MOUNTAINSIDE NURSING AND REHAB
BHC OPERATIONS, LLC

Financial Statements as of
December 31, 2024
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Accounting, Consulting & More

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INDEPENDENT AUDITOR'S REPORT

September 25, 2025

To the Member of
Mountainside Nursing and Rehab BHC Operations, LLC:

Opinion

We have audited the accompanying financial statements of Mountainside Nursing and Rehab BHC Operations, LLC (the Company), which comprise the balance sheet as of December 31, 2024, and the related statements of operations, changes in member's deficit, 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 the Company as of December 31, 2024, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 the Company's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

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 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 the Company'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 the Company'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.

Bonadio & Co., LLP

MOUNTAINSIDE NURSING AND REHAB BHC OPERATIONS, LLC

BALANCE SHEET
DECEMBER 31, 2024

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 702,313
Accounts receivable, net of allowance for credit losses of $1,756,581	3,755,613
Prepaid expenses and other current assets	216,133
Total current assets	4,674,059
PROPERTY AND EQUIPMENT, NET	51,570
OTHER ASSETS:	
Right-of-use assets, financing leases	40,464,519
Replacement reserve	103,774
Resident funds held in trust	2,640
Due from related parties	331,839
Total other assets	40,902,772
Total assets	$ 45,628,401
LIABILITIES AND MEMBER'S DEFICIT	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 1,513,793
Accrued payroll and related liabilities	488,334
Lines of credit	1,629,713
Financing lease liability, current portion	2,800,086
Total current liabilities	6,431,926
LONG-TERM LIABILITIES:	
Financing lease liability, net of current portion	39,850,478
Due to related parties	2,142,663
Resident funds held in trust	2,640
Total long-term liabilities	41,995,781
Total liabilities	48,427,707
MEMBER'S DEFICIT	(2,799,306)
Total liabilities and member's deficit	$ 45,628,401

The accompanying notes are an integral part of these financial statements.

MOUNTAINSIDE NURSING AND REHAB BHC OPERATIONS, LLC

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024

REVENUES:	
Resident care revenue	$ 18,203,125
Ancillary revenue	161,348
Prior year revenue adjustments	(162,892)
Total resident care revenues	18,201,581
Other income	48,456
Total revenues	18,250,037
OPERATING EXPENSES:	
Salaries and wages	8,196,259
Payroll taxes and benefits	1,133,284
Purchased services	2,386,166
Supplies and other	1,572,399
New Jersey assessment	593,680
Credit losses	1,266,350
Depreciation and amortization	2,250,456
Interest	1,772,475
Total operating expenses	19,171,069
NET LOSS	$ (921,032)

The accompanying notes are an integral part of these financial statements.

MOUNTAINSIDE NURSING AND REHAB BHC OPERATIONS, LLC

STATEMENT OF CHANGES IN MEMBER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2024

BALANCE - January 1, 2024	$ (1,878,274)
Net loss	(921,032)
BALANCE - December 31, 2024	$ (2,799,306)

The accompanying notes are an integral part of these financial statements.

MOUNTAINSIDE NURSING AND REHAB BHC OPERATIONS, LLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

CASH FLOW FROM OPERATING ACTIVITIES	
Net loss	$ (921,032)
Adjustments to reconcile net loss to	
net cash flow from operating activities:	
Credit losses	1,266,350
Depreciation	12,787
Amortization of right-of-use assets	2,237,669
Changes in assets and liabilities:	
Accounts receivable, net	(2,295,463)
Prepaid expenses and other current assets	(152,691)
Accounts payable and accrued expenses	148,890
Accrued payroll and related liabilities	(235,958)
Net cash flow from operating activities	60,552
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(14,305)
CASH FLOW FROM FINANCING ACTIVITIES:	
Net borrowings on lines of credit	329,713
Payments on finance lease liability	(1,146,815)
Net advances from related parties	1,109,493
Net cash flow from financing activities	292,391
CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	338,638
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - beginning of year	467,449
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - end of year	$ 806,087

The accompanying notes are an integral part of these financial statements.

MOUNTAINSIDE NURSING AND REHAB BHC OPERATIONS, LLC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SCOPE OF BUSINESS

Mountainside Nursing and Rehab BHC Operations, LLC (the Company) is 151 bed nursing facility located in Mountainside, New Jersey, licensed by the State of New Jersey.

The Company is a wholly owned subsidiary of Mountainside BHC Holding Company, LLC (Holding).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Variable Interest Entity
The Company has elected the accounting alternative offered to private companies for certain legal entities under common control. In accordance with this alternative, the Company does not apply the variable interest entity consolidation model to its qualifying common control arrangements.

Cash and Cash Equivalents and Restricted Cash
Cash and cash equivalents and restricted cash include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The Company maintains cash and cash equivalents and restricted cash at financial institutions which periodically may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents and restricted cash.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows as of December 31, 2024:

Cash and cash equivalents	$ 702,313
Replacement reserve	103,774
	$ 806,087

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Restricted Cash (Continued)
In accordance with the sublease agreement, the Company is required to make deposits into the replacement reserve equal to $350 per bed increasing by 3% each year. Funds may be spent from the replacement reserve for qualified capital expenditures upon approval by the landlord.

Resident Care Revenue, Receivables, and Third-Party Payor Settlements
Resident care revenue related to room and board is recognized in the amounts to which the Company expects to be entitled and this transaction price (the daily rate) is allocated to the bundled service. Each resident pays a daily rate based on their resident admission agreement and their insurance coverage under a third-party payor agreement, if applicable. The performance obligation is satisfied as the benefit of the services are consumed.

Revenue for other physician and ancillary services is recognized in the amounts to which the Company expects to be entitled, and the transaction price (the fee) is allocated to the distinct services. Each resident pays a fee for these services based on the fee schedules established by the Company and their insurance coverage under a third-party payor agreement, if applicable. The performance obligation is satisfied as the benefit of the services are consumed and resident care revenue is recorded.

The Company is responsible for the overall provision of care, which includes identifying goods or services to be provided, including how much skilled nursing care is necessary, which drugs to administer, and how long a resident will need to stay in the Company and require a room, meals, and supplies.

The Company concludes that each day that a resident receives services represents a separate contract and performance obligation based on the fact that the resident has the unilateral right to terminate the contract after each day with no penalty or compensation due. If a contract can be terminated by either party at any time without compensating the other party for the termination (that is, other than paying amounts due as a result of goods or services transferred up to the termination date), the duration of the contract does not extend beyond the goods or services already transferred. That is the case whether or not the contract has a specified contract period.

The Company determines the transaction price based on established charges for services provided, reduced by contractual adjustments provided to third-party payors. The Company has agreements with third-party payors which provide for reimbursement at amounts different from its established charges. A summary of the basis of reimbursement with significant third-party payors follows:

- Medicaid - The New Jersey State Medicaid program provides for per diem reimbursement to nursing homes with certain provisions for retroactive adjustment due to changes in the intensity of care provided to residents, as well as for adjustments resulting from audits by the payor. The per diem rate is modified for intensity of care provided to residents.

- Medicare - The Medicare program provides for per diem reimbursement to nursing homes using the federal rate for services rendered to residents with certain provisions for retroactive adjustment due to changes in the intensity of care provided to residents, as well as for adjustments resulting from audits by the payor. The per diem rate is modified for intensity of care provided to residents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Resident Care Revenue, Receivables, and Third-Party Payor Settlements (Continued)

The Company expects to collect established charges, less contractual adjustments. The Company performs an assessment of a resident's ability to pay for the services provided prior to admission to the Company. Based on this, the Company determined that there are no implicit price concessions provided to residents.

Performance obligations are determined based on the nature of the services provided. The majority of the Company's healthcare services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation. Self-pay residents are billed a month in advance, and the performance obligation is considered satisfied on a daily basis as services are rendered. All other payors are billed after services have been provided, and the performance obligation is considered satisfied at a point in time as services are rendered.

Resident service revenue is charged and collected on a monthly basis. Amounts that remain uncollected at the end of the month are recorded as accounts receivable. Accounts receivable are reduced by an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Company estimates the allowance for credit losses using a pooled approach for accounts receivable that have similar risk characteristics (primarily payor and age of receivables) or on an individual basis if they do not share similar risk characteristics. In determining the amount of the allowance as of the balance sheet date, the Company develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

For accounts receivable that do not share similar risk characteristics, accounts are reviewed on an individual basis, which consider the specific circumstances around a resident's account, an analysis of historical collection experience, as well as management's expectations of current and future conditions.

Payment that the Company receives from residents in advance of providing services represent contract liabilities as unearned resident care revenues.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Laws and regulations governing the Medicaid and Medicare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are stated at cost, less accumulated depreciation computed on the straight line method over estimated useful lives as follows:

Leasehold improvements	10 years
Moveable equipment	5 years

Maintenance and repairs are charged to expense. The cost of property and equipment retired or otherwise disposed of and related accumulated depreciation are removed from the accounts.

Leases

The Company determines if an arrangement is a lease at inception.

Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when the Company is reasonably certain to exercise these options.

For all underlying classes of assets, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The Company elected for all classes of underlying assets to use the risk-free rate as the discount rate if the implicit rate in the lease contract is not readily determinable.

The Company elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for as a single lease component.

Variable lease costs paid to or on behalf of the lessor, consisting of real estate taxes and property insurance, are excluded from the measurement of the ROU asset and lease liability and are expensed in the period incurred.

Resident Funds Held in Trust

The Company acts as a custodian for resident funds. These funds are expended at the direction of the residents for personal items. Transactions involving receipt and disbursement of resident accounts are not included in the operating results of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Limited Liability Company/Income Taxes

The Company is treated as a partnership for federal and state income tax purposes. Therefore, its earnings and losses flow through to its member.

The Company is governed by its operating agreement. Liability of the member of the Company is generally limited to the member's total capital contributions.

3. CONTINUING OPERATIONS

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company incurred a net loss of $921,032 for the year ended December 31, 2024. At December 31, 2024, the Company has an accumulation of a member's deficit totaling $2,799,306.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management of the Company has evaluated these conditions and determined this uncertainty will be alleviated. As disclosed in Note 7 to the financial statements, there is a significant difference totaling $1,090,854 between the Company's recognized straight-line lease expense and the annual cash flow requirements under the lease. This occurs due to annual rent escalation over the term of the Company's facility leases. In addition, the Company has

Based on these factors the Company believes it has adequate cash resources to maintain operations and management intends to support the Company through related party cash management if necessary.

4. RESIDENT CARE REVENUE AND RECEIVABLES

Resident care revenue recognized from payor sources for the year ended December 31, 2024 is as follows:

Medicaid	$ 2,747,285
Medicare	3,588,457
Self-pay	1,868,435
Other insurance	9,998,948
Ancillary services	161,348
Prior year adjustments	(162,892)
	$ 18,201,581

The Company derived approximately 35% of its resident care revenue from State and Federal government agencies for the year ended December 31, 2024.

4. RESIDENT CARE REVENUE AND RECEIVABLES (Continued)

Accounts receivable consisted of the following at December 31:

	2024	2023
Medicaid	$ 1,278,529	$ 1,337,481
Medicare	650,975	702,495
Self-pay	2,486,062	1,052,146
Other insurance	1,096,628	1,097,367
	5,512,194	4,189,489
Less: Allowance for credit losses	(1,756,581)	(1,462,989)
	$ 3,755,613	$ 2,726,500

Changes in the allowance for credit losses, primarily related to self-pay, for the year ended December 31, 2024 were as follows:

Balance January 1, 2024	$ 1,462,989
Write-offs	(972,758)
Provision for credit losses	1,266,350
	$ 1,756,581

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2024:

Leasehold improvements	$ 7,845
Moveable equipment	65,744
	73,589
Less: Accumulated depreciation	(22,019)
	$ 51,570

6. LINES OF CREDIT

The Company has an available line of credit subject to a borrowing base equal to 85% of the net collectible value of accounts receivable up to a maximum of $2,500,000 (LOC A). LOC A bears interest at 30-day SOFR plus 6.00% (10.34% as of December 31, 2024) and expired in January 2024. LOC A is no longer available for additional funding and was paid in full in January 2025. The outstanding balance on LOC A totaled $125,000 at December 31, 2024.

6. LINES OF CREDIT (Continued)

The Company has an available line of credit subject to a borrowing base equal to 80% of the net collectible value of accounts receivable up to a maximum of $2,500,000 (LOC B). LOC B bears interest at one-month term SOFR plus 3.25% (7.59% as of December 31, 2024) and expires in November 2025. LOC B may be extended for an additional one-year term at the discretion of the lender. LOC B is guaranteed by Holding and members of Holding and is collateralized by accounts receivable. The outstanding balance on LOC B totaled $1,504,713 at December 31, 2024.

7. LEASES

The Company subleases its premises at 1180 Route 22 Mountainside, New Jersey from Mountainside BHC Holding Realty, LLC, a related party through common ownership. The lease is subject to terms of the master lease with an unrelated third party. The lease is recorded as a finance lease and required monthly payments of $221,781 in January 2024 before increasing to $227,727. The lease payments adjust annually pursuant to the lease before a constant 3.00% annual increase beginning in January 2027. The lease expires in January 2043.

The components of total lease costs for the year ended December 31, 2024 were as follows:

Financing lease cost	
Amortization of ROU assets	$ 2,237,669
Interest on lease liabilities	1,579,962
Variable lease cost	298,216
Total lease cost	$ 4,115,847

Maturities of lease liabilities are as follows for the years ending December 31:

2025	$ 2,800,086
2026	2,616,064
2027	2,670,244
2028	2,750,352
2029	2,832,862
Thereafter	46,283,387
Total lease payments	59,952,995
Less: Interest	(17,302,431)
Total present value of lease liabilities	42,650,564
Less: Current portion	(2,800,086)
Total long-term portion of lease liabilities	$ 39,850,478

Supplemental cash flow information related to leases were as follows for the year ended December 31, 2024:

7. LEASES (Continued)

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	$ 1,579,962
Financing cash flows from finance leases	$ 1,146,815

Other information related to the finance leases is as follows as of December 31, 2024:

Remaining lease term	18.17 years
Discount rate	3.67%

8. RELATED PARTY TRANSACTIONS

Mountainside NJ BHC Op Co Consultant, LLC a related party through common ownership, provides administrative and consulting services to the Company. The Company incurred expenses totaling $577,383 for the year ended December 31, 2024 and are included in purchased services in the accompanying statement of operations.

Amounts due to/from related parties represent non-interest-bearing cash advances based on cash flow needs between entities related through common ownership and have no formal repayment terms.

Amounts due from related parties consisted of the following at December 31, 2024:

Genesee Valley Presbyterian Nursing Center d/b/a Kirkhaven	$ 10,439
Mountainside NJ BHC Propco, LLC	321,400
	$ 331,839

Amounts due to related parties consisted of the following at December 31, 2024:

Eastside OpCo, LLC	$ 218,000
Crest Opco LLC	5,314
The Guardian SNF Operations BHC, LLC	1,921
Somerset Ridge SNF Operations BHC, LLC	1,921
Sarah S Brayton SNF Operations BHC, LLC	196,615
Kimwell Nursing SNF Operations BHC, LLC	2,049
Prescott Nursing & Rehab BHC Operations LLC	1,921
Westford Nursing & Rehab BHC Operations LLC	1,921
Charwell House SNF Operations BHC, LLC	2,115
Lakeland Nursing & Rehab BHC Operations LLC	53,471
Members	413,129
Mountainside NJ BHC Op Co Consultant, LLC	1,089,318
Mountainside BHC Holding Realty, LLC	154,968
	$ 2,142,663

9. DEFINED CONTRIBUTION PLAN

The Company participates in the Best Care Services 401(k) Retirement Plan (the “Plan”) for all eligible employees. The Plan allows for discretionary non-elective employer contributions. There were no non-elective employer contributions for the year ended December 31, 2024

10. COMMITMENTS AND CONTINGENCIES

Health Insurance

The Company along with related parties affiliated through common ownership (the Insured Group), which include six skilled nursing facilities in Massachusetts, are self-insured for health insurance. The Insured Group utilizes a third-party administrator for administration and claims processing. Each member of the Insured Group is directly charged for monthly administrative and actual claims incurred costs. The Company incurred health insurance costs, net of employee withholdings, included in payroll taxes and employee benefits on the statement of operations totaling $82,682 for the year ended December 31, 2024.

11. SUBSEQUENT EVENTS

The Company evaluated subsequent events through September 25, 2025, which is the date these financial statements were available to be issued.