

**LINEAGE CADBURY AT CHERRY HILL LLC  
D/B/A PREMIER CADBURY OF CHERRY HILL  
(a limited liability company)  
FINANCIAL STATEMENTS  
FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
Lineage Cadbury at Cherry Hill LLC  
d/b/a Premier Cadbury of Cherry Hill

### Opinion

We have audited the accompanying financial statements of Lineage Cadbury at Cherry Hill LLC d/b/a Premier Cadbury of Cherry Hill (a limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statements of operations and members' deficiency, and cash flows for the period from September 1, 2023 (commenced operations) to December 31, 2023, 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 Lineage Cadbury at Cherry Hill LLC d/b/a Premier Cadbury of Cherry Hill as of December 31, 2023, and the results of its operations and its cash flows for the period from September 1, 2023 (commenced operations) to December 31, 2023, 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 Lineage Cadbury at Cherry Hill LLC d/b/a Premier Cadbury of Cherry Hill 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 Lineage Cadbury at Cherry Hill LLC d/b/a Premier Cadbury of Cherry Hill'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 Lineage Cadbury at Cherry Hill LLC d/b/a Premier Cadbury of Cherry Hill'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 Lineage Cadbury at Cherry Hill LLC d/b/a Premier Cadbury of Cherry Hill'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 Sonnenreich LLP*

August 15, 2024

**LINEAGE CADBURY AT CHERRY HILL LLC**  
**D/B/A PREMIER CADBURY OF CHERRY HILL**  
**(a limited liability company)**  
**BALANCE SHEET**  
**AT DECEMBER 31, 2023**

**ASSETS**

**Current assets**

Cash and cash equivalents (note 2)	\$ 345,335
Cash - restricted (patient funds) (note 2)	60,501
Cash - limited use - CCRC Statutory Liquid Reserve (note 11)	182,876
Accounts receivable - net of allowance of \$66,000	2,032,319
Prepaid expenses and other	<u>271,826</u>
<b>Total current assets</b>	<b>2,892,857</b>

Property and equipment - net (note 3)	76,705
Right-of-use asset - operating (note 7)	66,011,606
Security deposit	<u>250,000</u>

<b>TOTAL ASSETS</b>	<b>\$ <u>69,231,168</u></b>
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**LIABILITIES AND MEMBERS' DEFICIENCY**

**Current liabilities**

Accounts payable	\$ 1,416,772
Accrued expenses	1,060,613
Accrued and withheld taxes	36,038
Due to previous owner (note 13)	757,183
Due to landlord (note 7)	1,454,676
Due to private and third-party payors (note 12)	148,851
Patients' funds payable	61,476
Operating lease obligation (note 7)	<u>999,340</u>
<b>Total current liabilities</b>	<b>5,934,949</b>

Due to related entities (note 4)	1,250,000
Operating lease obligation (note 7)	<u>63,226,920</u>
<b>Total liabilities</b>	<b>70,411,869</b>

Members' deficiency	<u>(1,180,701)</u>
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<b>TOTAL LIABILITIES AND MEMBERS' DEFICIENCY</b>	<b>\$ <u>69,231,168</u></b>
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**LINEAGE CADBURY AT CHERRY HILL LLC**  
**D/B/A PREMIER CADBURY OF CHERRY HILL**  
**(a limited liability company)**  
**STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIENCY**  
**FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

Revenues	\$ 5,968,614
Operating expenses	<u>7,140,561</u>
Loss from operations	(1,171,947)
Non-operating revenue (expenses):	
Interest income	725
Interest expense	<u>(4,479)</u>
<b>NET LOSS</b>	(1,175,701)
Net members' equity distributed	<u>(5,000)</u>
<b>MEMBERS' DEFICIENCY - DECEMBER 31, 2023</b>	<u><u>\$ (1,180,701)</u></u>

See accompanying notes to the financial statements.

**LINEAGE CADBURY AT CHERRY HILL LLC**  
**D/B/A PREMIER CADBURY OF CHERRY HILL**  
**(a limited liability company)**  
**STATEMENT OF CASH FLOWS**  
**FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

**Cash flows from operating activities**

Net loss	\$ (1,175,701)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation	2,573
Net decreases in right-of-use asset and operating lease payable	(1,785,346)
<b>Increase in assets</b>	
Accounts receivable	(2,032,319)
Prepaid expenses	(271,826)
<b>Increase in liabilities</b>	
Accounts payable	1,416,772
Accrued expenses and withheld taxes	1,096,651
Due to landlord	1,454,676
Due to private and third party payors	148,851
Patients' funds and deposits payable	<u>61,476</u>
Net cash used in operating activities	<u>(1,084,193)</u>

**Cash flows from investing activities**

Purchase of equipment	(79,278)
Increase in security deposits	<u>(250,000)</u>
Net cash used in investing activities	<u>(329,278)</u>

**Cash flows from financing activities**

Increase in due to previous owner	757,183
Increase in due to related entities	1,250,000
Members' equity distributed	<u>(5,000)</u>
Net cash provided by financing activities	<u>2,002,183</u>

**NET INCREASE IN AND CASH, RESTRICTED CASH,  
AND CASH EQUIVALENTS AT DECEMBER 31, 2023**

**\$ 588,712**

**LINEAGE CADBURY AT CHERRY HILL LLC**  
**D/B/A PREMIER CADBURY OF CHERRY HILL**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**Organization and business** – Lineage Cadbury at Cherry Hill LLC (the “Company”) was formed in the State of New Jersey on March 17, 2023. The Company assumed management of a continuing care retirement community (“CCRC”) in Cherry Hill, New Jersey on September 1, 2023. The CCRC consists of a 118-bed skilled nursing facility, an 88-bed assisted living facility, and a 138-unit independent living facility. Revenues from the skilled nursing facility were approximately 65% of the Company’s revenue, revenues from the assisted living facility were approximately 25% of the Company’s revenue, and revenues from the independent living unit were approximately 10% of the Company’s revenue. The members of the Company are generally protected from liability for 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.

**Basis of accounting** – The books and records of the Company are maintained on the accrual basis of accounting 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 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. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. In 2023, the Company recorded an initial valuation allowance for bad debt of \$66,000.

**Property and equipment** – Property and equipment are stated at cost. Depreciation is computed using 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.

**Deferred financing costs** – The Company adopted FASB standard “ASU-2015-03 Interest-Imputation of Interest.” This standard requires that debt issuance costs relating to financing debt be shown as an offset to the note payable instead of as a deferred charge categorized as an intangible asset. The guidance also requires that the resulting amortization of the deferred financing costs be shown as interest expense instead of amortization expense.



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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**Intangible assets** – Intangible assets are stated at cost. Amortization is computed using the straight-line method over the estimated lives of the assets.

**Revenues** – Revenue is derived primarily from providing healthcare services to 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.

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 in determining 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 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. The policy of the Company is to record interest expense and penalties relating to income taxes in operating expense.

**Government grants** – The Company adopted ASU-2021-10, 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.”

**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.

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

**LINEAGE CADBURY AT CHERRY HILL LLC**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**Guaranteed payments to members** – Guaranteed payments to 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.

**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 of time in exchange for consideration and 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.

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.

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 will recognize payments for such leases in its Statements of Earnings (Loss) 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 August 15, 2024, the date the financial statements were available to be issued. No subsequent events have been identified.

**NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS**

The balance in cash, restricted cash, and cash equivalents at December 31, 2023, consists of the following:

Operating cash	\$ 345,335
Restricted deposits – patient funds	60,501
Restricted cash – CCRC statutory liquid reserve (note 11)	<u>182,876</u>
Total cash, restricted cash, and cash equivalents	\$ <u>588,712</u>

**LINEAGE CADBURY AT CHERRY HILL LLC**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2023, are summarized as follows:

	Life (Years)		
Property and equipment	5	\$	76,155
Leasehold improvements	15		<u>3,123</u>
			79,278
Less: accumulated depreciation			<u>2,573</u>
		\$	<u>76,705</u>

Depreciation expense was \$2,573 for the period.

**NOTE 4 – RELATED-PARTY TRANSACTIONS**

Amounts due to related entities and members of the Company were \$1,250,000 at December 31, 2023. The loans are deemed to be non-interest-bearing and unsecured, and there is no formal repayment plan for these demand loans. All related-party transactions are conducted in the normal course of business.

The Company recorded \$92,397 of management fees to a related company in 2023. There was no balance owed to the management company at December 31, 2023.

**NOTE 5 – REVENUES**

Approximately 6% of the revenues in 2023 were derived from billings to the New Jersey Department of Health for stays by Medicaid patients. Approximately 40% of revenues in 2023 were derived from billings to Managed Care Organizations that were approved by the New Jersey Department of Health.

Approximately 15% of the revenues in 2023 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, respectively.

**NOTE 6 – 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. At December 31, 2023, the Company had uninsured cash balances in one banking institution with an uninsured amount of approximately \$200,000.

At December 31, 2023, the Company had approximately 39% of its receivables due from the New Jersey Department of Health for Medicaid patients and from Managed Care organizations for Medicaid approved patients, and 17% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2023, approximately 15% of the accounts payable balance was payable to one vendor.

**LINEAGE CADBURY AT CHERRY HILL LLC**  
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**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 7 – LEASES**

The Company has an operating lease for the facilities' premises. 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 incremental borrowing rate. The incremental borrowing rate is based on the information available at the commencement date in determining 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.

Effective September 1, 2023, the Company subleases its premises under an operating lease from an unrelated entity, which provides for an annual base rent of \$3,000,000, and additional rent equal to property expenses. Annual base rent increases 2.5% each year beginning on the second anniversary. As an additional consideration for the lease, the Company agreed to pay an installment of \$1,000,000 at the beginning of the lease term, as well as five quarterly payments of \$250,000 beginning on December 1, 2023. The agreement also stipulates for an additional consideration payment of \$1,000,000 upon execution of a permanent lease, after the sublandlord purchases the premises. The term of the sublease is set to expire at the earlier of the sublandlord's acquiring title to the leased premises or August 31, 2053. The Company elected to exclude variable payments for operating expenses and other variable amounts from ROU operating lease present value computations. The operating lease arrangement has a remaining lease term of 29.67 years. At December 31, 2023, the amount due to the landlord was \$1,454,676.

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

Operating lease cost	\$ 1,464,654
Short-term/variable lease cost	<u>254,720</u>
Total	\$ <u>1,719,374</u>
 Operating lease ROU assets	 \$ <u>66,011,606</u>
Other current liabilities	\$ 999,340
Operating lease liabilities	<u>63,226,920</u>
Total operating lease liabilities	\$ <u>64,226,260</u>

**WEIGHTED-AVERAGE REMAINING LEASE TERM**

Operating leases	29.67 years
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**WEIGHTED-AVERAGE DISCOUNT RATE**

Operating leases	4.73%
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**LINEAGE CADBURY AT CHERRY HILL LLC**  
**D/B/A PREMIER CADBURY OF CHERRY HILL**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 7 – LEASES (CONTINUED)**

Undiscounted maturities of lease liabilities were as follows:

<b>For the Years Ended December 31</b>	
2024	\$ 4,000,000
2025	3,025,000
2026	3,100,625
2027	3,178,141
2028	3,257,594
Thereafter	<u>112,007,527</u>
Total undiscounted maturities of lease liabilities	128,568,887
Less: discount on lease liabilities	<u>(64,342,627)</u>
<b>TOTAL LEASE LIABILITIES</b>	<b>\$ <u>64,226,260</u></b>

The following table presents supplemental cash flow information for the period:

2023 Cash paid for amounts included in  
the measurement of lease liabilities:

Operating cash flows for operating leases	\$ 2,250,000
ROU asset in exchange for new operating lease obligations	\$ 66,464,720

**NOTE 8 – ADVERTISING**

Advertising expense was \$44,302 for the period. There were no direct-response advertising costs either capitalized or expensed.

**NOTE 9 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the period for interest	\$ <u>4,479</u>
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**NOTE 10 – CONTRACTED SERVICES**

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

**LINEAGE CADBURY AT CHERRY HILL LLC**  
**D/B/A PREMIER CADBURY OF CHERRY HILL**  
(a limited liability company)  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 11 – MINIMUM LIQUID RESERVE**

The Company is required as part of the CCRC program to maintain a statutory liquid reserve as of the end of the year. Funds have been set aside as assets, the use of which is limited as the minimum statutory liquid reserves.

**Computation of minimum reserve for 2023:**

Principal and interest payments due within the next twelve months	\$	-	(1)
Percent of residents subject to residence and care arrangement		<u>8.54%</u>	(2)
		(1)*(2)	\$ <u>-</u>
10% of projected annual total operating expenses, excluding depreciation and amortization	\$	<u>182,876</u>	
<b>Minimum reserve (greater of above)</b>	<b>\$</b>	<b><u>182,876</u></b>	

	(3)	(4)	(3)*(4)	
Principal and interest due	-	-	-	(5)
CCRC Residents	21	(6)		
Total residents	246	(7)		
			(6)/(7)	
CCRC Residents / total residents (% of residents subject to arrangement)			8.54%	

2024 projected operating expenses excluding depreciation and amortization	\$ 21,414,000	(8)
Multiplied by 10%	10.00%	(9)
10% of projected operating expenses	\$ 2,141,400	(8)*(9)
	(10)	
% of residents subject to arrangement	8.54%	(11)
10% of proj. op. exp. (allocated to % of residents subject)	\$ 182,876	(10)*(11)

**LINEAGE CADBURY AT CHERRY HILL LLC**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 12 – 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 13 – DUE TO PREVIOUS OWNER**

The Company and the previous owner estimated certain closing adjustments, which the Company expected to be settled over time. In addition, the Company has received payments that pertain to the previous owner or has had monies withheld due by the previous owner. At December 31, 2023, the balance due to the previous owner was \$757,183.

**NOTE 14 – EMPLOYEE BENEFIT PLAN**

Operations 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 reduction and employer contributions at the discretion of the Company. The Company did not make any contributions to the Plan during the period.

**NOTE 15 – EMPLOYMENT AGREEMENT**

The Company entered into an agreement with the prior owner to manage the CCRC, with an initial 2-year term that expires September 1, 2025, and successive two-year terms following the initial term. The agreement will terminate when the Company’s sublandlord exercises its purchase option on the facilities’ premises (note 7).

**NOTE 16 – 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.

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

The Company, along with other affiliated companies, provides health coverage to its employees through a self-funded healthcare arrangement, and assumes direct risk for payment of the claims for benefits. The Company and its affiliates also purchased a stop-loss insurance plan, which based on the current population of employees would limit the total maximum insurance expense to \$1,000,000 per facility, and caps the employer liability on any individual claimant to \$80,000. The Company is contingently liable for unpaid claims of its affiliates.

**LINEAGE CADBURY AT CHERRY HILL LLC  
D/B/A PREMIER CADBURY OF CHERRY HILL  
(a limited liability company)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 16 – 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.



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of  
Lineage Cadbury at Cherry Hill LLC  
d/b/a Premier Cadbury of Cherry Hill

We have audited the financial statements of Lineage Cadbury at Cherry Hill LLC d/b/a Premier Cadbury of Cherry Hill (a limited liability company) as of December 31, 2023, and for the period from September 1, 2023 (commenced operations) to December 31, 2023, and our report thereon dated August 15, 2024, which expressed an unmodified opinion, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information of revenues, operating expenses, payroll and benefits, and patient days are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



August 15, 2024

**LINEAGE CADBURY AT CHERRY HILL LLC  
D/B/A PREMIER CADBURY OF CHERRY HILL  
(a limited liability company)**

**SUPPLEMENTARY INFORMATION**

**REVENUES**

**FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

		<b>Per Patient Day</b>
<b>Current year - SNF</b>		
Medicaid	\$ 333,713	\$ 251.29
Medicaid - Managed Care	1,796,576	249.87
Private	491,643	382.30
Medicare - Part A	688,877	659.84
Medicare Part A bad debts	(37,590)	(36.01)
HMO	163,005	504.66
Hospice	<u>155,046</u>	251.29
Total current year	<u>3,591,270</u>	<u>\$ 304.50</u>
 <b>Current year - ALF</b>		
Medicaid	26,460	\$ 90.00
Medicaid - Managed Care	584,367	131.17
Private	<u>894,215</u>	162.14
	<u>1,505,042</u>	<u>\$ 146.63</u>
 <b>Current year - ILF</b>	<u>599,230</u>	<u>\$ 84.74</u>
 <b>Miscellaneous</b>		
Therapy	<u>273,072</u>	
	<u>273,072</u>	
 <b>TOTAL REVENUES</b>	<u>\$ 5,968,614</u>	

**LINEAGE CADBURY AT CHERRY HILL LLC**  
**D/B/A PREMIER CADBURY OF CHERRY HILL**  
**(a limited liability company)**  
**SUPPLEMENTARY INFORMATION**  
**OPERATING EXPENSES**  
**FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

		<b>Per Patient Day</b>
<b>DIRECT PATIENT CARE COST</b>		
<b>Direct routine patient care costs</b>		
Salaries - RN	\$ 153,904	\$ 5.28
- LPN	273,676	9.40
- CNA	444,188	15.25
Employee benefits	143,709	4.93
Contracted nursing	999,363	34.31
	<u>2,014,840</u>	<u>69.17</u>
 <b>Routine patient care costs - not directly reported</b>		
Medical supplies	27,373	0.94
Oxygen	1,061	0.04
OTC drugs	3,390	0.12
	<u>31,824</u>	<u>1.10</u>
 <b>TOTAL DIRECT PATIENT CARE COST</b>	 <u>2,046,664</u>	 <u>70.27</u>
 <b>ANCILLARY PATIENT CARE COSTS</b>		
Radiology and laboratory	10,346	0.36
Therapy Salaries	273,470	9.39
Employee benefits	45,081	1.55
Therapy services	16,793	0.58
Prescription Drugs (not OTC)	50,517	1.73
<b>TOTAL ANCILLARY</b>	<u>396,207</u>	<u>13.61</u>
<b>PATIENT CARE COSTS</b>	<u>396,207</u>	<u>13.61</u>

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**OPERATING EXPENSES**  
**FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

		<b>Per Patient Day</b>
<b>INDIRECT PATIENT CARE COSTS</b>		
<b>Nursing administration</b>		
DON and ADON	\$ 63,830	\$ 2.19
Nursing supervisors	257,190	8.83
Employee benefits	52,919	1.82
Other - Nursing Administration	4,800	0.16
Employee benefits	791	0.03
	<u>379,530</u>	<u>13.03</u>
<b>Workforce-related costs - patient care</b>		
Direct patient care recruitment	31,785	1.09
	<u>31,785</u>	<u>1.09</u>
<b>Patient support services</b>		
Food (including supplements)	185,927	6.38
Dietary salaries	416,704	14.31
Employee benefits	68,692	2.36
Dietary supplies and services	36,410	1.25
Housekeeping and laundry salaries	265,618	9.12
Employee benefits	43,786	1.50
Housekeeping and laundry supplies and services	16,845	0.58
Salaries - social services	38,438	1.32
Employee benefits	6,336	0.22
Salaries - recreation	68,085	2.34
Employee benefits	11,224	0.39
Recreation supplies and services	3,278	0.11
Medical director	8,750	0.30
Pharmacy consultant	10,801	0.37
Fire drill	2,719	0.09
Garbage disposal	28,836	0.99
Landscaping/snow removal	23,907	0.82
Exterminating	6,762	0.23
	<u>1,243,118</u>	<u>42.68</u>
<b>TOTAL INDIRECT PATIENT CARE COSTS</b>	<u>1,654,433</u>	<u><b>56.80</b></u>

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**SUPPLEMENTARY INFORMATION**  
**OPERATING EXPENSES**  
**FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

<b>ADMINISTRATIVE AND OPERATING COSTS</b>		<b>Per Patient Day</b>
<b>Property operating costs</b>		
Salaries - Maintenance	\$ 111,662	\$ 3.83
Employee benefits	18,407	0.63
Maintenance supplies and services	62,147	2.13
Gas	16,526	0.57
Electric	142,991	4.91
Water and sewer	60,687	2.08
Cable	5,776	0.20
Telephone	8,211	0.28
Real estate tax	254,720	8.74
	<u>681,127</u>	<u>23.37</u>
 <b>Administrative and operating costs</b>		
Administrator	94,809	3.25
Employee benefits	15,629	0.54
Salaries - Office	224,926	7.72
Employee benefits	37,078	1.27
Data processing	28,635	0.98
Management fees	106,397	3.65
Fiscal services	83,250	2.86
Office supplies and expenses	28,983	0.99
Insurance	122,225	4.20
Accounting	8,000	0.27
Legal	571	0.02
Advertising	44,302	1.52
Travel	1,451	0.05
Consulting	20,674	0.71
Miscellaneous	2,984	0.10
License, dues, and seminars	8,989	0.31
	<u>828,903</u>	<u>28.44</u>
 <b>TOTAL ADMINISTRATIVE AND OPERATING COSTS</b>	 <u>1,510,030</u>	 <u><b>51.81</b></u>

**LINEAGE CADBURY AT CHERRY HILL LLC**  
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**SUPPLEMENTARY INFORMATION**  
**OPERATING EXPENSES**  
**FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

		<b>Per Patient Day</b>
<b>CAPITAL COSTS</b>		
Depreciation	\$ 2,573	\$ 0.09
Rent	1,464,654	50.28
<b>TOTAL CAPITAL COSTS</b>	<u>1,467,227</u>	<u>50.37</u>
<b>NON-ALLOWABLE COSTS</b>		
Bad debt expense	66,000	2.27
<b>TOTAL NON-ALLOWABLE COSTS</b>	<u>66,000</u>	<u>2.27</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ <u>7,140,561</u></b>	<b>\$ <u>245.13</u></b>

**LINEAGE CADBURY AT CHERRY HILL LLC**  
**D/B/A PREMIER CADBURY OF CHERRY HILL**  
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**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF PAYROLL AND BENEFITS**  
**FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

		<b>Per Patient Day</b>
<b>SALARIES</b>		
RN	\$ 153,904	\$ 5.28
LPN	273,676	9.40
CNA	444,188	15.25
DON and ADON	63,830	2.19
Nursing supervisors	257,190	8.83
Dietary	416,704	14.31
Housekeeping & laundry salaries	265,618	9.12
Social services	38,438	1.32
Recreation	68,085	2.34
Maintenance	111,662	3.83
Administrator	94,809	3.25
Nursing administrator	4,800	0.16
Office	224,926	7.72
	<hr/>	<hr/>
<b>TOTAL SALARIES</b>	<b>\$ 2,417,830</b>	<b>\$ 83.00</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>EMPLOYEE BENEFITS</b>		
Employee benefits	\$ 144,489	
Payroll taxes	248,608	
Workers' compensation	50,555	
<b>TOTAL EMPLOYEE BENEFITS</b>	<b>\$ 443,652</b>	
	<hr/> <hr/>	
<b>TOTAL EMPLOYEE BENEFITS AS A PERCENT OF SALARIES</b>		<b>18.35%</b>
		<hr/> <hr/>

**LINEAGE CADBURY AT CHERRY HILL LLC  
D/B/A PREMIER CADBURY OF CHERRY HILL  
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**SUPPLEMENTARY INFORMATION**

**PATIENT DAYS**

**FROM SEPTEMBER 1, 2023 (COMMENCED OPERATIONS) TO DECEMBER 31, 2023**

		<b>Percent of Total</b>
<b>Skilled nursing facility</b>		
Medicaid	1,328	11.27%
Medicaid - Managed Care	7,190	60.96%
Medicaid - bed holds	6	0.05%
Private	1,286	10.90%
Medicare	1,044	8.85%
HMO	323	2.74%
Hospice	617	5.23%
<b>TOTAL PATIENT DAYS</b>	<u><u>11,794</u></u>	<u><u>100.00%</u></u>

<b>Percent occupancy - 118 beds</b>	<u><u>81.93%</u></u>
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		<b>Percent of Total</b>
<b>Assisted living facility</b>		
Medicaid	294	2.87%
Medicaid - Managed Care	4,455	43.40%
Private	5,515	53.73%
<b>TOTAL PATIENT DAYS</b>	<u><u>10,264</u></u>	<u><u>100.00%</u></u>

<b>Independent living facility</b>	
Private	<u><u>7,071</u></u>