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MARTIN FRIEDMAN CPA PC  
CERTIFIED PUBLIC ACCOUNTANTS

**NORTH JERSEY PEDIATRIC & ADULT NURSING &  
WELLNESS CENTER, LLC  
D/B/A PHOENIX CENTER FOR REHABILITATION &  
PEDIATRICS  
NORTH JERSEY PEDIATRIC & ADULT NURSING &  
WELLNESS PROPCO, LLC  
*Combining Financial Statements***

***Year Ended December 31, 2024***

**North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
D/B/A Phoenix Center For Rehabilitation & Pediatrics  
North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC**

**Year Ended December 31, 2024**

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## INDEPENDENT AUDITOR'S REPORT

To the Members,  
North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
D/B/A Phoenix Center For Rehabilitation & Pediatrics  
North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC:

## Opinion

We have audited the accompanying combining financial statements of North Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center For Rehabilitation & Pediatrics and North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC, which comprise the combining balance sheets as of December 31, 2024, and the related combining statements of income, members' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of North Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center For Rehabilitation & Pediatrics and North Jersey Pediatric & Adult Nursing & Wellness Propco, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center For Rehabilitation & Pediatrics and North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center For Rehabilitation & Pediatrics and North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC'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*

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 Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center For Rehabilitation & Pediatrics and North Jersey Pediatric & Adult Nursing & Wellness Propco, 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 North Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center For Rehabilitation & Pediatrics and North Jersey Pediatric & Adult Nursing & Wellness Propco, 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.

*Martin Friedman CPA, PC*

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

Brooklyn, NY

February 24, 2025



**North Jersey Pediatric & Adult Nursing & Wellness Center, LLC**  
**D/B/A Phoenix Center for Rehabilitation & Pediatrics**  
**North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC**  
**Combining Balance Sheet**  
**December 31, 2024**

	Facility	Realty	Elimination	Combined
<b>Assets</b>				
Cash	\$ 806,911	\$ 933	\$ -	\$ 807,844
Accounts Receivable (Net of Allowance for Credit Losses of \$837,000)	8,796,184	-	-	8,796,184
Prepaid Expenses	44,834	204,869	-	249,703
Escrow Deposits	-	1,279,456	-	1,279,456
Loans Receivable - Related Party	-	6,357,763	(6,357,763)	-
Total Current Assets	9,647,929	7,843,021	(6,357,763)	11,133,187
Cash	-	1,047,423	-	1,047,423
Total Restricted Assets	-	1,047,423	-	1,047,423
Land	-	2,250,000	-	2,250,000
Building	-	7,150,000	-	7,150,000
Leasehold Improvements	5,146,014	-	-	5,146,014
Furniture & Equipment	179,126	-	-	179,126
	5,325,140	9,400,000	-	14,725,140
Less: Accumulated Depreciation & Amortization	2,798,687	1,419,061	-	4,217,748
Total Fixed Assets	2,526,453	7,980,939	-	10,507,392
Right-of-Use Asset	17,923,449	-	(17,923,449)	-
Goodwill (Net)	-	32,950,000	-	32,950,000
Interest Rate Swap Asset	-	282,285	-	282,285
Total Other Assets	17,923,449	33,232,285	(17,923,449)	33,232,285
<b>Total Assets</b>	<b>\$ 30,097,831</b>	<b>\$ 50,103,668</b>	<b>\$ (24,281,212)</b>	<b>\$ 55,920,287</b>
<b>Liabilities &amp; Equity</b>				
Mortgage Payable	\$ -	\$ 732,000	\$ -	\$ 732,000
Lease Liabilities	3,474,505	-	(3,474,505)	-
Equipment Obligation	11,861	-	-	11,861
Accounts Payable	6,951,353	-	-	6,951,353
Accrued Payroll	1,384,536	-	-	1,384,536
Accrued Expenses & Taxes	292,646	-	-	292,646
Due to HRSA	123,462	-	-	123,462
Loans Payable - Related Party	6,357,763	-	(6,357,763)	-
Total Current Liabilities	18,596,126	732,000	(9,832,268)	9,495,858
Mortgage Payable (Net)	-	38,624,101	-	38,624,101
Lease Liabilities	14,448,944	-	(14,448,944)	-
Equipment Obligation	20,954	-	-	20,954
Loans Payable - Member	2,525,000	1,000,000	-	3,525,000
Total Long Term Liabilities	16,994,898	39,624,101	(14,448,944)	42,170,055
Members' Equity (Deficit)	(5,493,193)	9,747,567	-	4,254,374
<b>Total Liabilities &amp; Members' Equity (Deficit)</b>	<b>\$ 30,097,831</b>	<b>\$ 50,103,668</b>	<b>\$ (24,281,212)</b>	<b>\$ 55,920,287</b>

**North Jersey Pediatric & Adult Nursing & Wellness Center, LLC**  
**D/B/A Phoenix Center for Rehabilitation & Pediatrics**  
**North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC**  
**Combining Statement of Operations**  
**For the year ended December 31, 2024**

	Facility	Realty	Elimination	Combined
Total Revenue From Patients	\$ 39,885,967	\$ -	\$ -	\$ 39,885,967
Total Rental Revenue	-	5,378,587	(5,378,587)	-
Operating Expenses:				
Payroll	19,085,924	-	-	19,085,924
Employee Benefits	3,106,163	-	-	3,106,163
Professional Care	5,414,844	-	-	5,414,844
Dietary & Housekeeping	1,186,434	-	-	1,186,434
Plant & Maintenance	7,669,199	4,167,963	(5,378,587)	6,458,575
General & Administrative	<u>4,497,440</u>	<u>155,960</u>	<u>-</u>	<u>4,653,400</u>
Total Operating Expenses	<u>40,960,004</u>	<u>4,323,923</u>	<u>(5,378,587)</u>	<u>39,905,340</u>
Income (Loss) From Operations	(1,074,037)	1,054,664	-	(19,373)
Other Income	<u>47,413</u>	<u>46,084</u>	<u>-</u>	<u>93,497</u>
<b>Net Income (Loss)</b>	<b><u>(1,026,624)</u></b>	<b><u>1,100,748</u></b>	<b><u>-</u></b>	<b><u>74,124</u></b>
Other Comprehensive Income				
Unrealized Gain on Interest Rate Swap	<u>-</u>	<u>282,285</u>	<u>-</u>	<u>282,285</u>
Total Comprehensive Income	<u>-</u>	<u>282,285</u>	<u>-</u>	<u>282,285</u>
<b>Total Income (Loss)</b>	<b>\$ <u>(1,026,624)</u></b>	<b>\$ <u>1,383,033</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>356,409</u></b>

**North Jersey Pediatric & Adult Nursing & Wellness Center, LLC**  
**D/B/A Phoenix Center for Rehabilitation & Pediatrics**  
**North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC**  
**Combining Statement of Members' Equity (Deficit)**  
**For the year ended December 31, 2024**

	Facility	Realty	Combined
Members' Equity (Deficit):			
Balance as of Beginning of Period	\$ (4,466,569)	\$ 8,364,534	\$ 3,897,965
Net Income (Loss) for the Period	<u>(1,026,624)</u>	<u>1,100,748</u>	<u>74,124</u>
<b>Balance as of End of Period</b>	<b>(5,493,193)</b>	<b>9,465,282</b>	<b>3,972,089</b>
Accumulated Other Comprehensive Income			
Balance as of Beginning of Period	-	-	-
Other Comprehensive Income	<u>-</u>	<u>282,285</u>	<u>282,285</u>
Balance as of End of Period	<u>-</u>	<u>282,285</u>	<u>282,285</u>
<b>Total Members' Equity (Deficit)</b>			
<b>End of Period</b>	<b>\$ <u>(5,493,193)</u></b>	<b>\$ <u>9,747,567</u></b>	<b>\$ <u>4,254,374</u></b>

**North Jersey Pediatric & Adult Nursing & Wellness Center, LLC**  
**D/B/A Phoenix Center for Rehabilitation & Pediatrics**  
**North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC**  
**Combining Statement of Cash Flows**  
**For the year ended December 31, 2024**

	Facility	Realty	Combined
Cash Flows From Operating Activities:			
Net Income (Loss)	\$ (1,026,624)	\$ 1,100,748	\$ 74,124
Adjustments to reconcile Net Income (Loss) to			
Net Cash Provided by (Used In) Operating Activities:			
Depreciation & Amortization	1,028,104	259,974	1,288,078
Amortization of Debt Issuance Costs	-	156,573	156,573
Allowance for Credit Losses	(163,000)	-	(163,000)
(Increase) Decrease In:			
Accounts Receivable	637,406	-	637,406
Prepaid Expenses	35,613	(4,086)	31,527
Escrow Deposits	-	54,684	54,684
Restricted Cash	-	(44,456)	(44,456)
Increase (Decrease) In:			
Accounts Payable	(1,637,783)	-	(1,637,783)
Accrued Payroll	257,733	-	257,733
Accrued Expenses & Taxes	15,751	-	15,751
Due to HRSA	123,462	-	123,462
Exchanges	(3,691)	-	(3,691)
Total Adjustments	<u>(571,509)</u>	<u>6,142</u>	<u>(565,367)</u>
Net Cash Provided By (Used In) Operating Activities	(733,029)	1,523,437	790,408
Cash Flows From Investing Activities:			
Capital Expenditures	<u>(320,711)</u>	<u>-</u>	<u>(320,711)</u>
Net Cash Used In Investing Activities	(320,711)	-	(320,711)
Cash Flows From Financing Activities:			
Decrease in Equipment Obligation Payable	(10,901)	-	(10,901)
Increase in Loans Payable - Member	1,600,000	-	1,600,000
Decrease in Mortgage Payable	<u>-</u>	<u>(1,522,575)</u>	<u>(1,522,575)</u>
Net Cash Provided By (Used In) Financing Activities	<u>1,589,099</u>	<u>(1,522,575)</u>	<u>66,524</u>
Net Change In Cash	535,359	862	536,221
Cash - Beginning of Period	<u>271,552</u>	<u>71</u>	<u>271,623</u>
<b>Cash - End of Period</b>	<b><u>\$ 806,911</u></b>	<b><u>\$ 933</u></b>	<b><u>\$ 807,844</u></b>
Supplemental Disclosures:			
Interest Paid	\$ 3,287	\$ 3,341,679	\$ 3,344,966

North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
D/B/A Phoenix Center for Rehabilitation & Pediatrics  
North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC  
Notes to the Financial Statements

1) **Organization:**

New Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center for Rehabilitation & Pediatrics began operations on January 1, 2020 when it purchased the operating license of Wanaque Nursing & Rehabilitation, LLC. The Company operates a 227 bed skilled nursing facility in Haskell, New Jersey in accordance with the laws of the State of New Jersey.

North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC, a limited liability company, began operations on July 17, 2019 when it purchased the land and property on which New Jersey Pediatric Adult Nursing & Wellness Center, LLC operates its facility.

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

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

**Principles of Combination -**

The combining financial statements of New Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center for Rehabilitation & Pediatrics and North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC are related by virtue of a majority of common ownership. All intercompany balances and transactions have been eliminated in the combining financial statements

**Method of Accounting -**

The Entities maintain their books and prepare their 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, the entities consider time deposits, certificates of deposits, and all highly liquid investments, with maturity of three months or less, to be cash. The entities maintain cash balances at financial institutions, which periodically exceed the Federal Deposit Insurance Corporation limit during the year.

**Fixed Assets -**

Property and equipment, including items acquired under capital leases are recorded at cost of acquisition. Fully depreciated assets are written off against accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
D/B/A Phoenix Center for Rehabilitation & Pediatrics  
North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC  
Notes to the Financial Statements

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

**Use of Estimates -**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates.

**Goodwill and Other Intangible Assets -**

Intangible assets subject to amortization are shown net of accumulated amortization based upon their estimated useful lives. The Realty has classified as goodwill the excess of the purchase price over the fair value of the assets acquired. Goodwill and other intangible assets are tested, at a minimum, annually for impairment and adjusted accordingly. After assessing qualitative factors, management's opinion is that there has been no impairment to the recorded value.

**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.

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.

North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
D/B/A Phoenix Center for Rehabilitation & Pediatrics  
North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC  
Notes to the Financial Statements

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

**Patient Care Revenue Recognition (Continued) -**

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.

- **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.

North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
D/B/A Phoenix Center for Rehabilitation & Pediatrics  
North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC  
Notes to the Financial Statements

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

**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 and sick leave as well as personal time off. The liability is calculated based on the employee's current pay rate and number of remaining unused days. As of December 31, 2024, the liability for compensated absences amounted to \$615,054, which is included in the total accrued payroll liability of \$1,370,745.

**Income Taxes -**

New Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center for Rehabilitation & Pediatrics and North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC are treated as partnerships for income tax purposes, and as such each member is taxed separately on their distributive share of the company's income whether or not that income is actually distributed.

**Advertising -**

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense amounted to \$57,985 for the year ended December 31, 2024.

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:

<b>Accounts Receivable</b>	
Medicaid Patients	\$ 3,224,879
Medicare Patients	564,165
HMO Patients	5,181,174
Private Patients	662,966
Less: Allowance for Credit Losses	(837,000)
<b>Total</b>	<b>\$ 8,796,184</b>

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.



North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
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North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC  
Notes to the Financial Statements

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

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.

<b>Allowance for Credit Losses</b>		
Balance, January 1, 2024	\$	1,000,000
Provision for expected credit losses		720,526
Write-offs charged against the allowance		(883,526)
Credit Loss Recoveries		-
<b>Balance December 31, 2024</b>	<b>\$</b>	<b>837,000</b>

4) **Mortgage Payable:**

On July 17, 2019 North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC financed the purchase of its property with a loan of \$27,844,942 from Capital Funding, LLC. The loan called for twelve monthly payments of interest only beginning in August 2019, followed by 24 monthly payments of \$116,021 of principal plus interest. On July 29, 2022, with the balance of the loan at \$25,060,438, the Realty entered into a loan modification agreement with Capital Funding to borrow an additional \$16,939,562 to increase the principal amount of the loan to \$42,000,000. The July 29, 2022 modification called for monthly payments of principal plus interest. On October 1, 2024, with the balance of the loan at \$40,040,000, the Realty entered into a new modification agreement. The new agreement calls for Monthly payments of principal based on a 24 year amortization period of principal plus interest at the LIBOR rate plus 340 basis points, due monthly until October 1, 2026, when the entire principal amount plus any unpaid interest will be due. As of December 31, 2024 the interest rate was 7.96%. The loan is guaranteed by the members of the facility.

The following are the balances as of December 31, 2024:

Principal Balance:	\$	39,917,425
Unamortized Debt Issuance Cost:		(561,324)
Mortgage Payable	\$	39,356,101
Less: Current Portion		(732,000)
Long -term Debt	\$	<u>38,624,101</u>

5) **Swap Agreement:**

On October 1, 2024 North Jersey Pediatric Adult Nursing and Wellness Propco, LLC entered into an interest rate swap agreement to hedge its exposure to the volatility of interest payments on its variable rate obligations debt. The swap agreement effectively converts interest payments from the mortgage's variable rate to a fixed rate of 7.05%. The original notional amount of the agreement was for \$40,040,000 and reduces, based on the amortization of the underlying debt. The swap agreement, which expires on October 1, 2026, is recorded as an asset at the estimated fair value of \$282,285 as of December 31, 2024. The fair value was measured using quoted prices in active markets for identical assets or liabilities. Such measurement is a Level One input as defined in ASC 820-10-35-36. Payments received for the swap agreement totaled \$76,356 for the year ended December 31, 2024.

North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
D/B/A Phoenix Center for Rehabilitation & Pediatrics  
North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC  
Notes to the Financial Statements

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

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

The building lease is a non arms length agreement between North Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center for Rehabilitation & Pediatrics and North Jersey Pediatric Adult Nursing & Wellness Propco, LLC for the property located at 1433 Ringwood Avenue in Haskell, New Jersey. The lease commenced January 1, 2020 and matures on December 31, 2029. The lease calls for annual rent equal to the lessor's debt service. For the year ended December 31, 2024, the lease expense was \$5,378,587.

The Facility determines the present value of the remaining lease payments using the US Treasury risk-free rate at the time of adoption of the Standard, which was 1.55%. The Facility does not have any variable lease payments, residual value guarantees, or material lease incentives.

The Facility has not recognized any material impairments of its operating lease right-of-use asset as of December 31, 2024. As of December 31, 2024, the Facility's operating lease liability and corresponding asset was \$17,923,449, of which \$3,474,505 of the liability was considered short term.

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

2025	\$ 3,727,705
2026	3,727,705
2027	3,727,705
2028	3,727,705
2029	<u>3,727,705</u>
Total Minimum Future Rentals	\$ <u>18,638,525</u>

7) **Due to HRSA/Prior Period Expense:**

The Facility received relief funds from the U.S. Health Resources and Services Administration for which it was subsequently determined not entitled to receive. These funds are now due back to the HRSA. As of December 31, 2024, the amount due was \$123,462. This amount does not include any penalties, interest, or administrative fees which the Facility is challenging.

8) **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.

9) **Related Party Transactions:**

The Facility shares services at cost with other related nursing facilities. The total cost for those services was \$458,660 for the year ended December 31, 2024.

10) **Loans Payable – Members:**

Represent non-interest bearing demand notes to members of the Facility and Realty.

11) **Covenants/Restricted Cash:**

The loan from Capital Funding is being paid on a timely basis. The loan contains covenants which have not been met. The loans are therefore in technical default. As a result of the covenant violation the bank has required the members of the Entities to place \$1,000,000 into an interest bearing cash collateral account. As of December 31, 2024 the balance of the collateral account was \$1,047,423.

North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
D/B/A Phoenix Center for Rehabilitation & Pediatrics  
North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC  
Notes to the Financial Statements

12) **Subsequent Events:**

The Entities have evaluated subsequent events through February 24, 2025, the date which the financial statements were available to be issued. There were no subsequent events that required adjustment to our disclosure in the financial statements except as described above.



MARTIN FRIEDMAN CPA PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION

To the Members,  
North Jersey Pediatric & Adult Nursing & Wellness Center, LLC  
D/B/A Phoenix Center For Rehabilitation & Pediatrics  
North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC:

Our report on our audit of the basic financial statements of North Jersey Pediatric & Adult Nursing & Wellness Center, LLC D/B/A Phoenix Center For Rehabilitation & Pediatrics and North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC for 2024 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 15 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Martin Friedman CPA, PC*

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

Brooklyn, NY

February 24, 2025

**North Jersey Pediatric & Adult Nursing & Wellness Center, LLC**  
**D/B/A Phoenix Center for Rehabilitation & Pediatrics**  
**North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC**  
**Supplementary Schedules**  
**For the year ended December 31, 2024**

	Facility	Realty	Elimination	Combined
Revenue From Patients:				
Private	\$ 1,602,810	\$ -	\$ -	\$ 1,602,810
Medicaid	31,962,908	-	-	31,962,908
Medicare	6,157,249	-	-	6,157,249
Provision for Credit Losses	<u>163,000</u>	<u>-</u>	<u>-</u>	<u>163,000</u>
Total Revenue From Patients	39,885,967	\$ -	\$ -	\$ 39,885,967
Revenue From Rental	-	5,378,587	(5,378,587)	-
Other Income:				
Prior Period Expense	(522,297)	-	-	(522,297)
Interest	17,989	46,084	-	64,073
IEP/Education	307,726	-	-	307,726
Other Miscellaneous	<u>243,995</u>	<u>-</u>	<u>-</u>	<u>243,995</u>
Total Other Income	<u>47,413</u>	<u>46,084</u>	<u>-</u>	<u>93,497</u>
<b>Total Income</b>	<b>\$ <u>39,933,380</u></b>	<b>\$ <u>5,424,671</u></b>	<b>\$ <u>(5,378,587)</u></b>	<b>\$ <u>39,979,464</u></b>

**North Jersey Pediatric & Adult Nursing & Wellness Center, LLC**  
**D/B/A Phoenix Center for Rehabilitation & Pediatrics**  
**North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC**  
**Supplementary Schedules**  
**For the year ended December 31, 2024**

	Facility	Combined
<b>Payroll:</b>		
Administrative & Office	\$ 765,581	\$ 765,581
Nursing	12,437,963	12,437,963
Therapies	2,927,783	2,927,783
Social Services	482,864	482,864
Recreation	391,274	391,274
Dietary	770,134	770,134
Housekeeping	970,451	970,451
Laundry	62,841	62,841
Maintenance	277,033	277,033
<b>Total Payroll</b>	<b><u>19,085,924</u></b>	<b><u>19,085,924</u></b>
<b>Employee Benefits:</b>		
Payroll Taxes	1,814,637	1,814,637
Workmen's Compensation	415,504	415,504
Employee Benefits	876,022	876,022
<b>Total Employee Benefits</b>	<b><u>3,106,163</u></b>	<b><u>3,106,163</u></b>
<b>Professional Care:</b>		
Prescription Drugs	277,294	277,294
Medical Supplies	1,619,904	1,619,904
Contracted Nursing Service	992,189	992,189
Fees & Expenses	2,158,698	2,158,698
Transportation	366,759	366,759
<b>Total Professional Care</b>	<b><u>\$ 5,414,844</u></b>	<b><u>\$ 5,414,844</u></b>

**North Jersey Pediatric & Adult Nursing & Wellness Center, LLC**  
**D/B/A Phoenix Center for Rehabilitation & Pediatrics**  
**North Jersey Pediatric & Adult Nursing & Wellness Propco, LLC**  
**Supplementary Schedules**  
**For the year ended December 31, 2024**

	Facility	Realty	Elimination	Combined
<b>Dietary &amp; Housekeeping:</b>				
Food	\$ 801,761	\$ -	\$ -	\$ 801,761
Other Dietary Expenses	71,857	-	-	71,857
Laundry	167,575	-	-	167,575
Housekeeping	116,674	-	-	116,674
Contracted Dietary Services	28,567	-	-	28,567
<b>Total Dietary &amp; Housekeeping</b>	<b>1,186,434</b>	<b>-</b>	<b>-</b>	<b>1,186,434</b>
<b>Plant &amp; Maintenance:</b>				
Rent	5,378,587	-	(5,378,587)	-
Mortgage Interest	-	3,498,252	-	3,498,252
Equipment Rentals	381,394	-	-	381,394
Interest on Equipment	3,287	-	-	3,287
Real Estate Tax	-	409,737	-	409,737
Light, Heat & Power	384,294	-	-	384,294
Maintenance	493,533	-	-	493,533
Depreciation & Amortization	1,028,104	259,974	-	1,288,078
<b>Total Plant &amp; Maintenance</b>	<b>7,669,199</b>	<b>4,167,963</b>	<b>(5,378,587)</b>	<b>6,458,575</b>
<b>General &amp; Administrative:</b>				
Office	1,295,743	-	-	1,295,743
Computer Services	44,593	-	-	44,593
Telephone	57,265	-	-	57,265
Auto & Travel	132,762	-	-	132,762
Professional Fees	401,119	-	-	401,119
Insurance	486,831	85,561	-	572,392
Nursing Home User Fee	992,822	-	-	992,822
Advertising	57,985	-	-	57,985
Credit Losses	883,526	-	-	883,526
Miscellaneous	144,794	70,399	-	215,193
<b>Total General &amp; Administrative</b>	<b>\$ 4,497,440</b>	<b>\$ 155,960</b>	<b>\$ -</b>	<b>\$ 4,653,400</b>