



ForKidCare, LLC

Independent Auditor's Report and Financial Statements

December 31, 2023



Independent Auditor’s Report..... 1

Financial Statements

Balance Sheet 3

Statements of Income and Changes in Members’ Equity 4

Statement of Cash Flows 5

Notes to Financial Statements 6

Independent Auditor's Report

Members
ForKidCare, LLC
Fort Lauderdale, Florida

Opinion

We have audited the financial statements of ForKidCare, LLC (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statements of income and changes in 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 the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 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 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 GAAS 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 GAAS, 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.

Forvis Mazars, LLP

**Fort Lauderdale, Florida
May 29, 2025**

ForKidCare, LLC
Balance Sheet
December 31, 2023

ASSETS

Current Assets

Cash	\$ 2,832,998
Pooled investment fund	363,934
Accounts receivable	7,898,220
Prepaid expenses	<u>356,389</u>

Total Current Assets 11,451,541

Notes Receivable from Related Party 1,427,471

Property and Equipment, net 191,358

Right-of-Use Assets 414,272

Total Assets \$ 13,484,642

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities

Accounts payable and accrued expenses	\$ 1,206,993
Accrued payroll and payroll taxes	1,662,620
Deferred revenue	3,637
Operating lease liabilities	<u>135,476</u>

Total Current Liabilities 3,008,726

Operating Lease Liabilities, Less Current Portion 278,796

Due to Affiliates, net 1,000,818

Total Liabilities 4,288,340

Members' Equity 9,196,302

Total Liabilities and Members' Equity \$ 13,484,642

ForKidCare, LLC
Statements of Income and Changes in Members' Equity
Year Ended December 31, 2023

Operating Revenue	
Net patient service revenue	\$ 50,574,036
Patient Care Expenses	
Nursing	14,716,297
Ancillaries	10,397,818
Property operations	2,052,160
Additional patient services	1,898,708
Dietary	1,121,034
Housekeeping and laundry	732,137
State quality assessment	575,317
Total Patient Care Expenses	<u>31,493,471</u>
Other Operating Expenses	
General and administrative	12,382,920
Depreciation and amortization	91,286
Total Other Operating Expenses	<u>12,474,206</u>
Total Operating Expenses	<u>43,967,677</u>
Income From Operations	6,606,359
Non-Operating Income and Gains (Losses), Net	
Interest and dividend income	57,498
Notes receivable interest income - related party	28,654
Realized gain on investments	150,176
Unrealized loss on investments	(78,916)
Other income	215,937
Total Non-Operating Income and Gains (Losses), Net	<u>373,349</u>
Net Income	6,979,708
Members' Equity - Beginning of Year	6,395,132
Members' Distributions	<u>(4,178,538)</u>
Members' Equity - End of Year	<u><u>\$ 9,196,302</u></u>

ForKidCare, LLC
Statement of Cash Flows
Year Ended December 31, 2023

Operating Activities	
Net income	\$ 6,979,708
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	91,286
Realized and unrealized gain on investments, net	(71,260)
Non cash lease expense	144,435
Changes in operating assets and liabilities:	
Accounts receivable	(2,760,729)
Prepaid expenses	14,810
Accounts payable and accrued expenses	(2,364,907)
Accrued payroll and payroll taxes	381,465
Deferred revenue	1,213
Operating lease liabilities	(144,435)
Due to affiliates, net	(486,724)
Net Cash Provided by Operating Activities	1,784,862
Investing Activities	
Proceeds from the sale of investments	1,370,575
Financing Activities	
Payments to affiliates for notes receivable from related party	(1,435,821)
Principle payments received on notes receivable from related party	8,350
Distributions to members	(4,178,538)
Net Cash Used by Financing Activities	(5,606,009)
Net Change in Cash	(2,450,572)
Cash, Beginning of Year	5,283,570
Cash, End of Year	\$ 2,832,998

Note 1. Nature of the Business and Summary of Significant Accounting Policies

Nature of the Business

ForKidCare, LLC (the “Company”) is a New Jersey limited liability company formed in March 2005. The Company was formed to operate a pediatric long-term care facility with 119-beds and a 27-slot pediatric medical daycare center located in Voorhees, New Jersey (the “Facility”). The Company acquired the license to operate the Facility from Voorhees Pediatric Center Associates (the “Partnership”), a related party through similar ownership. The Company entered into an agreement dated August 31, 2005 to lease the Facility from the Partnership.

Accounts Receivable

Accounts receivable represent amounts due from the Medicaid program, other governmental programs, private insurance carriers, private-pay residents, as well as residents with co-insurance provisions. Third-party reimbursement is a complex process, which involves submission of claims to multiple payors, each having its own claims requirements. In some cases, the ultimate collection of accounts receivable subsequent to the service dates may not be known for several months.

Accounts receivable are recognized at the net amount that management expects to be collected based on established collection history and review of individual balances. Amounts that are not expected to be received representing contractual adjustments and implicit price concessions are recognized as a reduction of the related revenue. These balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. There were approximately \$3,000 of write-offs of accounts receivable during the year ended December 31, 2023. The accounts receivable balance at December 31, 2022 was approximately \$5,137,000.

The following table summarizes accounts receivable by payor type as of December 31, 2023:

Medicaid	\$ 3,515,812
Managed care	4,085,349
Other	<u>297,059</u>
Total accounts receivable	<u>\$ 7,898,220</u>

Property and Equipment

Property and equipment are stated at cost. Amortization of leasehold improvements is computed over the lesser of the estimated useful lives of the improvements or the remaining term of the lease using the straight-line method. Depreciation, computed using the straight-line method, is provided over the estimated useful lives of the assets, ranging from 2 to 40 years.

Investments

The Partnership's investments consisted of a pooled investment fund and are reported at fair value. Fair value is determined using the quoted closing or latest bid prices on active exchanges, if available. Realized gains and losses on the disposition of investments are recognized using the specific-identification method.

Revenue Recognition

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Company's policy, or implicit price concessions provided to uninsured patients. The Company determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience with this class of patients. Agreements with third-party payors provide for payments at amounts less than established charges.

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 patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's 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, or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Company estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions.

The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

The composition of net patient service revenue is as follows for the year ended December 31, 2023:

Medicaid	\$	30,128,025
Managed care		20,195,109
Other		<u>250,902</u>
Total net patient service revenue	\$	<u>50,574,036</u>

ForKidCare, LLC
Notes to Financial Statements
December 31, 2023

Income Taxes

For income tax purposes, the Company is treated as a pass-through, limited liability corporation. All tax liabilities and benefits are reported as part of the individual members' tax liabilities and benefits. Accordingly, these financial statements include no provision or liability for federal or state income taxes.

Fair Value Measurements

The fair value of financial instruments is presented based upon a hierarchy of levels that prioritize the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The three levels of the fair value hierarchy are described below:

- Level 1** Observable inputs such as quoted prices (unadjusted in active markets for identical assets or liabilities).
- Level 2** Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3** Unobservable inputs that reflect the reporting entity's own assumptions.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events for reporting and disclosure in these financial statements through May 29, 2025, which is the date the financial statements were available to be issued.

Note 2. Property and Equipment, net

Property and equipment, net, comprise the following as of December 31, 2023:

Land improvements	\$ 148,784
Building improvements	465,402
Equipment	<u>1,814,882</u>
	2,429,068
Accumulated depreciation and amortization	<u>(2,237,710)</u>
Total	<u>\$ 191,358</u>

Depreciation and amortization expense for the year ended December 31, 2023 approximated \$91,000.

Note 3. Investments and Fair Value Measurement

The Company has a 33.33% interest in a pooled investment fund with other entities related through similar ownership. Earnings, gains, and losses are allocated to each entity according to its computed ownership percentage of the fund.

The following table presents the fair value measurements of investments by level as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market fund	\$ 69,369	\$ -	\$ -	\$ 69,369
Investments measured at Net Asset Value ("NAV")				<u>294,565</u>
Total investments				<u>\$ 363,934</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Valuation techniques utilized to determine fair value are consistently applied. All assets have been valued using a market approach.

The following table summarizes investments measured at fair value using the NAV per share as a practical expedient as of December 31, 2023:

<u>Investment Type</u>	<u>Fair Value as of December 31, 2023</u>	<u>Redemption Frequency</u>	<u>Holdback Provision</u>
Capital balances			
AB securitized asset fund	\$ 113,250	Quarterly	10%
AB middle market asset fund	74,189	Annual	None
AB financial services opportunity	104,988	Quarterly	5%
AB emerging markets	<u>2,138</u>	Liquidated	Liquidated
Total investments measured at NAV	<u>\$ 294,565</u>		

AB middle market had approximately \$167,000 of unfunded commitments allocated to the Company as of December 31, 2023 and all investment types are priced monthly. There were no other unfunded commitments. The Company had approximately \$7,000 in funds held back for liquidated investments as of December 31, 2023. These funds are reported in investments as of December 31, 2023 and will be distributed to the company during the year ending December 31, 2024. All investments are valued on a monthly basis.

Note 4. Related-Party Transactions

Centennium Health Systems, Inc ("Centennium"), an entity related through similar ownership, provides Centennium management services to the Company. The Company incurred approximately \$2,554,000 in expense for finance and consulting services provided by Centennium and is included in general and administrative expenses in the statements of income and changes in members' equity. The amount due to Centennium as of December 31, 2023 was approximately \$25,000. The amount is payable on demand and is noninterest-bearing.

ForKidCare, LLC
Notes to Financial Statements
December 31, 2023

Balances due to the Partnership represent advances from the Partnership for operating purposes. This payable amounted to approximately \$1,551,000 as of December 31, 2023, and is noninterest-bearing and has no specified repayment dates.

Other balances due from affiliates, net, represent payments paid to/from entities related through similar ownership. These payments amounted to a receivable of approximately \$575,000 as of December 31, 2023. This receivable is noninterest-bearing and has no specified repayment dates.

Notes Receivable

The Company, Clark Nursing & Convalescent Center Associates, a related party through similar ownership, and the Partnership (collectively, the “Investment Group”) had a 100% interest in a pooled investment fund (see Note 2). On August 31, 2023, the Investment Group liquidated a portion of their investment and transferred the funds to Pinecrest Limited Partnership and Tamarac Associates, LLC, related parties through similar ownership. In exchange for this transfer, the Investment Group received a related party note receivable from each company. The funds were used to repay a note payable to a third party. The collective principal due to the Investment Group at inception was approximately \$4,308,000 and the initial amount due to the Company was approximately \$1,436,000. These notes receivable have no required monthly payments, accumulates interest at 6.00% per annum with all unpaid principal and interest due August 31, 2026. The Company did receive monthly payments on the notes receivable during the year ended December 31, 2023. The monthly payments included a portion for principal and a portion for interest.

Note 5. Leases

The Company accounts for their leases using FASB Accounting Standards Codification (“ASC”) Topic 842, *Leases*. In accordance with ASC Topic 842, the company records operating lease liabilities and corresponding right-of-use (“ROU”) assets based on the present value of future minimum lease payments over the expected lease term. ASC Topic 842 provides a number of practical expedients in transition, and we elected the package of practical expedients which permits us not to reassess under ASC Topic 842 our prior conclusions about lease identification, lease classification, and treatment of initial direct costs.

The Company records operating lease liabilities and corresponding ROU assets based on the present value of future minimum lease payments over the expected lease term. The Company entered into five separate operating leases (the “Operating Leases”). One of the Operating Leases is related to rental of building space with a related party (“Related-Party Building Lease”) with maturity of August 1, 2026. As of December 31, 2023, the ROU asset and the lease liability of the Related-Party Building Lease was approximately \$341,000. Lease expense totaled approximately \$124,000 for the year ended December 31, 2023 for the Related-Party Building Lease, and is included in property operations in the statements of income and changes in members’ equity. Three of the Operating Leases are related to copiers and one of the Operating Leases is related to postage machine (“Equipment Leases”), with maturities that range from August 21, 2024 to September 1, 2028. The Company analyzed the Equipment Leases entered in the year ended December 31, 2023 and calculated a total initial lease payment of approximately \$79,000 with a present value of approximately \$68,000 using a 6.00% discount rate. As of December 31, 2023, the ROU asset and the lease liability of the Equipment Leases was approximately \$73,000. Lease expense totaled approximately \$20,000 for the year ended December 31, 2023 for the Equipment Leases, and is included in general and administrative expense in the statements of income and changes in members’ equity. The weighted average remaining lease term for the Operating Leases is approximately 36 months as of December 31, 2023. The weighted average of the discount rate for the Operating Leases is 4.85% as of December 31, 2023. Additionally, certain leases contain provisions for variable charges (“Variable Charges”). The Company considers Variable Charges to be variable lease payments and elected to recognize these costs in the period in which the obligation for the payments are incurred. Variable Charges related to the Operating Leases for the year ended December 31, 2023 is \$922,000, and is included in property operations in the statements of income and changes in members’ equity.

ForKidCare, LLC
Notes to Financial Statements
December 31, 2023

The Company paid base rent amounts of approximately \$144,000 related to the Operating Leases during the year ended December 31, 2023.

The future minimum lease payments as of December 31, 2023 approximate the following:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 152,000
2025	157,000
2026	109,000
2027	15,000
2028	<u>11,000</u>
Total future undiscounted payments on leases	444,000
Imputed interest	<u>(30,000)</u>
Present value of net minimum lease payments	414,000
Current portion	<u>(135,000)</u>
Long-term operating lease liabilities	<u>\$ 279,000</u>

Note 6. Defined-Contribution Plan

All eligible non-union employees of the Facility may participate in the HBA Health Systems, LLC 401(k) Retirement Savings Plan. All eligible union employees may participate in the Voorhees Pediatric Center Associates 401(k) Retirement Plan. The employer's contribution was \$1.00 per hour effective July 1, 2012. The Company's contributions for the year ended December 31, 2023 amounted to approximately \$317,000.

Note 7. Commitments and Contingencies

Patient Trust Funds

The Facility is required to provide cash management services to its Medicaid patients. These funds remain the sole property of each respective patient, to be disbursed only as requested and, accordingly, these funds are excluded from the financial statements. The Facility has a fiduciary duty of accountability for these funds. At December 31, 2023, these fund balances were approximately \$64,000.

Medicaid Program Revenue

The Medicaid program accounted for approximately 60% of net patient service revenue for the year ended December 31, 2023. Governmental funding for health care programs is subject to statutory and regulatory changes, administrative rulings, interpretations of policy, intermediary determinations, and governmental funding restrictions, all of which may materially affect program reimbursement to health care facility. Changes in the reimbursement policies of the Medicaid and Medicare programs, as a result of legislative and regulatory actions, could adversely affect the revenues of the Company.

Liability Insurance

The Company is a party to pending and threatened legal actions and proceedings arising in the normal course of operations. The Company has established reserves that estimate its exposure to uninsured claims. Management is not currently aware of any claims that could exceed these reserves. However, the ultimate outcome of these claims cannot be determined with certainty and could, therefore, have a material adverse impact on the financial position of the Company.

Credit Risk

Concentrations of credit risk principally consist of cash deposits in financial institutions, notes receivable from related party, and accounts receivable. The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits provided by the Federal Deposit Insurance Corporation ("FDIC") of \$250,000. As a result, there is a concentration of credit risk related to amounts in excess of FDIC coverage. As of December 31, 2023, the Company had cash in excess of FDIC limits of approximately \$2,733,000. The Company does not believe the risk is significant because the Company does not anticipate the financial institutions' non-performance. Management believes that credit risk with respect to accounts receivable is limited since a substantial portion is due from state and federal government programs.

The pooled investment fund is subject to the risk of market fluctuations. Investment securities are exposed to various risks, such as interest rate, counterparty nonperformance, market, and credit risks. Due to the level of risk associated with certain investment securities, and market volatility, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Employee Health Insurance

The Company and its related affiliates offer health insurance benefits to their employees through a self-insurance program. Under the program, the related affiliates collectively fund the self-insurance program by depositing funds into a specified self-insurance account. Those funds are used to pay for the employees' claims. The total self-insurance expense is recorded as employee health insurance claims are incurred. The Company's financial statements include provisions for claims through December 31, 2023. Employee health insurance expenses incurred during the year ended December 31, 2023 amounted to approximately \$3,292,000. The expense is recorded in general and administrative expenses in the statements of income and changes in members' equity.