



MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

**INNOVA ATLANTIC WH OPERATIONS, LLC
DBA HAMMONTON CENTER FOR
REHABILITATION & HEALTHCARE**

Financial Statements

Year Ended December 31, 2023

**Innova Atlantic WH Operations, LLC
DBA Hammonton Center for Rehabilitation & Healthcare**

Year Ended December 31, 2023

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MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members,
Innova Atlantic WH Operations, LLC
DBA Hammonton Center for Rehabilitation & Healthcare:

Opinion

We have audited the accompanying financial statements of Innova Atlantic WH Operations, LLC DBA Hammonton Center for Rehabilitation & Healthcare, which comprise the balance sheet as of December 31, 2023, and the related statement of income, members' equity, and cash flow 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 Innova Atlantic WH Operations, LLC DBA Hammonton Center for Rehabilitation & Healthcare 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Innova Atlantic WH Operations, LLC DBA Hammonton Center for Rehabilitation & Healthcare and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Innova Atlantic WH Operations, LLC DBA Hammonton Center for Rehabilitation & Healthcare'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 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, including omissions, 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.



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Independent Auditors' Report Continued

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 Innova Atlantic WH Operations, LLC DBA Hammonton Center for Rehabilitation & Healthcare'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 Innova Atlantic WH Operations, LLC DBA Hammonton Center for Rehabilitation & Healthcare'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.

Martin Friedman CPA, PC

MARTIN FRIEDMAN, C.P.A. P.C.
Certified Public Accountants

Brooklyn, NY

January 23, 2025

Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehab. & Healthcare
Balance Sheet
December 31, 2023

Assets

Cash	\$ 5,076,145	
Accounts Receivable (Net of Allowance for Credit Losses of \$250,000)	6,580,611	
Prepaid Expenses	15,666	
Total Current Assets	<u>15,666</u>	\$ 11,672,422
Leasehold Improvements	2,389,254	
Furniture & Equipment	2,180,329	
	<u>4,569,583</u>	
Less: Accum. Depreciation & Amortization	3,550,437	
Total Fixed Assets	<u>3,550,437</u>	1,019,146
Loan Receivable	1,238,275	
Medicaid Receivable	107,466	
Right-of-Use Asset	47,503,239	
Security Deposits	122,445	
Goodwill	15,212,638	
Patients' Trust Fund	89,249	
Total Other Assets	<u>89,249</u>	<u>64,273,312</u>

Total Assets **\$ 76,964,880**

Liabilities and Equity

Accounts Payable	2,869,546	
Lease Liabilities	1,252,320	
Accrued Payroll	382,570	
Accrued Expenses & Taxes	911,232	
Paycheck Protection Program Loan	430,305	
Patients' Security Deposits	13,788	
Total Current Liabilities	<u>13,788</u>	\$ 5,859,761
Due to Realty	15,042,397	
Lease Liabilities	46,250,919	
Other Payables	9,088,004	
Paycheck Protection Program Loan	544,328	
Patients' Trust Fund Payable	89,249	
Total Long Term Liabilities	<u>89,249</u>	71,014,897

Members' Equity 90,222

Total Liabilities & Members' Equity **\$ 76,964,880**

Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehab. & Healthcare
Statement of Operations
For the year ended December 31, 2023

Total Revenue From Patients		\$ 19,100,725
Operating Expenses:		
Payroll	\$ 5,774,879	
Employee Benefits	1,277,333	
Professional Care	6,055,048	
Dietary & Housekeeping	851,362	
Plant & Maintenance	3,841,869	
General & Administrative	<u>4,682,577</u>	
Total Operating Expenses		<u>22,483,068</u>
Loss From Operations		(3,382,343)
Other Income		<u>634,721</u>
Loss Before Taxes		(2,747,622)
Less: Pass-Through Entity Taxes		<u>64,000</u>
Net Loss		<u>\$ (2,811,622)</u>

Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehab. & Healthcare
Statement of Members' Equity
For the year ended December 31, 2023

Members' Equity:

Balance as of Beginning of Period	\$ 2,901,844
Net Loss for the Period	<u>(2,811,622)</u>
Total Members' Equity - End of Period	<u>\$ 90,222</u>

Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehab. & Healthcare
Statement of Cash Flows
For the year ended December 31, 2023

Cash Flows From Operating Activities:

Net Loss		\$ (2,811,622)
Adjustments to reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation & Amortization		379,691
(Increase) Decrease In:		
Accounts Receivable	\$ 740,922	
Prepaid Expenses	167,697	
Increase (Decrease) In:		
Accounts Payable	481,150	
Accrued Payroll & Withholding Taxes	40,798	
Accrued Expenses & Taxes	725,810	
Other Payables	863,766	
Loan Receivable	28,920	
Exchanges	<u>(8,508)</u>	
Total Adjustments		<u>3,040,555</u>
Net Cash Provided By Operating Activities		<u>608,624</u>
Cash Flows From Investing Activities:		
Capital Expenditures	(402,198)	
Other Assets	<u>(14,424)</u>	
Net Cash Used In Investing Activities		(416,622)
Cash Flows From Financing Activities		
Decrease In Long-Term Debt	(426,183)	
Other Liabilities	<u>(5,023)</u>	
Net Cash Used In Financing Activities		<u>(431,206)</u>
Net Change In Cash		(239,204)
Cash - Beginning of Period		<u>5,315,349</u>
Cash - End of Period		<u>\$ 5,076,145</u>
Supplemental Disclosures:		
Interest Paid		\$ 463,328
Income Taxes Paid		64,000

**Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehabilitation & Healthcare
Notes To The Financial Statements**

1) **Organization:**

Hammonton Center For Rehabilitation & Healthcare, is licensed by the New Jersey State Department of Health to run and operate a 240 bed skilled nursing Facility located in Hammonton, NJ. The Facility commenced operations on November 1, 2011.

Legal Proceedings and Receivership:

On June 3, 2024, the New Jersey Department of Health (“NJDOH”) filed a lawsuit in the Superior Court of New Jersey seeking the appointment of a receiver for Innova Atlantic WH Operations, LLC d/b/a Hammonton Center for Rehabilitation and Healthcare and Innova Gloucester Deptford Bridge Operations, LLC d/b/a Deptford Center for Rehabilitation and Healthcare and (collectively, the “Facilities”). The lawsuit was part of negotiations with the New Jersey Office of the State Comptroller regarding a proposed sale of the Facilities.

The Defendants did not oppose the receivership, and on June 17, 2024, the Court appointed Allen Wilen as receiver. On December 16, 2024, NJDOH notified the Court that the receiver had no current concerns regarding residents’ health, safety, or welfare.

The change of ownership applications remain under NJDOH review, and the Facility is monitoring the matter for potential impacts.

2) **Summary of Significant Accounting Policies:**

The accounting policies that affect the significant elements of the financial statements are summarized below.

Method of Accounting -

The Facility maintains its books and prepares its financial statements on the accrual basis of accounting.

Cash -

For purposes of the statement of cash flows, the Facility considers time deposits, certificates of deposits, and all highly liquid investments, with maturity of three months or less, to be cash. The Facility maintains cash balances at financial institutions, which periodically exceed the Federal Deposit Insurance Corporation limit during the year.

Fixed Assets -

Property and equipment are stated at cost. Depreciation and amortization for assets are computed using the straight-line method over the estimated useful lives of the assets.

**Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehabilitation & Healthcare
Notes To The Financial Statements**

2) **Summary of Significant Accounting Policies (Continued):**

Intangible Assets/Goodwill –

Intangible assets subject to amortization are shown net of accumulated amortization based upon their estimated useful lives. The Facility has classified as goodwill the excess of the purchase price over the fair value of the assets acquired. Goodwill and other intangible assets with indefinite useful lives are not amortized. They are tested, at a minimum, annually for impairment and adjusted accordingly. After assessing qualitative factors, management's opinion is that there has been no impairment to the recorded value.

Patient Care Revenue -

Major portions of the Facility's revenue are derived from payments under the Medicaid and Medicare programs. Revenue received from these programs is based in part on cost reimbursement principles which are subject to judgmental interpretation and to audits which could result in an adjustment to revenue. Medicare final settlements are reflected as charges or credits to operating revenues in the year finalized.

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Accrued Payroll -

Most employees earn credits during the current year for vacations to be taken in the following year. The expense for this liability is accrued during the year vacations are earned rather than in the year vacations are taken.

Income Taxes -

Hammonton Center For Rehabilitation & Healthcare is treated as a partnership for income tax purposes, and as such the members are taxed separately on their distributive share of the Facility's income whether or not that income is actually distributed.

Advertising -

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense for the year ended December 31, 2023 was \$509,459.

**Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehabilitation & Healthcare
Notes To The Financial Statements**

3) **Accounts Receivable:**

The Facility grants credit, without collateral, to its patients, the majority of whom are insured under third-party payor agreements. The amount of receivables from patients and third-party payors at December 31, 2023 was as follows:

Medicaid Patients	\$ 3,147,456
Medicare Patients	471,471
Private Patients	<u>3,211,684</u>
	6,830,611
Less: Allowance for Credit Losses	<u>(250,000)</u>
Total	\$ <u>6,580,611</u>

Management periodically reviews accounts receivable, and all receivables deemed uncollectible are charged to income when that determination is made. Management considers accounts receivable as stated to be collectible.

4) **Intangible Assets:**

Intangible assets are as follows:

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Estimated Useful Life</u>
Goodwill	\$ 15,212,638	\$ 0	N/A

5) **Loan Receivable:**

In 2023, the Facility loaned \$1,238,275 to CBO Lending, LLC. This note is due on demand, however the Facility does not intend to seek repayment within the current operating cycle.

6) **Paycheck Protection Program Loan:**

The Facility received a loan from M&T Bank Bank in the amount of \$1,556,560 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated March 22, 2021. It bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 60 months. The loan may be repaid at any time with no prepayment penalty. The outstanding balance at December 31, 2023 was \$974,633, of which \$430,305 is short term.

Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehabilitation & Healthcare
Notes To The Financial Statements

7) **Due to Realty:**

In November, 2014 the Facility borrowed from Atlantic Health Land Holding Co., LLC the amount of \$15,042,397. The loan is 20 year interest only at 3% annual rate, with a balloon payment due October 31, 2034. The amount due at December 31, 2023 was \$15,042,397, all of which is classified as long term. Interest expense related to the loan at December 31, 2023 was \$451,272.

8) **Nursing Home User Fee:**

In 2023, all New Jersey facilities were assessed a provider assessment tax of \$14.67 per patient day. Concurrently with the tax assessment, the State prospectively calculated a revenue add-on to the Medicaid rate.

9) **Uncertainty in Income Taxes:**

Management has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ended December 31, 2020 and subsequent remain subject to examination by applicable taxing authorities.

10) **Right-of-Use Asset and Lease Liability:**

The Facility's operating lease right-of-use assets and lease liabilities were for a land and building lease.

The Facility holds a lease with Atlantic Health Land Holding LLC through a master lease agreement with Innova Master Lease Associates LLC a related party with common ownership. The term of the operating lease is coterminous with the HUD insured mortgage loan and terminates on the expiration date of the mortgage loan which is May 2052. The lease calls for annual base rent in the amount of \$2,195,636. Accrued rent from 2023 and prior years is \$9,088,004. The landlord does not intend to seek payment within the current operating cycle.

The Facility recognizes lease expense for operating leases on a straight-line basis over the lease term. The lease expense for 2023 was \$2,195,636.

The Facility determines the present value of the remaining lease payments using the US Treasury risk-free rate at the time of adoption of the Standard, which was 2.01%. The Facility does not have any variable lease payments, residual value guarantees, or material lease incentives.

The Facility has not recognized any material impairments of its operating lease right-of-use asset as of December 31, 2023. As of December 31, 2023, the Facility's operating lease liability and corresponding asset was \$47,503,239 of which \$1,252,320 of the liability was considered short term.

**Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehabilitation & Healthcare
Notes To The Financial Statements**

10) **Right-of-Use Asset and Lease Liability (Continued):**

The Facility's future minimum lease payments for the next five years, as of December 31, 2023, were as follows:

2024	\$1,195,636
2025	\$1,195,636
2026	\$1,195,636
2027	\$1,195,636
2028	\$1,195,636

The future minimum lease payments include only the remaining non-cancelable lease payments under the operating leases with a term of more than 12 months as of December 31, 2023.

11) **Subsequent Events:**

The Facility has evaluated subsequent events through January 23, 2025, the date which the financial statements were available to be issued. No significant subsequent events have been identified by management.



MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Members,
Innova Atlantic WH Operations, LLC
DBA Hammonton Center for Rehabilitation & Healthcare:

Our report on our audit of the basic financial statements of Innova Atlantic WH Operations, LLC DBA Hammonton Center for Rehabilitation & Healthcare for 2023 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 13 through 15 is presented for purposes of additional analysis and is not a required part of the basic 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 basic 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 basic financial statements taken as a whole.

Martin Friedman CPA, PC

MARTIN FRIEDMAN C.P.A. P.C.
Certified Public Accountants

Brooklyn, NY

January 23, 2025

Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehab. & Healthcare
Supplementary Schedules
For the year ended December 31, 2023

Revenue From Patients:

Private	\$ 1,599,146	
Medicaid	15,355,213	
Medicaid Prior Period Income (Loss)	(4,032)	
Medicare	<u>2,150,398</u>	
Total Revenue From Patients		\$ 19,100,725

Other Income:

Prior Period Income	447,562	
Interest	161,506	
Barber & Beauty Shops	536	
Other	<u>25,117</u>	
Total Other Income		<u>634,721</u>

Total Revenue		\$ <u>19,735,446</u>
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Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehab. & Healthcare
Supplementary Schedules
For the year ended December 31, 2023

Payroll:

Administrative & Office	\$ 215,706	
Nursing	3,730,538	
Therapies	43,054	
Social Services	91,697	
Recreation	143,391	
Dietary	788,876	
Housekeeping	555,633	
Laundry	31,068	
Maintenance	<u>174,916</u>	
Total Payroll		\$ <u>5,774,879</u>

Employee Benefits:

Payroll Taxes	547,829	
Workmen's Compensation	121,152	
Union	54,169	
Employee Benefits	256,041	
Uniform & Transp. Allowance	<u>298,142</u>	
Total Employee Benefits		\$ <u>1,277,333</u>

Professional Care:

Prescription Drugs	170,683	
Medical Supplies	208,638	
Contracted Nursing Service	4,275,849	
Fees & Expenses	1,363,018	
Transportation	<u>36,860</u>	
Total Professional Care		\$ <u>6,055,048</u>

Innova Atlantic WH Operations LLC
DBA Hammonton Center For Rehab. & Healthcare
Supplementary Schedules
For the year ended December 31, 2023

Dietary & Housekeeping:

Food	\$ 504,168	
Other Dietary Expenses	81,534	
Laundry	103,871	
Housekeeping	71,338	
Contracted Housekeeping Services	<u>90,451</u>	
Total Dietary & Housekeeping		\$ <u>851,362</u>

Plant & Maintenance:

Rent	2,195,636	
Mortgage Interest	451,272	
Equipment Rentals	67,091	
Real Estate Tax	229,619	
Light, Heat & Power	178,874	
Maintenance	208,138	
Contracted Maintenance Services	7,576	
Security	16,656	
Water & Sewer Charges	107,316	
Depreciation & Amortization	<u>379,691</u>	
Total Plant & Maintenance		\$ <u>3,841,869</u>

General & Administrative:

Office	182,234	
Administrative Consultant	13,060	
Contracted Office Services	1,776,530	
Contracted Admin. Services	331,552	
Computer Services	235,229	
Telephone	51,976	
Auto & Travel	95,377	
Professional Fees	193,659	
Insurance	226,950	
Sales Tax	693	
Interest	12,056	
State Revenue Assessment	847,778	
Advertising	509,459	
Miscellaneous	<u>206,024</u>	
Total General & Administrative		\$ <u>4,682,577</u>