9% of earnings. The Company's policy is to treat NJ BAIT payments as distributions to its member.

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

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

Fair value of financial instruments – The carrying amounts of the Company's assets and liabilities approximate their fair value.

Guaranteed payments to member – Guaranteed payments to the member 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 income. 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 income.

Subsequent events – The Company has reviewed subsequent events and transactions for potential recognition and disclosure in the financial statements through December 3, 2024, the date the financial statements were available to be issued. Subsequent events identified are described in note 17 below.

NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

The balance in cash, restricted cash, and cash equivalents at December 31, 2023, consists of the following:

Operating cash	$	757,543
Restricted cash – patient funds		251,091
Total cash, restricted cash, and cash equivalents	$	1,008,634

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023, are summarized as follows:

	Life (Years)		
Leasehold improvements	15	$	1,200,293
Furniture and equipment	5		275,578
			1,475,871
Less: accumulated depreciation			177,090
		$	1,298,781

Depreciation expense was $114,154 for the year.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at several financial institutions. At December 31, 2023, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per entity. At December 31, 2023, the Company had approximately $764,000 of uninsured bank balances.

At December 31, 2023, the Company had approximately 89% of its receivables due from the New Jersey Department of Health and MCOs approved by the New Jersey Department of Health, and 3% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2023, approximately 27% of the accounts payable balance was payable to one vendor.

NOTE 5 – RELATED PARTY TRANSACTIONS

In 2023, the Company purchased management services from related entities, which are related through common ownership. Total management services purchased amounted to $566,196 for the year. At December 31, 2023, prepaid management fees amounted to $28,700, and were included in prepaid expenses.

Loans to related entities that are controlled by the Company’s member were $995,126 at December 31, 2023. The loans were deemed to be non-interest-bearing and there is no formal plan for repayment of these loans.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Company leases its facility from a related entity (note 6). The balance due from the related landlord at December 31, 2023, was $350,928.

NOTE 6 – LEASES

The Company has an operating lease for the nursing facility premises. Right-of-use ("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 lease ROU assets and related obligations are recognized at the commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate of 3.79% is based on the information available at the commencement date to determine the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company occupies the facility as a party to an operating lease with a related entity, which commenced January 22, 2021, and will expire October 21, 2031. The lease provides for a base rent equal to 110% of the principal and interest due under the mortgage. The Company is also responsible for variable payments for real estate taxes and operating expenses. The Company elected to exclude variable payments for real estate taxes and operating expenses from ROU operating lease present value computations.

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, 2023:

Operating lease cost	$	2,940,392
Short-term lease costs		6,577
Short-term/variable lease cost		656,933
Total	$	3,603,902
OPERATING LEASES		
Operating lease ROU assets	$	19,964,545
Other current liabilities	$	2,231,521
Operating lease liabilities		17,733,024
Total operating lease liabilities	$	19,964,545
WEIGHTED-AVERAGE REMAINING LEASE TERM		
Operating leases		7.83 years
WEIGHTED-AVERAGE DISCOUNT RATE		
Operating leases		3.79%

NOTE 6 – LEASES (CONTINUED)

Undiscounted maturities of operating lease liabilities were as follows:

For the Years Ended December 31		
2024	$	2,940,392
2025		2,940,392
2026		2,940,392
2027		2,940,392
2028		2,940,392
Thereafter		8,331,114
Total undiscounted maturities of lease liabilities		23,033,074
Less: discount on lease liabilities		(3,068,529)
TOTAL LEASE LIABILITIES	$	19,964,545

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

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$	3,411,746
ROU asset in exchange for new operating lease obligations	$	22,113,203

NOTE 7 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for		
Interest	$	2,644

NOTE 8 – REVENUES

Approximately 86% of revenues for 2023 were derived from billings to the New Jersey Department of Health and Managed Care Organizations approved by the New Jersey Department of Health for stays by Medicaid patients.

Approximately 10% of revenues for 2023 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.

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 9 – ECONOMIC DEPENDENCY

During the year, the Company purchased a substantial portion of its services from one company. Purchases from this company were approximately $3,253,446, and the balance due to this company and included in accounts payable at December 31, 2023, was $534,668.

NOTE 10 – ADVERTISING

Advertising and marketing expenses were $74,469 for the year. There were no direct-response advertising costs either capitalized or expensed. Indirect advertising costs are expensed as incurred.

NOTE 11 – DUE FROM PREVIOUS OWNER

The Company and the previous owners estimated certain closing adjustments, which the Company expects to be settled in the near future. In addition, the Company has received payments that pertain to the previous owner or have monies withheld due by the previous owners. At December 31, 2023, the balance due from the previous owner was $2,535,213.

NOTE 12 – CONTRACTED SERVICES

A significant amount of the facility services is contracted from outside companies.

NOTE 13 – EMPLOYEE RETENTION CREDIT

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), small employers are eligible for a refundable Employee Retention Tax Credit (“ERTC”) if they experience a significant reduction in revenues or a complete or partial suspension of operations as defined by the CARES Act. The credit is equal to 70% of qualified wages paid to an employee, capped at $10,000 per quarter, during the first 3 quarters of 2021. The Company’s predecessor manager met these criteria during the first three quarters of 2021, and the Company, which assumed rights to the credits, was due $1,068,341 at December 31, 2022, which was received in 2023. Both the methodology used to determine eligibility for the credit and the calculation of the amount of the credit are subject to audit.

Laws and regulations concerning the ERC are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Company’s claim to the ERC, and it is not possible to determine the impact this would have on the Company.

NOTE 14 – EMPLOYEE BENEFIT PLANS

The Company contributes to the SEIU National Industry Pension Fund, a multiemployer-defined benefit pension plan ("the Plan"), under the terms of a collective-bargaining agreement that covers its union-represented employees. The risks of participating in the multiemployer plan are different from a single-employer plan in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers.
c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

The most recent Pension Protection Act ("PPA") zone status available in 2022 is for the Plan's year-end at December 31, 2023. Participation in this type of plan for the year ended December 31, 2023, is outlined in the table below. The "EIN Number" column provides the Employer Identification Number ("EIN"). The zone status is based on information that was received from the Plan and is certified by the actuaries of the Plan. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is pending or has been implemented. The last column lists the expiration dates of the collective bargaining-agreement to which the Plan is subject.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status	FIP/ RP Status Pending/ Implemented	Contributions by Company	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
SEIU National Industry Pension Fund	52-6148540	001	Red as of 1/1/24	N/A	$ 220,000	Yes	07/31/23

At December 31, 2023, the Company had approximately $554,000 of estimated accrued pension contributions, which were included in accrued expenses. The Company is in the midst of negotiations for a new collective bargaining agreement, which will include a pension liability payment plan, and the release of the Company from all future pension obligations.

NOTE 15 – 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 revenue in the period in which they are ascertained.

NOTE 15 – CONTINGENCIES (CONTINUED)

The Company is involved in various lawsuits and subject to certain contingencies in the normal course of business. Management is vigorously defending any claims that are asserted.

The Company uses a credit card of a related entity and reimburses the related entity monthly. There is no preset spending limit, and purchasing power adjusts with the use of the card, payment history, credit record, and other financial resources.

The Company, along with other affiliated companies, provides health coverage to its employees through a self-funded healthcare arrangement, and assumes direct risk for payment of the claims for benefits. The Company and its affiliates also purchased a stop-loss insurance plan, which based on the current population of employees would limit the total maximum insurance expense to $1,000,000 per facility, and caps the employer liability on any individual claimant to $80,000. The Company is contingently liable for unpaid claims of its affiliates.

The Company is listed as a co-borrower on its landlord's mortgage, and is liable, jointly and severally, on all outstanding amounts. At December 31, 2023, the balance due on the mortgage was $46,150,000, and the loan was in good standing.

NOTE 16 – RISKS AND UNCERTAINTIES

During 2022 and 2023, and continuing into 2024, inflationary pressures have caused the cost of services and supplies to increase drastically. In response to this, the Federal Reserve Board has increased the federal funds rate by approximately 5% during the years. This increase has caused the cost of borrowing to jump significantly in a short period of time. If these increased rates continue for the long-term, it could impact the Company's ability to finance its operations in the future.

NOTE 17 – SUBSEQUENT EVENTS

In January 2024, the Company's related landlord entered into a mortgage agreement with a Federal Housing Administration Section 232 mortgage note under the U.S. Department of Housing and Urban Development ("HUD"), in the amount of $26,080,000. 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.

Brand Sonnenschine LLP
Certified Public Accountants & Advisors

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Member of
Crystal Spring Center LLC
d/b/a Crystal Lake Healthcare and Rehabilitation Center

We have audited the financial statements of Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center as of and for the year ended December 31, 2023, and our report thereon dated December, 3 2024, which expressed an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of revenues, operating expenses, payroll and benefits, and patient days are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brand Sonnenschine LLP

December 3, 2024

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CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE & REHABILITATION CENTER
(a limited liability company)
SUPPLEMENTARY INFORMATION
REVENUES
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
Current year		
Medicaid	$ 1,334,162	$ 233.90
Medicaid - Managed Care	16,244,667	235.84
Private	621,676	328.41
Medicare - Part A	1,660,469	717.58
Part A bad debts	(103,879)	(44.89)
HMO	32,148	428.64
Hospice	203,667	259.45
	19,992,910	$ 251.01
Prior years		
Insurance	17,143	
	17,143	
Miscellaneous		
Other	8,500	
Therapy	487,117	
	495,617	
TOTAL REVENUES	$ 20,505,670	

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE & REHABILITATION CENTER
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
DIRECT PATIENT CARE COST		
Direct routine patient care costs		
Salaries - RN	$ 130,222	$ 1.63
- LPN	1,039,930	13.06
- CNA	1,371,893	17.22
Employee benefits	859,276	10.79
Contracted nursing	5,474,578	68.73
	8,875,899	111.43
Routine patient care costs - not directly reported		
Medical supplies	134,455	1.69
OTC drugs	93	-
	134,548	1.69
TOTAL DIRECT PATIENT CARE COST	**9,010,447**	**113.12**
ANCILLARY PATIENT CARE COSTS		
Radiology and laboratory	11,029	0.14
Salaries - Therapy services	491,496	6.17
Employee benefits	166,138	2.09
Prescription Drugs	66,138	0.83
Other - Patient ancillary costs	42,450	0.53
TOTAL ANCILLARY PATIENT CARE COSTS	**777,251**	**9.76**

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE & REHABILITATION CENTER
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
INDIRECT PATIENT CARE COSTS		
Nursing administration		
Salaries - nursing supervisors	$ 245,781	$ 3.09
- infection control	104,091	1.31
Employee benefits	118,266	1.48
	468,138	5.88
Workforce-related costs - patient care		
Direct patient care recruitment	38,572	0.48
	38,572	0.48
Patient support services		
Food (including supplements)	486,615	6.11
Dietary salaries	475,845	5.97
Employee benefits	160,848	2.02
Dietician	74,352	0.93
Dietary supplies and services	195,790	2.46
Contracted Dietary	91,498	1.15
Contracted laundry	46,468	0.58
Housekeeping & laundry salaries	559,869	7.03
Employee benefits	189,250	2.38
Housekeeping and laundry supplies and services	13,107	0.16
Salaries - Social services	106,342	1.34
Employee benefits	35,946	0.45
Salaries - Recreation	62,713	0.79
Employee benefits	21,199	0.27
Contracted recreation	309,499	3.89
Recreation supplies and services	9,147	0.11
Medical director	64,500	0.81
Pharmacy consultant	59,624	0.75
Fire drill	1,101	0.01
Garbage disposal	38,957	0.49
Landscaping/snow removal	10,414	0.13
Exterminating	21,470	0.27
	3,034,554	38.10
TOTAL INDIRECT PATIENT CARE COSTS	**3,541,264**	**44.46**

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE & REHABILITATION CENTER
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

ADMINISTRATIVE AND OPERATING COSTS		**Per Patient Day**
Property operating costs		
Salaries - Maintenance	$ 191,992	$ 2.41
Employee benefits	64,898	0.81
Maintenance supplies and services	262,219	3.29
Gas	77,056	0.97
Electric	155,264	1.95
Water and sewer	65,748	0.83
Cable	20,061	0.25
Telephone	28,449	0.36
Real estate tax	185,579	2.33
Property insurance	26,994	0.34
	1,078,260	13.54
Administrative & operating costs		
Administrator	146,235	1.84
Employee benefits	115,846	1.45
Salaries - Office	247,323	3.11
Employee benefits	195,928	2.46
Data processing	94,142	1.18
Management fees	634,603	7.97
Fiscal services	297,000	3.73
Office supplies and expenses	32,183	0.40
Insurance	256,361	3.22
Accounting	65,130	0.82
Legal	26,542	0.33
Advertising	9,991	0.13
Travel	6,135	0.08
Consulting	104,907	1.32
Miscellaneous	18,048	0.23
License, dues, and seminars	20,454	0.26
	2,270,828	28.53
TOTAL ADMINISTRATIVE AND OPERATING COSTS	**3,349,088**	**42.07**

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SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
CAPITAL COSTS		
Rent	$ 3,411,746	$ 42.83
Depreciation	114,154	1.43
Equipment lease	6,577	0.08
TOTAL CAPITAL COSTS	3,532,477	44.34
NON-ALLOWABLE COSTS		
Bad debt expense	133,474	1.68
Marketing	25,906	0.33
Charitable contributions	333	-
Non-allowable miscellaneous	291	-
TOTAL NON-ALLOWABLE COSTS	160,004	2.01
TOTAL OPERATING EXPENSES	$ 20,370,531	$ 255.76

CRYSTAL SPRING CENTER LLC
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SUPPLEMENTARY INFORMATION
SCHEDULES OF PAYROLL AND BENEFITS
YEAR ENDED DECEMBER 31, 2023

		Per Patient Day
SALARIES		
RN	$ 130,222	$ 1.63
LPN	1,039,930	13.06
CNA	1,371,893	17.22
Therapy	491,496	6.17
Nursing supervisors	245,781	3.09
Infection Control	104,091	1.31
Dietary	475,845	5.97
Housekeeping and laundry salaries	559,869	7.03
Social services	106,342	1.34
Recreation	62,713	0.79
Maintenance	191,992	2.41
Administrator	146,235	1.84
Office	247,323	3.11
TOTAL SALARIES	**$ 5,173,732**	$ **64.95**
EMPLOYEE BENEFITS		
Payroll taxes	**$** 554,787	
Workers' compensation	178,741	
Employee benefits	1,194,067	
TOTAL EMPLOYEE BENEFITS	**$ 1,927,595**	
TOTAL EMPLOYEE BENEFITS AS A PERCENT OF SALARIES	**37.26%**	

CRYSTAL SPRING CENTER LLC
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SUPPLEMENTARY INFORMATION
PATIENT DAYS
YEAR ENDED DECEMBER 31, 2023

		Percent of Total
Skilled nursing facility		
Medicaid	5,704	7.15%
Medicaid - Managed Care	68,880	86.48%
Private	1,893	2.38%
Medicare	2,314	2.91%
HMO	75	0.09%
Hospice	785	0.99%
TOTAL PATIENT DAYS	79,651	100.00%
Percent occupancy - 235 beds	92.86%	