

**LIVIA HEALTH AT EAST HANOVER LLC  
D/B/A LIVIA HEALTH AND SENIOR LIVING  
(a limited liability company)**

**FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2024**

## **TABLE OF CONTENTS**

INDEPENDENT AUDITORS' REPORT	1
BALANCE SHEET	3
STATEMENTS OF OPERATIONS AND MEMBER'S DEFICIENCY	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6

## INDEPENDENT AUDITORS' REPORT

To the Member of  
Livia Health At East Hanover LLC  
d/b/a Livia Health and Senior Living

### Opinion

We have audited the accompanying financial statements of Livia Health at East Hanover LLC d/b/a Livia Health and Senior Living (a limited liability company), which comprise the balance sheet as of December 31, 2024, and the related statements of operations and member's deficiency, 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 Livia Health at East Hanover LLC d/b/a Livia Health and Senior Living as of December 31, 2024, and the results of its operations, changes in member's deficiency, 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 Livia Health at East Hanover LLC d/b/a Livia Health and Senior Living 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 Livia Health at East Hanover LLC d/b/a Livia Health and Senior Living'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 Livia Health at East Hanover LLC d/b/a Livia Health and Senior Living'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 Livia Health at East Hanover LLC d/b/a Livia Health and Senior Living'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.

*David Sannaschini LLP*

January 22, 2026

**LIVIA HEALTH AT EAST HANOVER LLC  
D/B/A LIVIA HEALTH AND SENIOR LIVING  
(a limited liability company)  
BALANCE SHEET  
AT DECEMBER 31, 2024**

**ASSETS**

**Current assets**

Cash and cash equivalents (note 2)	\$ 447,418
Restricted cash - patient funds (note 2)	233,238
Accounts receivable - net (note 3)	1,947,903
Prepaid expenses and other	500,041
<b>Total current assets</b>	<u>3,128,600</u>

Property and equipment - net (note 4)	433,219
Due from landlord (note 5)	20,000
Right-of-use asset (note 5)	<u>24,212,043</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 27,793,862</u></u>
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**LIABILITIES AND MEMBER'S DEFICIENCY**

**Current liabilities**

Lines of credit (note 10)	\$ 3,679,826
Accounts payable	1,652,520
Accrued expenses	178,318
Operating lease obligation (note 5)	764,948
Finance lease obligation (note 5)	22,925
Due to private and third-party payors	171,208
Patients' funds payable	223,173
<b>Total current liabilities</b>	<u>6,692,918</u>

Operating lease obligation (note 5)	23,916,379
Finance lease obligation (note 5)	49,423
<b>Total liabilities</b>	<u>30,658,720</u>

<b>Member's deficiency</b>	<u>(2,864,858)</u>
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<b>TOTAL LIABILITIES AND MEMBER'S DEFICIENCY</b>	<u><u>\$ 27,793,862</u></u>
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**LIVIA HEALTH AT EAST HANOVER LLC**  
**D/B/A LIVIA HEALTH AND SENIOR LIVING**  
**(a limited liability company)**  
**STATEMENTS OF OPERATIONS AND MEMBER'S DEFICIENCY**  
**YEAR ENDED DECEMBER 31, 2024**

Revenues	\$	18,456,040
Operating expenses		<u>19,101,644</u>
Loss from operations		(645,604)
Non-operating revenue (expenses):		
Interest income		1,615
Interest expense		<u>(407,121)</u>
<b>NET LOSS</b>		(1,051,110)
Member's deficiency - December 31, 2023		(2,667,832)
Prior period adjustment (note 11)		<u>(897,167)</u>
Restated member's deficiency - December 31, 2023		<u>(3,564,999)</u>
		(4,616,109)
Net member's equity contributed		<u>1,751,251</u>
<b>MEMBER'S DEFICIENCY - DECEMBER 31, 2024</b>	<b>\$</b>	<b><u><u>(2,864,858)</u></u></b>

See accompanying notes to the financial statements.

**LIVIA HEALTH AT EAST HANOVER LLC  
D/B/A LIVIA HEALTH AND SENIOR LIVING  
(a limited liability company)  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2024**

<b>Cash flows from operating activities</b>	
Net loss	\$ (1,051,110)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	47,502
Decrease in right-of-use asset net of operating lease obligation due to straight-lining of rent	469,284
<b>(Increase) decrease in assets</b>	
Accounts receivable	120,766
Prepaid expenses and other	(409,596)
Due from landlord	(20,000)
<b>Increase (decrease) in liabilities</b>	
Accounts payable	(101,185)
Accrued expenses	94,635
Due to private and third-party payors	171,208
Patients' funds payable	35,913
<b>Net cash used in operating activities</b>	<u>(642,583)</u>
 <b>Cash flows from investing activities</b>	
Purchase of property and equipment	<u>(321,242)</u>
<b>Net cash used in investing activities</b>	<u>(321,242)</u>
 <b>Cash flows from financing activities</b>	
Finance lease payments	(42,398)
Repayment of loans payable	(45,756)
Repayment of line of credit	(131,920)
Member's equity contributed	1,791,252
Member's equity distributed	(40,001)
<b>Net cash provided by financing activities</b>	<u>1,531,177</u>
 <b>Net increase in cash, restricted cash, and cash equivalents</b>	567,352
 Cash, restricted cash, and cash equivalents - December 31, 2023	<u>113,304</u>
 <b>CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - DECEMBER 31, 2024</b>	<u><u>\$ 680,656</u></u>

See accompanying notes to the financial statements.

**LIVIA HEALTH AT EAST HANOVER LLC  
D/B/A LIVIA HEALTH AND SENIOR LIVING  
(a limited liability company)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

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

**Organization and business** – Livia Health at East Hanover LLC d/b/a Livia Health and Senior Living (the “Company”) was formed in the State of New Jersey on June 16, 2021. The Company is licensed to operate a long-term care facility consisting of 86 long term care beds and 37 assisted living beds in East Hanover, New Jersey and leases the land, building, and rights to its licenses on which it operates from a related landlord. The member of the Company is generally protected from liability for the acts and obligations of the Company. For the year ended December 31, 2024, skilled nursing sales represented 88% of the total sales revenue, while assisted living sales represented 12% of total sales revenue.

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

**Trade accounts receivable** – Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company adopted “ASU 2016-13, Measurement of Credit Losses on Financial Instruments” and its related amendments using the prospective method. The 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 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 that 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 conditions of specific payors, and future economic conditions, to determine the appropriate allowance for credit losses. The impact of the adoption of ASC 326 on 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.

**Leases** – The Company adopted “ASC 842, Leases.” With this adoption, the Company determined which contracts conveyed the Company a right to control identified property, plant, or equipment for a period of time in exchange for consideration, that were deemed leases. The Company classified these contracts as right-of-use (“ROU”) assets. ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term, with lease expense recognized on a straight-line basis.

**LIVIA HEALTH AT EAST HANOVER LLC**  
**D/B/A LIVIA HEALTH AND SENIOR LIVING**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

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: of (1) using the Company's implicit borrowing rate (if available at the time of the lease origination); or (2) using a risk-free discount rate (US Treasury Rate) for the lease-derived ROU assets. ROU assets were treated separately from non-lease components of all asset classes. For leases utilizing the risk-free rate expedient, the Company elected to use a period comparable with that of the lease term, as an accounting policy election for all leases. The Company also made an accounting policy election to not record ROU assets or lease liabilities for leases with an initial term of 12 months or less and recognizes payments for such leases in its statement 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.

**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 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.

Revenues 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 estimates, the Company adjusts these estimates, which would affect net service revenue in the period such variances become known.

**Income taxes** – The Company is treated as a single-member LLC for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the return of the single member. The policy of the Company is to record interest expenses and penalties relating to income taxes in operating expenses. During the year, there were no income tax-related interest or penalty expenses and no accrued interest or penalties.

**LIVIA HEALTH AT EAST HANOVER LLC  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

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

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

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

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

**Subsequent events** – The Company has reviewed subsequent events and transactions for potential recognition and disclosure in the financial statements through January 22, 2026, the date the financial statements were available to be issued. See note 14 for subsequent events that were identified.

**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	\$ 447,418
Restricted cash – patient funds	<u>233,238</u>
Total cash, restricted cash, and cash equivalents	\$ <u>680,656</u>

**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.

<b>Activity:</b>	
Balance – December 31, 2023	\$ 1,055,021
Provision for credit losses	678,118
Less: write-offs	<u>(1,232,139)</u>
Balance – December 31, 2024	\$ <u>501,000</u>

**LIVIA HEALTH AT EAST HANOVER LLC**  
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**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 4 – PROPERTY AND EQUIPMENT**

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

	Estimated life (years)	
Leasehold improvements	15	\$ 98,290
Furniture and equipment	5-15	<u>2,104,045</u>
		2,202,335
Less: accumulated depreciation		<u>1,769,116</u>
		\$ <u>433,219</u>

Furniture and equipment include \$272,129 of construction in process for a five-chair dialysis unit, which was completed in October 2025. The total estimated cost of the project is approximately \$367,000.

Finance leases included in furniture and equipment were \$92,721 and accumulated depreciation related to these leases was \$9,272.

Depreciation expense was \$47,502 for the year, which includes \$9,272 of depreciation on finance leases.

**NOTE 5 – LEASES**

The Company occupies its premises under an operating lease with a related entity. The lease expires on November 30, 2037, and includes options to extend for two consecutive 10-year periods. The lease provides for a monthly base rent of \$213,242 subject to 2.5% increases on each anniversary of the lease commencement date. The lease provides for additional rent of all real estate taxes, property insurance, and maintenance costs. For the year, the Company recorded rent expense of \$3,097,629, real estate taxes of \$265,563 and property insurance of \$38,350. The balance due from the landlord at December 31, 2024, was \$20,000, and there is no formal repayment plan.

ROU assets represent the Company's right to use an underlying asset for the lease term if greater than twelve months. Lease obligations represent the Company's liability to make lease payments arising from the lease. Operating lease ROU assets and related obligations are recognized at the commencement date based on the present value of lease payments over the lease term, discounted using an appropriate risk-free rate. The risk-free rate is based on the information available at the commencement date to determine the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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

Operating lease cost	\$ 3,097,629
Short-term lease cost	105,577
Variable lease cost	<u>303,913</u>
Total	\$ <u>3,486,453</u>

**LIVIA HEALTH AT EAST HANOVER LLC  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 5 – LEASES (CONTINUED)**

**OPERATING LEASES**

Operating lease ROU assets	\$ <u>24,212,043</u>
Other current liabilities	\$ 764,948
Operating lease liabilities	<u>23,916,379</u>
Total operating lease liabilities	\$ <u>24,681,327</u>

**FINANCE LEASES**

Property, plant, and equipment, net	\$ <u>83,449</u>
Other current liabilities	\$ 22,925
Operating lease liabilities	<u>49,423</u>
Total finance lease liabilities	\$ <u>72,348</u>

**WEIGHTED-AVERAGE REMAINING LEASE TERM**

Operating leases	12.92 years
Finance leases	3.17 years

**WEIGHTED-AVERAGE DISCOUNT RATE**

Operating leases	8.00%
Finance leases	0.21%

Future lease liability maturities at December 31, 2024, are as follows:

	<b>Operating Leases</b>	<b>Finance Leases</b>
2025	\$ 2,694,053	\$ 22,925
2026	2,761,404	22,925
2027	2,830,440	22,925
2028	2,901,201	3,821
2029	2,973,731	-
Thereafter	<u>26,319,488</u>	-
Total undiscounted lease liabilities	40,480,317	72,596
Less: imputed interest on lease liabilities	<u>15,798,990</u>	248
Total lease liabilities	\$ <u>24,681,327</u>	\$ <u>72,348</u>

The following table presents supplemental cash flow information for the year.

Operating cash flows for operating leases	\$ 2,628,345
Operating cash flows for finance leases	162
Financing cash flows for finance leases	20,372

**LIVIA HEALTH AT EAST HANOVER LLC**  
**D/B/A LIVIA HEALTH AND SENIOR LIVING**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 6 – REVENUES**

Approximately 58% of revenues for the year were derived from billings to the Federal government for stays by Medicare patients covered by Part A and for services provided, which are covered by Medicare Part B.

**NOTE 7 – CONCENTRATION OF CREDIT RISK**

The Company maintains its cash balances at several financial institutions. At December 31, 2024, accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per entity. At December 31, 2024, the Company had uninsured bank balances of approximately \$220,000.

At December 31, 2024, the Company had approximately 13% of its receivables due from the New Jersey Department of Health and MCOs, and 43% of its receivables due from the Federal government for Medicare recipients.

**NOTE 8 – ECONOMIC DEPENDENCY**

During the year, the Company purchased a substantial portion of its services from one vendor. Purchases from this vendor totaled approximately \$582,000. There was no balance due to this vendor at December 31, 2024.

**NOTE 9 – ADVERTISING**

Advertising and recruiting expenses were \$166,668 for the year. There were no direct-response advertising costs either capitalized or expensed.

**NOTE 10 – LINES OF CREDIT PAYABLE**

The Company has a \$1,500,000 line of credit agreement. Interest on bank advances on the credit line are payable monthly at the applicable Prime rate plus 1.5% per annum. Draws from the line are available for up to 85% of eligible accounts receivable. For the year ended 2024, interest expense totaled \$90,857, and loan finance fees amounted to \$34,809. At December 31, 2024, the balance due on the line of credit, was \$679,826. The line of credit was closed and terminated in August 2025.

The Company has a \$3,000,000 line of credit agreement. The line is subject to certain financial covenants and is secured by certain assets of the Companies. Interest on bank advances on the credit line are payable monthly at a rate of 8.5% per annum. Interest expense for 2024 was \$252,055, of which \$20,020 was included in accrued expenses. At December 31, 2024, the balance due on the line of credit, was \$3,000,000. The line of credit was closed and terminated in August 2025.

**LIVIA HEALTH AT EAST HANOVER LLC  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 11 – PRIOR PERIOD ADJUSTMENT – START-UP COSTS**

In prior periods, the Company capitalized start-up costs totaling \$1,205,148 as an asset and recorded accumulated amortization of \$307,981 related to those costs. Under U.S. GAAP, start-up costs are required to be expensed as incurred. Accordingly, the Company corrected this accounting treatment through a prior period adjustment, which resulted in the write-off of the start-up cost asset and the related accumulated amortization and the recognition of the net amount in operating expenses. This resulted in restating member's deficiency from \$2,667,832 to \$3,564,999, at December 31, 2023.

**NOTE 12 – EMPLOYEE BENEFIT PLANS**

The Company maintains a qualified salary-reduction profit-sharing plan for eligible employees under section 401(K) of the Internal Revenue Code. The Plan provides for voluntary employee contributions through salary reductions, as well as discretionary employer contributions. There were no employer contributions made for the year ended December 31, 2024.

**NOTE 13 – CONTINGENCIES**

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

The Company uses a corporate credit card for company purchases, with no preset spending limit. The balance due on the credit card at December 31, 2024, was \$40,823, and is included in accounts payable.

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

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 14 – SUBSEQUENT EVENTS**

The Company guaranteed the mortgage of the related landlord, which was refinanced in August 2025 in the amount of \$29,000,000.

On August 27, 2025, the operating lease with the related landlord was amended to revise the annual base rent to a minimum of 1.10% of the landlord's debt service.

On August 27, 2025, the lines of credit were repaid in their entirety and the Company entered into a new line of credit agreement in the amount of \$500,000.

On October 31, 2025, the Company completed construction of a five-chair dialysis unit.