

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITORS' REPORT

To the Members of
Complete Care at Woodlands LLC

Opinion

We have audited the accompanying financial statements of Complete Care at Woodlands LLC (a limited liability company), which comprise the balance sheet as of December 31, 2024, and the related statements of earnings and members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Complete Care at Woodlands LLC as of December 31, 2024, and the results of its earnings, changes in members' equity, 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 Complete Care at Woodlands LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

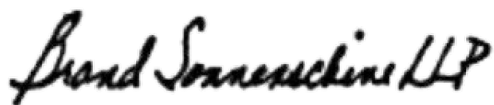
Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

A handwritten signature in black ink that reads "Brand Sonnenschein LLP". The signature is written in a cursive, flowing style.

June 2, 2025

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
BALANCE SHEET
AT DECEMBER 31, 2024

ASSETS

Current assets

Cash and cash equivalents (note 2)	\$ 159,871
Cash - restricted (patient funds) (note 2)	54,008
Accounts receivable - net (note 3)	2,169,961
Prepaid expenses and other	106,240
Total current assets	<u>2,490,080</u>

Property and equipment - net (note 3)	482,100
Right-of-use assets - operating lease (note 6)	6,650,762
Due from related entities (note 7)	<u>7,464,679</u>

TOTAL ASSETS	\$ <u>17,087,621</u>
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LIABILITIES AND MEMBERS' EQUITY

Current liabilities

Accounts payable	\$ 2,395,646
Accrued expenses	689,032
Due to private and third-party payors (note 16)	400,478
Operating lease payable (note 6)	875,567
Patients' funds payable	49,008
Due to prior owner (note 13)	9,415
Total current liabilities	<u>4,419,146</u>

Operating lease payable (note 6)	5,775,195
Due to related entities (note 7)	5,216,834
Total liabilities	<u>15,411,175</u>

Members' equity	<u>1,676,446</u>
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TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ <u>17,087,621</u>
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COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
STATEMENTS OF EARNINGS AND MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2024

Revenues	\$ 15,063,242
Operating expenses	<u>14,597,589</u>
Earnings from operations	465,653
Non-operating revenue (expenses)	
Interest income	1,525
Interest expense	<u>(57,838)</u>
NET EARNINGS	409,340
Members' equity - December 31, 2023	<u>1,280,101</u>
	1,689,441
Members' equity distributed	<u>(12,995)</u>
MEMBERS' EQUITY - DECEMBER 31, 2024	<u><u>\$ 1,676,446</u></u>

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

Cash flows from operating activities

Net earnings	\$ 409,340
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation	75,676
(Increase) decrease in assets	
Accounts receivable	(122,851)
Federal credit receivable	440,344
Prepaid expenses and other	(24,070)
Increase (decrease) in liabilities	
Accounts payable	(147,907)
Accrued expenses	156,710
Due to private and third-party payors	(42,537)
Patients' funds payable	(8,803)
Net cash provided by operating activities	<u>735,902</u>

Cash flows from investing activities

Purchase of property and equipment	<u>(212,551)</u>
Net cash used in investing activities	<u>(212,551)</u>

Cash flows from financing activities

Due to/from related entities	(401,090)
Net payments from prior owner	10,866
Members' equity distributed	(12,995)
Net cash used in financing activities	<u>(403,219)</u>

Net increase in cash, restricted cash, and cash equivalents 120,132

Cash, restricted cash, and cash equivalents - December 31, 2023 93,747

**CASH, RESTRICTED CASH,
AND CASH EQUIVALENTS - DECEMBER 31, 2024**

\$ 213,879

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

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

Organization and business – Complete Care at Woodlands LLC (the “Company”) was formed in the State of New Jersey on November 14, 2019, without finite life. The Company commenced operations of a 120-bed long-term nursing facility in Somerset, New Jersey on April 2, 2020. The members of the Company are generally protected from liability for the acts and obligations of the Company. The operating agreements provide, among other things, for the Company to continue at the will of the General Members, unless sooner terminated as provided in the agreement. The Company leases land, building, and rights to its license in Somerset, New Jersey, from a related entity.

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

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

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

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

Property and equipment – Property and equipment are stated at cost. Depreciation is computed 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, which 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. 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

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

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

services represent a bundle of services that are not capable of being distinct. Additionally, there may be ancillary services, which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

Revenue recognized from healthcare services are adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration. The Company uses the expected value method 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 our estimates, estimates are adjusted, which would affect net service revenue in the period such variances become known.

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

Income taxes – The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, their earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations.

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 owner’s return. The tax rates are graduated and range from 5.675% to 10.9% of earnings. The Company recorded New Jersey BAIT income tax of \$12,995 as a distribution in 2024.

Estimates – The preparation of financial statements in conformity with the 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.

Guaranteed payments to members – Guaranteed payments to the members that are intended as compensation for services rendered are accounted for as expenses of the Company rather than as allocations of the Company’s net earnings. Guaranteed payments that are intended as payments of interest on capital accounts are not accounted for as expenses of the Company, but rather, as part of the allocation of net earnings.

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

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

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 in exchange for consideration that were deemed to be leases. The Company classified these contracts as Right-of-Use (“ROU”) assets. ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term with lease expense recognized on a straight-line basis.

Lease agreements may contain rent escalation clauses, rent holidays, or certain landlord incentives, including tenant improvement allowances. ROU assets include amounts for scheduled rent increases and may be reduced by lease incentive amounts. Using the transition approach, the Company elected to use the following practical expedients and, therefore, did not reassess any of the following: (1) whether any expired or existing contracts are or contain leases; (2) the lease classification of pre-ASC-842 operating leases, which continue to be reported as operating leases, and the lease classification of pre-ASC-842 capital leases, which are now reported as financing leases; and (3) initial direct costs for any existing leases.

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

Subsequent events – The Company has reviewed subsequent events and transactions for potential recognition and disclosure in the financial statements through June 2, 2025, the date the financial statements were available to be issued. There is a subsequent event identified in note 19.

NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

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

Operating cash	\$	159,871
Restricted deposits – patient funds		<u>54,008</u>
Total cash, restricted cash, and cash equivalents	\$	<u>213,879</u>

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

NOTE 3 – ALLOWANCE FOR CREDIT LOSSES

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

Activity:		
Balance – December 31, 2023	\$	129,000
Provision for credit losses		363,218
Less: write-offs		336,804
Recoveries		<u>3,586</u>
Balance – December 31, 2024	\$	<u>159,000</u>

NOTE 4 – PROPERTY AND EQUIPMENT

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

	Estimated life (Years)		
Leasehold improvements	15	\$	420,874
Furniture and fixtures	3-7		<u>225,083</u>
			645,957
Less: accumulated depreciation			<u>163,857</u>
		\$	<u>482,100</u>

Depreciation expense was \$75,676 for the year.

NOTE 5 – LINE OF CREDIT

The Company, together with another company, related through common ownership, are co-borrowers on a revolving line of credit entered into on April 2, 2020, in the amount of \$2,500,000. The revolving line of credit was set to mature on April 2, 2024, and was extended until April 29, 2025. The interest on this line is equal to the LIBOR rate plus 3.15%. At December 31, 2024, there were no open balances due by the Company. Interest expense for 2024 was \$53,189. The line of credit agreement contains certain financial covenants and restricts the amount to be borrowed to a calculation of the borrowing base. As of the date the financial statements were available to be issued, the covenant calculation has not yet been completed, due to information needed regarding the co-borrower. The line of credit is personally guaranteed by certain members of the Company.

NOTE 6 – LEASE

The Company has operating leases for the nursing facility and equipment. 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 and 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 Company used its incremental borrowing rate of 9% to calculate the present value of its operating lease liability. The incremental borrowing rate is based on the information available at the commencement date

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

NOTE 6 – LEASE (CONTINUED)

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.

On April 1, 2020, the Company entered into lease agreement with a related entity. The lease agreement expires on December 31, 2030. The lease provides for a monthly Base Rent equal to 1.05 times the sum of the (i) Lessor's annual principal and interest payments, (ii) Lessor's annual mortgage insurance premiums, (iii) Lessor's annual deposits for reserves for replacements, (iv) annual property insurance, and (v) annual real estate taxes on the property. In addition to Base Rent, the Lessee shall also pay additional rent equal to Net Cash Flow per the lease agreement. All real estate taxes and other property costs are the responsibility of the Company.

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

Operating lease cost	\$ 1,379,258
Short-term/variable lease cost	<u>251,778</u>
Total	\$ <u>1,631,036</u>

OPERATING LEASES

Operating lease ROU assets	\$ <u>6,650,762</u>
Operating lease current liabilities	\$ 875,567
Operating lease long-term liabilities	<u>5,775,195</u>
Total operating lease liabilities	\$ <u>6,650,762</u>

WEIGHTED-AVERAGE REMAINING LEASE TERM

Operating leases	6.00 years
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WEIGHTED-AVERAGE DISCOUNT RATE

Operating leases	9%
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Undiscounted maturities of lease liabilities were as follows:

For the Years Ended December 31	Operating Lease
2025	\$ 1,438,603
2026	1,438,603
2027	1,438,603
2028	1,438,603
2029	1,438,603
Thereafter	<u>1,438,603</u>
Total undiscounted maturities of lease liabilities	8,631,618
Less: discount on lease liabilities	<u>(1,980,856)</u>
TOTAL LEASE LIABILITIES	\$ <u>6,650,762</u>

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

NOTE 6 – LEASE (CONTINUED)

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

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

Operating cash flows for operating leases	\$ 1,379,258
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NOTE 7 – RELATED-ENTITY TRANSACTIONS

Related-entity loans owed to affiliated entities that are controlled by the Company's members were \$5,216,834 on December 31, 2024, of which \$2,188,194 were due to a related management company. Related-entity loans due from affiliated entities that are controlled by the Company's members were \$7,464,679, on December 31, 2024. The loans are non-interest-bearing and are not expected to be repaid soon.

The Company paid management fees of \$782,349 to a related management company during 2024.

The Company leases its facility from a related entity (note 6).

NOTE 8 – EMPLOYEE RETENTION CREDIT

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, and subsequent legislation, provided a refundable employee retention tax credit ("ERC"), to eligible employers, who met either a gross receipts test, or a government mandated test. The tax credit was equal to a specified percentage of qualified wages paid to employees subject to certain limits. The Company had determined that it qualified for the tax credit and had claimed ERC revenue of \$1,463,613 during 2021. An amount of \$320,789 was received in 2022, and \$702,480 was received in 2023. The remaining amount of \$440,344 was written off to other revenue in 2024. 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 9 – REVENUES

Approximately 3% of revenues for 2024 were derived from billings to the New Jersey Department of Health Services for stays by Medicaid patients, and approximately 40% of revenues for 2024 were derived from New Jersey Managed Care Organizations ("MCOs").

Approximately 30% of revenues for 2024 were derived from the Federal government for stays by Medicare patients covered by Part A and for services provided, which are covered by Medicare Part B.

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

NOTE 9 – REVENUES (CONTINUED)

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

As a participant in the Solar Incentive New Jersey programs, the company earns revenue whenever their solar panels produce 1 MWh (or 1,000 kWh) or electricity and reports to the GATS. This is not a fixed amount per month, but rather a payment each time the Company reaches the 1,000 kWh threshold over the length of the 15-year program. Revenue from this program for 2024 was \$40,584.

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000, per entity. On December 31, 2024, the Company had no uninsured balances.

At December 31, 2024, the Company had approximately 9% of its receivables due from the New Jersey Department of Health, approximately 22% of its receivables due from New Jersey MCOs and approximately 38% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2024, approximately 77% of the accounts payable balance was payable to three vendors.

NOTE 11 – ADVERTISING

Advertising expense was \$29,272 for the year. There were no direct-response advertising costs either capitalized or expensed.

NOTE 12 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ <u>57,772</u>
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NOTE 13 – DUE TO PRIOR OWNER

The Company has either received payments due from the prior owner or has had recoupments which the prior owner was required to reimburse. The balance owed to the prior owner at December 31, 2024, was \$9,415.

NOTE 14 – ECONOMIC DEPENDENCY

In 2024, the Company purchased a substantial portion of its services from one vendor. Purchases from this vendor totaled approximately \$610,000. The balances due to this vendor and included in accounts payable at December 31, 2024, was approximately \$347,000.

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

NOTE 15 – CONTRACTED SERVICES

A significant portion of the facility services are contracted from outside services.

NOTE 16 – DUE TO PRIVATE AND THIRD-PARTY PAYORS

The Company has received funds from various private and third-party payors, which are presently being repaid or may have to be repaid upon audit.

NOTE 17 – EMPLOYEE BENEFIT PLAN

The Company implemented a qualified Salary-Reduction Profit-Sharing Plan (the “Plan”) for eligible employees under section 401(K) of the Internal Revenue Code. The Plan provides for voluntary employee contributions through salary reductions. There were no contributions made by the employer during 2024.

NOTE 18 – CONTINGENCIES

Revenues are based on current billings. Certain adjustments may be made in subsequent periods because of audits or appeals, the results of which are not determinable as of the date of the financial statements. Such adjustments, if any, will be reflected in revenues in the period in which they are ascertained.

The Company maintains a self-insurance retention plan for its general liability insurance coverage. The plan runs from April 1, 2024 to March 31, 2025 and has been extended for another year. The plan has a \$250,000 deductible per case, which includes attorney fees and indemnity costs paid out. There is also a \$4,500,000 deductible on the aggregate, at which time the insurance provider covers the costs.

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

The Company is contingently liable for the portion of the line of credit (note 5) owed by the co-borrower. At December 31, 2024, the balance of the line of credit owed by the related co-borrower was \$1,249,121.

The Company is contingently liable for a mezzanine loan owed by related entities. On December 31, 2024, the balance of the mezzanine loan owed by the related entities was \$3,014,500. The loan was fully paid off in April 2025.

The Company, along with other companies related through common ownership, maintains a high deductible health plan policy which runs from June 1 through December 31. For the Plan period ended December 31, 2024, the Companies were responsible to pay for claims up to \$125,000 per employee, respectively, with no aggregate deductibles. The Company is jointly and separately liable for its affiliated companies’ insurance responsibility.

The Company shares a corporate credit card with other related entities with a total spending limit of \$120,000. There is no outstanding balance shown by the Company.

COMPLETE CARE AT WOODLANDS LLC
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

NOTE 18 – CONTINGENCIES (CONTINUED)

The New Jersey Department of Health is currently in the process of revising the methodology used to calculate the Medicaid reimbursement rate paid to the Company. The effect of these revisions on future operations cannot be determined at this time.

NOTE 19 – SUBSEQUENT EVENT

The Company closed their line of credit on April 29, 2025