

KADIMA SENIOR LIVING COMMUNITY

A Licensed Continuing Care Retirement Community
of
Campbelltown Rehabilitation & Nursing, LLC

Located at:
2880 Horseshoe Pike
Palmyra, PA 17078

Effective Date of Disclosure Statement:

April 2024

DISCLOSURE STATEMENT



This Disclosure Statement is not a contract and the Provider reserves all rights to amend, revise, update and otherwise change the Disclosure Statement at any time, in accordance with applicable laws.

The issuance of a Certificate of Authority does not constitute approval, recommendation or endorsement of the facility by the Pennsylvania Insurance Department, nor is it evidence of, nor does it attest to, the accuracy or completeness of the information set forth in this Disclosure Statement.

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Important Information to Prospective Residents

Pursuant to the Pennsylvania Continuing Care Provider Registration and Disclosure Act, 40 P.S. Section 3207 et. sec., (the “Act”) this Disclosure Statement is being delivered to you at the time of or prior to your execution of a “Residency Agreement,” or at the time of or prior to your payment of any money to Kadima Senior Living Community. A copy of the Residency Agreement is attached. Your receipt of this Disclosure Statement creates no obligation on your part to execute and deliver the Residency Agreement to Kadima Senior Living Community, nor does it create any obligation on the part of Kadima Senior Living Community.

This Disclosure Statement contains a fair summary of the material enclosed and other terms of the documents purported to be summarized. This Disclosure statement is furnished to prospective Residents and their representatives, and may not be relied upon by any other person.

SUMMARY OF DISCLOSURE STATEMENT

The following summary is qualified in its entirety by more detailed information appearing elsewhere and referred to in this Disclosure Statement and in the Residency Agreement attached to this Disclosure Statement.

1. Facility Kadima Senior Living Community
2880 Horseshoe Pike
Palmyra, PA 17078
2. Provider Campbelltown Rehabilitation & Nursing, LLC
2880 Horseshoe Pike
Palmyra, PA17078
3. **Admissions Contact** — Please call (717) 838-2231 and ask to speak with the Administrator.
4. **Property** — There are 21 residential housing (“hereinafter “Independent Living Unit”) units at Kadima Senior Living Community, located in a multi-story brick building situated on approximately one and a half acres in the beautiful rural setting of Palmyra, Pennsylvania.

The resident who has signed a Residency Agreement will also have priority access to the 53 bed skilled nursing facility on a space-available basis. The nursing facility is located on the CCRC campus and is also known as Kadima Rehabilitation & Nursing at Campbelltown.

5. **Admission Age** - The minimum age for admission to the Independent Living Units at Kadima Senior Living Community is fifty-five years of age. If a spouse is under the age of fifty-five, they may be admitted along with the primary resident.
4. **Affiliations** - Campbelltown Rehabilitation & Nursing, LLC is not affiliated with any religious, fraternal, charitable or other nonprofit organization.

5. **Resident Population-** Residents by type of accommodations are listed below.

Services	Units/Beds	Residents
Independent Living	21 Units	1
Skilled Nursing	53	51

6. **Sample of Fees:**

Unit	Entrance Fee	Monthly Maintenance Fee
One Bedroom Single Occupancy	\$12,000	\$1,000
One Bedroom Double Occupancy	\$23,000	\$1,900

Please note: no entrance fee or any portion of any entrance fee will be accepted prior to the date of occupancy by any resident.

DISCLOSURE STATEMENT

This Disclosure Statement contains a fair summary of the documents enclosed and of the terms of the documents purported to be summarized.

1. NAME AND BUSINESS ADDRESS

Campbelltown Rehabilitation & Nursing, LLC, a Continuing Care Retirement Community (“CCRC”), is a Pennsylvania, for-profit limited liability company that provides residential housing (hereinafter “Independent Living”), located at 2880 Horseshoe Pike, Palmyra, PA 17078. Campbelltown Rehabilitation & Nursing, LLC provides Independent Living and nursing care services on its campus located at 2880 Horseshoe Pike, Palmyra, PA 17078. The CCRC operates as Campbelltown Rehabilitation & Nursing, LLC, d/b/a Kadima Senior Living Community. Phone: (717) 838-2231.

2. CONTROLLING PARTIES & DESCRIPTION OF INTEREST IN OR OCCUPATION WITH CAMPBELLTOWN REHABILITATION & NURSING, LLC

The Members of Campbelltown Rehabilitation & Nursing, LLC are as follows:

- | | | |
|----|------------------|-----|
| 1. | Daniel Morris | 50% |
| 2. | Jonathan Strauss | 50% |

A description of the background and experience of Campbelltown Rehabilitation & Nursing LLC’s management team is attached as **Tab 1**.

3. DISCLOSURE OF RELATED PARTY CONTRACTS

Daniel Morris and Jonathan Strauss each hold 50% ownership interest in Kadima Healthcare Group, Inc. which has a contract with Campbelltown Rehabilitation & Nursing, LLC to provide management services.

4. DISCLOSURE OF FELONY CONVICTIONS, FELONY CHARGES, CIVIL ACTIONS, COURT ORDERS, LICENSE SUSPENSIONS, ETC.

Neither Campbelltown Rehabilitation & Nursing, LLC, nor its members (a) have been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; and neither are they (b) subject to a currently effective injunctive or restrictive order of a court of record, or within the past five years had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including, without limitation, actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under the Pennsylvania Continuing Care Provider Registration and Disclosure Act or a similar act in another state.

5. AFFILIATIONS WITH RELIGIOUS, FRATERNAL, CHARITABLE AND NON-PROFIT ORGANIZATIONS

Neither Campbelltown Rehabilitation & Nursing, LLC, nor any of its affiliates is or ever was affiliated with a religious, charitable, or other nonprofit organization.

6. DESCRIPTION OF PHYSICAL PROPERTY

The building that houses the personal care and Independent Living units was originally built in 1955 and is located just off the Pennsylvania Turnpike along route 322 four miles east of historic Hershey, Pennsylvania. The local countryside is dotted with small family farms which add to the charm and strong community ties of the area. Kadima Senior Living Community is a well-established and integral part of the community which is illustrated by the involvement of the many churches and local organizations with the facility in the wonderfully supported community.

There are 21 Independent Living units at Kadima Senior Living Community. A resident who has signed a Residency Agreement will also have priority access to the 53 bed skilled nursing facility on a space-available basis. The nursing facility is located on the CCRC campus and is also known as Kadima Rehabilitation & Nursing at Campbelltown.

Campbelltown Rehabilitation & Nursing, LLC provides quality skilled nursing, and Independent Living services. Kadima Rehabilitation & Nursing at Campbelltown and Kadima Senior Living Community is the perfect marriage of

modern medical care and a small town setting. From our delicious home cooked meals to our helpful and friendly staff, we are confident we can provide you or your family member a pleasant and enjoyable stay at Kadima Senior Living Community.

The real property is owned by Campbelltown Property Management, LLC. A copy of the Lease Agreement is available upon request.

7. RESIDENT FEES

Payment of a One-Time Entrance Fee.

Continuing care services are provided to residents who occupy an Independent Living unit in return for payment of an entrance fee and monthly maintenance fee. An entrance fee is a onetime fee charged to residents seeking admission to the Independent Living unit as a CCRC resident.

Payment of the entrance fee is due on the date of occupying the independent living unit. No entrance fee or any portion of any entrance fee will be accepted prior to the date of occupancy by any resident.

Reference should be made to the Residency Agreement for further information.

Refund Policy

The entrance fee amount shall be amortized at the rate of 20% per year pro-rated monthly for a period of 5 years from the designated occupancy date or actual date of occupancy, whichever is earlier. At the conclusion of the 5 year amortization period, the entrance fee shall be earned in full by Campbelltown Rehabilitation & Nursing, LLC and the resident will not be entitled to a refund of any portion of the entrance fee.

Reference should be made to the Residency Agreement for further information.

Payment of a Monthly Fee.

Certain services are provided in return for payment of a monthly maintenance fee. Kadima Senior Living Community reserves the right, at any time, upon 30 days' notice to the resident, to adjust the monthly fees.

The entrance fees and monthly maintenance fees are as follows:

Unit	Entrance Fee	Monthly Maintenance Fee
One Bedroom Single Occupancy	\$12,000	\$1,000
One Bedroom Dual Occupancy	\$23,000	\$1,900
Square Footage: 228 sq. ft. & 160 sq. ft.		

Services Included in the Monthly Maintenance Fee:

Services included in the monthly maintenance fee will be provided in accordance with the terms of the Residency Agreement. The services to be included in the monthly maintenance fee include:

1. Electric
2. Sewer, water, and refuse collection
3. Heat
4. Access for telephone & Cable TV
5. Maintenance of grounds/snow removal/preventive maintenance.
6. Administrative Support Services
7. 24 Hour Security System
8. Real Property insurance and property taxes
9. Three meals a day with the option of dining in the Kadima Rehabilitation & Nursing at Campbelltown's dining hall or having meals delivered to their independent living units as the resident may wish.
10. One parking space per unit.

Reference should be made to the Residency Agreement for further information.

Additional Services Available for an Extra Charge.

Services available for additional charge are as follows:

1. All telephone related charges - Fee is determined by the provider of services.
2. Expanded cable services - Fee is determined by the provider of services.
3. Minimal housekeeping - \$20.00 per hour.
4. Transportation - \$5.00 for round trip up to and including 10 miles.
\$3.00 per mile for each additional mile.

Additional Fees for Nursing Care Services.

The Residency Agreement is not a life-care contract. Admission for nursing services is contingent upon the resident meeting the financial and all other admission criteria. The cost for nursing care services is not included in the entrance fee or monthly fee. Residency Agreements signed by residents are fee-for-service contracts. If a resident requires personal care or nursing care services, an admission agreement is signed for that level of care which establishes the basis for charges for nursing care services.

Residents have the right to occupy the Independent Living unit for so long as they satisfy the health and other conditions of occupancy as set forth in the Residency Agreement.

Independent Living residents also have priority access to the 53 bed skilled nursing facility located on the campus. The nursing facility is known as Kadima Rehabilitation & Nursing at Campbelltown.

Rates as of September 2024:

Skilled Nursing Facility:

Private room	\$370/day
Semi-private room	\$340/day

8. FREQUENCY AND AVERAGE DOLLAR AMOUNT OF EACH INCREASE IN PERIODIC RATES FOR THE PREVIOUS FIVE YEARS

Dollar Increases in Rates

	2020	2021	2022	2023	2024
Skilled Nursing Facility (Daily)	53	53	53	50	50
Independent Living (Entrance Fee) Monthly Maintenance Fees	0	0	0	1	1

9. AVERAGE ANNUAL COST OF PROVIDING SERVICES

The average annual cost for providing services from the previous operating fiscal period is presented in the attached Residency Agreement.

10. RESERVE FUND & ENTRANCE FEE ESCROW ACCOUNT

***Reserve
Fund***

The Pennsylvania Department of Insurance requires Providers to maintain certain reserve funds related to its continuing care agreements. The Provider is required to maintain a reserve equal to or the greater of the total of all projected principal and interest payments on any mortgage or long-term debt of the facility over a twelve- month period or 10% of total operating expenses excluding depreciation, whatever amount is greater. The amount of the reserve shall be computed only on the pro rata portion of the financing or expenses that are applicable to residents under continuing care agreements as of the most recent year-end. Funds sufficient to meet such requirements will be retained, and such amounts will be classified as operating reserves during each fiscal period.

Kadima Senior Living Community will fund the statutory liquid reserve requirement on a proportional basis and will continue to fund it as residents are admitted to Kadima Senior Living Community pursuant to Residency Agreements.

Jonathan Strauss is the person who makes investment decisions regarding the reserve funding.

Entrance Fee Escrow Account

Kadima Senior Living Community will not maintain an Entrance Fee Escrow Account because it accepts no portion of the Entrance Fee prior to the resident occupying the independent living unit.

11. STATEMENT OF SOURCE & APPLICATION OF FUNDS

The purchase price for the independent living units which are also licensed personal care units, along with the nursing facility on the same campus, was \$2,412,060. The portion of the \$2,412,060 that is considered the purchase price for the combined personal care/independent living facility was \$600,000.

Campbelltown Rehabilitation & Nursing, LLC is utilizing financing from the following sources:

Investors Bank
101 JFK Parkway
Short Hills, NJ 07078

Investors Bank

The loan amount secured with Investors Bank is \$15,000,000.

Maturity Date: May 1, 2026

Application of Funds: The proceeds of the Loan were used to acquire and develop the below listed properties for the ownership and operation of the listed skilled nursing facilities and the personal care and independent living facility, located at 2880 Horseshoe Pike, Palmyra, PA 17078.

Operator	Facility
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Campbelltown Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Campbelltown and Kadima Senior Living Community 2880 Horseshoe Pike Palmyra, PA 17078
Lakeside Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Lakeside 245 Old Lake Road Dallas, PA 18612
Lititz Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Lititz 125 South Broad Street Lititz, PA 17543
Luzerne Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Luzerne 463 N. Hunter Highway Drums, PA 18222
Palmyra Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Palmyra 341 North Railroad Street Palmyra, PA 17078
Pottstown Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Pottstown 3031 Chestnut Hill Road Pottstown, PA 19465

The borrowers on the loan are Campbelltown Rehabilitation & Nursing, LLC, the licensee, and Campbelltown Property Management, LLC, Lakeside Property Management, LLC, Lakeside Rehabilitation & Nursing, LLC, Lititz Property Management, LLC, Lititz Rehabilitation & Nursing, LLC, Luzerne Property Management, LLC, Luzerne Rehabilitation & Nursing, LLC, Palmyra Property Management, LLC, Palmyra Rehabilitation & Nursing, LLC, Pottstown Property Management, LLC, and Pottstown Rehabilitation & Nursing, LLC.

Each borrower shall be jointly and severally liable to perform the obligations of borrower under the loan documents.

Collateral: All assets of every kind and nature, whether now owned or hereinafter acquired by the borrowers and wherever located, and all proceeds and products thereof.

Guarantors: Jonathan Strauss, Dan Morris, and Kadima Healthcare Group, Inc.

Application of Funds: The proceeds of the loan are being used (i) to repay existing Indebtedness of Borrower and (ii) for working capital and general business purposes in connection with Borrower's operation of the following skilled nursing facilities and the independent living facility, located at 2880 Horseshoe Pike, Palmyra, PA 17078.

Operator	Facility
Campbelltown Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Campbelltown and Kadima Senior Living Community 2880 Horseshoe Pike Palmyra, PA 17078
Lakeside Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Lakeside 245 Old Lake Road Dallas, PA 18612
Lititz Rehabilitation & Nursing, LLC,	Kadima Rehabilitation & Nursing at Lititz 125 South Broad Street Lititz, PA 17543
Luzerne Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Luzerne 463 N. Hunter Highway Drums, PA 18222
Palmyra Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Palmyra 341 North Railroad Street Palmyra, PA 17078
Pottstown Rehabilitation & Nursing, LLC	Kadima Rehabilitation & Nursing at Pottstown 3031 Chestnut Hill Road Pottstown, PA 19465

The borrowers on the loan are:

Campbelltown Rehabilitation & Nursing, LLC, the licensee, and Campbelltown Property Management, LLC, Lakeside Rehabilitation & Nursing, LLC, Lakeside Property Management, LLC, Lititz Property Management, LLC, Lititz Rehabilitation & Nursing, LLC, Luzerne Property Management, LLC, Luzerne Rehabilitation & Nursing, LLC, Palmyra Property Management, LLC, Palmyra Rehabilitation & Nursing, LLC, Pottstown Property Management, LLC, and Pottstown Rehabilitation & Nursing, LLC.

Each borrower shall be jointly and severally liable to perform the obligations of borrower under the loan documents.

Collateral: All assets of every kind and nature, whether now owned or hereinafter acquired by borrowers and wherever located, and all proceeds and products thereof.

Guarantors: Jonathan Strauss, Dan Morris, and Kadima Healthcare Group, Inc.

Other financial information as required by 40 P.S. Code § 3207:

An estimate of the total entrance fees to be received from or on behalf of residents at or prior to commencement of operation of the facility.

None

An estimate of the funds, if any, which are anticipated to be necessary to fund start-up losses and provide reserve funds to assure full performance of the obligations of the provider under contracts for the provision of continuing care.

\$259,551

A projection of estimated income from fees and charges other than entrance fees, showing individual rates presently anticipated to be charged and including a description of the assumptions used for calculating the estimated occupancy rate of the facility and the effect on the income of the facility of government subsidies for health care services, if any, to be provided

pursuant to the contracts for continuing care.

A copy of the Pro Forma is attached at **Tab 2**.

A projection of estimated operating expenses of the facility, including a description of the assumptions used in calculating the expenses and separate allowances, if any, for the replacement of equipment and furnishings and anticipated major structural repairs or additions.

An estimate of annual payments of principal and interest required by any mortgage loan or other long-term financing.

\$192,965

12. AUDITED FINANCIAL STATEMENTS

At **Tab 2** is a copy of the August 29, 2018 through December 31, 2018 financial statement (not audited) for the current CCRC provider, Campbelltown Rehabilitation & Nursing LLC, prepared by Bruce Tager, CPA, Brand Sonnenschine & Co. The financial statement is for a partial year because it was a newly formed entity in 2018. Information related to the CCRC is not reflected in this financial statement because the CCRC was not owned by Campbelltown Rehabilitation & Nursing LLC until March 22, 2019. A copy of the Audited Financial Statements for Campbelltown Rehabilitation & Nursing LLC will be provided in the annual fiscal filing for December 31, 2020, 2021, 2022, and 2023 are also attached. As required, Audited Financial Statements for Campbelltown Rehabilitation & Nursing LLC will be provided in the annual fiscal filing for December 31, 2024.

13. RESIDENCY AGREEMENT

The Residency Agreement governs the relationship and explains the mutual obligations between the resident and Campbelltown Rehabilitation & Nursing, LLC. All terms of the agreement are reflected in the Residency Agreement and its attached exhibits. Residents should review the Residency Agreement for further explanation. See **Tab 3**.

14. RIGHT TO RESCIND

Resident may rescind and terminate the Residency Agreement without penalty or forfeiture within seven (7) days of signing the Residency Agreement. Residents are not required to move into the independent living suite before the expiration of this seven (7) day period. To rescind their Residency Agreement, resident must mail or deliver a signed and dated copy of a Rescission Notice or any other dated written notice, letter or telegram, stating their desire to rescind to Campbelltown Rehabilitation & Nursing, LLC. A Notice of Right to Rescind is included in the Residency Agreement.

15. RESIDENT RIGHT TO ORGANIZE

Residents shall have the right to elect a Residents’ Association to represent the welfare and concerns of the residents. A representative of Campbelltown Rehabilitation & Nursing, LLC will hold quarterly meetings during the calendar year with residents for purposes of free discussion of topics related to living at Kadima Senior Living Community. Residents will be given at least seven (7) days notice of all such meetings.

Receipt

The undersigned hereby acknowledges delivery and receipt of _____ Disclosure Statement dated _____ and all attachments including a copy of the Residency Agreement and the Notice of Right to Rescind.

Signature of First Resident

Date: _____

Signature of Co-Resident

Date: _____

Signature of Responsible Party/Family Member (if applicable)

Date: _____

TAB 1

Jonathan Strauss has over fifteen years of experience in healthcare working for large nursing home conglomerate organizations including Centers Health Care and The Grand Healthcare System. Mr. Strauss has successfully managed the acquisition and turnaround of several failing skilled nursing facilities. Through meticulous management of clinical excellence, financial oversight, and strategic referral relationships, Mr. Strauss was able to redevelop the projects into a successful and profitable venture.

Daniel Morris is an accomplished business leader with ten years of management and strategy development. Mr. Morris has held executive positions of COO and President for a construction and development company and brings a high level of management and systems understanding to each project.

Director of Independent Living - Mary Ann Chaklos has been a License Nursing Home Administrator for many years. She has worked for in several Skilled Nursing and CCRC's in her employment history. She is currently the the Director of Independent Living at Kadima Senior Living Community as well as the Nursing Home Administrator of Kadima Rehabilitation & Nursing at Campbelltown.

Medical Director - Dr. Robert Pearlstein is a Geriatric Specialist who has practiced in Norristown since 1993 after completing a geriatric fellowship at the Philadelphia Geriatric Center.

All individuals listed above have a business address of 2880 Horseshoe Pike, Palmyra, PA 17078

TAB 2

**CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

To the Members of
Campbelltown Rehabilitation & Nursing, LLC

We have audited the accompanying financial statements of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown (a limited liability company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of earnings and members' equity (deficiency) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Campbelltown Rehabilitation & Nursing, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brand Sonnenschine LLP

August 25, 2021

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
BALANCE SHEETS

	At December 31	
ASSETS	2020	2019
Current assets		
Cash and cash equivalents (note 2)	\$ 66,506	\$ -
Cash - restricted (patient funds) (note 2)	42,596	33,358
Cash - limited use - CCRC Statutory Liquid Reserve (note 9)	-	-
Accounts receivable - net of allowance of \$494,000 and \$264,000	829,588	1,475,946
Prepaid expenses and other	117,616	92,015
Total current assets	<u>1,056,306</u>	<u>1,601,319</u>
Property and equipment - net (note 3)	365,934	350,683
Due from related parties (note 7)	361,050	667,751
TOTAL ASSETS	<u>\$ 1,783,290</u>	<u>\$ 2,619,753</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable	\$ 306,835	\$ 538,890
Accrued expenses and taxes	99,283	189,970
Capital lease payable - net (note 13)	14,754	9,913
Due to prior owner (note 11)	41,688	23,482
Deferred revenue - Covid-19 stimulus (note 15)	262,875	-
Patients' funds and deposits payable	114,515	90,406
Total current liabilities	<u>839,950</u>	<u>852,661</u>
Line of credit - net of unamortized deferred financing costs of \$14,258 (note 4)	-	1,796,811
Due to related landlord (note 7)	196,386	82,289
Note payable - related party - subordinated (note 10)	457,111	452,644
Capital lease payable - net (note 13)	32,008	40,923
Total liabilities	<u>1,525,455</u>	<u>3,225,328</u>
Members' equity (deficiency)	<u>257,835</u>	<u>(605,575)</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIENCY)	<u>\$ 1,783,290</u>	<u>\$ 2,619,753</u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
STATEMENTS OF EARNINGS AND MEMBERS' EQUITY (DEFICIENCY)

	Years ended December 31	
	2020	2019
Revenues	\$ 5,657,760	\$ 5,175,310
Operating expenses	<u>5,278,102</u>	<u>5,443,608</u>
Earnings (Loss) from operations	379,658	(268,298)
Non-operating revenue (expenses):		
Forgiveness of debt - Paycheck Protection Program (note 15)	516,600	-
Interest income	162	832
Interest expense	<u>(33,010)</u>	<u>(68,376)</u>
NET EARNINGS (LOSS)	863,410	(335,842)
Members' deficiency - beginning of year	<u>(605,575)</u>	<u>(269,733)</u>
	257,835	(605,575)
Net members' equity distributed	<u>-</u>	<u>-</u>
MEMBERS' EQUITY (DEFICIENCY) - END OF YEAR	<u>\$ 257,835</u>	<u>\$ (605,575)</u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
STATEMENTS OF CASH FLOWS

	Years ended December 31	
	2020	2019
Cash flows from operating activities		
Net earnings (loss)	\$ 863,410	\$ (335,842)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	97,483	79,889
Amortization on deferred finance costs included in interest expense	14,258	8,588
(Increase) decrease in assets		
Accounts receivable	646,358	(733,585)
Prepaid expenses	(25,601)	34,660
Increase (decrease) in liabilities		
Accounts payable	(232,055)	64,207
Accrued expenses and taxes	(90,687)	(6,111)
Patients' funds and deposits payable	24,109	51,927
Net cash provided by (used in) operating activities	<u>1,297,275</u>	<u>(836,267)</u>
Cash flows from investing activities		
Purchase of equipment	(100,576)	(20,375)
Repayments of loans to related parties	306,701	449,325
Net cash provided by investing activities	<u>206,125</u>	<u>428,950</u>
Cash flows from financing activities		
Increase in note payable - related party - subordinated	4,467	5,956
Proceeds from (repayment of) line of credit	(1,811,069)	196,440
Proceeds from deferred revenue - Covid-19 stimulus	262,875	-
Increase in due to related landlord	114,097	50,750
Increase in due to prior owner	18,206	23,482
Capital lease payments	(16,232)	(4,694)
Net cash provided by (used in) financing activities	<u>(1,427,656)</u>	<u>271,934</u>
Net increase (decrease) in cash, restricted cash and equivalents	75,744	(135,383)
Cash, restricted cash and equivalents - beginning of year	<u>33,358</u>	<u>168,741</u>
CASH, RESTRICTED CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 109,102</u>	<u>\$ 33,358</u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Organization and business – Campbelltown Rehabilitation & Nursing, LLC was formed in the State of Pennsylvania on March 14, 2018, without a finite life. The Company leases the land and building in Palmyra, Pennsylvania from Campbelltown Property Management, LLC, a related entity, and is doing business as Kadima Rehabilitation & Nursing at Campbelltown. Effective August 29, 2018, the Company was licensed to operate a skilled nursing facility consisting of 53 long term care beds and 24 personal care beds. In addition, in 2018, the Company was approved to operate as a Continuing Care Retirement Community (CCRC). Revenues for the CCRC premises were approximately 4% of the total revenue for both the years ended December 31, 2020 and 2019. The members of the Company are generally protected from liability for acts and obligations of the Company.

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 - patient funds - The Company adopted Financial Accounting Standards Board standard “ASU-2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.” This standard requires that cash, restricted cash and equivalents be included in beginning and ending cash, restricted cash and 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. The Company is also required, as part of the CCRC program, to set aside funds to be used as a statutory liquid reserve for CCRC residents (note 9).

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. During the years ended December 31, 2020, and 2019, allowance for doubtful accounts increased by approximately \$230,000 and \$243,000, respectively.

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.

Income taxes – The Company is treated as a partnership for federal and state income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations. The financial statements do not reflect a provision for income taxes. The policy of the Company is to record interest expenses and penalties relating to income taxes in operating expense. For the years ended December 31, 2020 and 2019, there were no income tax related interest or penalty expenses and no accrued interest and penalties.

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

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 our estimates, we adjust these estimates, which would affect net service revenue in the period such variances become known.

Because the Company's contracts have a duration of one year or less, the following expedient was used for prior year contracts for contracts with variable consideration, the transaction price at the date of the contract was completed was used rather than estimating variable consideration amounts in comparative reporting periods. Due to the nature of these customer contracts, this expedient was deemed to closely approximate the change in revenue for the prior period vs, the current period's method.

Government Grants – At present there is no US GAAP for government grants for privately owned for-profit companies. The Company's accounting policy for government grants is to follow International Accounting Standards #20 - Accounting for Government Grants and Disclosure of Government Assistance.

Estimates – The preparation of 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 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.

Deferred financing costs – The Company has adopted Financial Accounting Standards Board 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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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. The fair value of the mortgage payable is estimated at the carrying value based on the future cash flows associated with each note using the Company’s current borrowing rate.

Guaranteed Payments to Members – Guaranteed payments to members that are intended as compensation for services rendered are accounted for as expenses of the LLC rather than as allocations of LLC net income. Guaranteed payments that are intended as payments of interest on capital accounts are not accounted for as expenses of the LLC, but rather, as part of the allocation of net income.

Reclassifications – Certain reclassifications have been made to the 2019 financial statements in order to conform to the classifications used in 2020.

Subsequent events – The Company has reviewed for subsequent events and transactions for potential recognition and disclosure in the financial statements through August 25, 2021, the date the financial statements were available to be issued. No subsequent events were identified.

NOTE 2 – CASH, RESTRICTED CASH AND EQUIVALENTS

The balance in cash, restricted cash and equivalents consists of the following:

	2020	2019
Operating cash	\$ 66,506	\$ -
Restricted cash - patient funds	42,596	33,358
Restricted cash - limited use – CCRC Reserve	<u>-</u>	<u>-</u>
Total cash, restricted cash and equivalents	\$ <u>109,102</u>	\$ <u>33,358</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>Life</u> <u>(Years)</u>	2020	2019
Leasehold improvements	15	\$ 67,688	\$ 55,530
Furniture and equipment	5	<u>500,951</u>	<u>400,375</u>
		568,639	455,905
Less accumulated depreciation		<u>202,705</u>	<u>105,222</u>
		\$ <u>365,934</u>	\$ <u>350,683</u>

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NOTE 3 – PROPERTY AND EQUIPMENT (CONTINUED)

Capitalized leases included in leasehold improvements was \$67,688 and \$55,530 at December 31, 2020 and 2019, respectively. Accumulated depreciation related to these leases was \$9,201 and \$1,851 at December 31, 2020 and 2019, respectively.

Depreciation expense was \$97,483 and \$79,889 for 2020 and 2019, respectively, and included depreciation on capital leases of \$7,350 and \$1,851.

NOTE 4 – LINE OF CREDIT

On August 31, 2018, the Companies entered into a \$3,000,000 revolving shared line of credit agreement with a lender, which was set to mature on August 31, 2021. Interest on bank advances on the credit line were payable monthly at an annual rate of the LIBOR rate plus 5%. In addition, the Companies were also required to make monthly payments for an unused line fee and a collateral management fee. The line was subject to certain financial covenants and was secured by all the assets of the Companies. The line was guaranteed by the members of the Companies, as well as a related Company, related through common ownership. Interest expense for 2020 and 2019 was \$49,806 and \$152,246, respectively. At December 31, 2019, the balance due on the line of credit was \$1,811,069. On September 30, 2020, the balance on the line was repaid and the account was closed.

NOTE 5 – REVENUES

Approximately 58% and 63% of the revenues in 2020 and 2019 were derived from billings to the Pennsylvania Department of Health for stays by Medicaid patients, respectively, and approximately 3% and 5% of revenues for 2020 and 2019 were derived from billings to Managed Care Organizations approved by the Pennsylvania Department of Health.

Approximately 17% and 16% of the revenues in 2020 and 2019 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.

Effective January 2019, the Pennsylvania Department of Human Services changed its reimbursement methodology to a Managed Care Organization (MCO) system. The Company entered into contracts with state approved MCO's that will be paying for all new Medicaid admissions. All subsequent rates will be negotiated between the Company and each MCO.

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at several financial institutions. At December 31, 2020, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, the Company had no uninsured bank balances.

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NOTE 6 – CONCENTRATION OF CREDIT RISK (CONTINUED)

At December 31, 2020 and 2019, the Company had approximately 30% and 58% of its receivables due from the Pennsylvania Department of Health, 9% and 7% of its receivables due from Managed Care Organizations approved by the Pennsylvania Department of Health, and 12% and 15% its receivables due from the Federal government for Medicare recipients, respectively.

At December 31, 2020 and 2019, approximately 43% and 34% of the accounts payable balance was payable to three vendors and two vendors, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

The premises of the Company is leased from a related landlord under a master operating lease, together with five other related entities, which expires in August 2028. The lease provides for an annual base rent of the greater of \$361,809 or 110% of the aggregate principal and interest due on the related landlord’s mortgage, plus all real estate taxes and operating expenses. The lease may be extended for two separate terms of five years each, provided the Company and the related entities give written notice to the landlord six months prior to the expiration of the term. At December 31, 2020 and 2019, the balance due to the landlord was \$196,386 and \$82,289, respectively. Rent expense for 2020 and 2019 was \$407,368 and \$393,854, which included \$45,558 and \$32,044 of real estate taxes, respectively. The lease is subject to certain financial covenants.

Minimum annual rentals for leases in effect at December 31, 2020 were as follows:

2021	\$	361,810
2022		361,810
2023		361,810
2024		361,810
2025		361,810
Thereafter		<u>964,827</u>
	\$	<u>2,773,877</u>

The Company, together with five other related entities, entered into an agreement, commencing in August 2018, to contract out its management services to a company which is related through common ownership. The term of the agreement is for five years and shall be renewable for two successive additional terms of five years at the option of the management company. Under the terms of the agreement, the Company is required to pay a management fee of 5% of revenues to the related party. Total services purchased from this company amounted to approximately \$264,000 and \$257,000 during 2020 and 2019, respectively. The balance due from the management company at December 31, 2020 and 2019 was \$361,050 and \$667,751, respectively.

NOTE 8 – ADVERTISING

Advertising expense was \$1,448 and \$3,260 for 2020 and 2019, respectively. There were no direct response advertising costs either capitalized or expensed.

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DECEMBER 31, 2020 AND 2019

NOTE 9 – MINIMUM LIQUID RESERVE

As part of the CCRC program (see note 1) companies are required to maintain a statutory liquid reserve as of the end of the year. Funds have been set aside as assets whose use is limited as the minimum statutory liquid reserves.

Computation of minimum reserve for 2020:

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

	(3)	(4)	(3)*(4)	
Interest and principal due	-	-	-	(5)
CCRC Residents	-			(6)
Total beds	83			(7)
Average occupancy	73.69%			(8)
Average beds	61.16			(7) *(8)
	(9)			
CCRC Residents / average beds (% of residents subject to arrangement)			(6)/(9)	<u> </u>

2021 projected operating expenses excluding depreciation and amortization	5,166,361	(10)
Multiplied by 10%	10.00%	(11)
10% of projected operating expenses	516,636	(10)*(11)
	(12)	
% of residents subject to arrangement	-%	(13)
10% of proj. op. exp. (allocated to % of residents subject)	-	(12)*(13)

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NOTE 9 – MINIMUM LIQUID RESERVE (CONTINUED)

Computation of minimum reserve for 2019:

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

	(3)	(4)	(3)*(4)	
Revolving credit line (7%) - interest and principal due	1,811,069	7%	126,775	(5)
	1,937,844			(3) +(5)
CCRC Residents	-			(6)
Total beds	83			(7)
Average occupancy	70.07%			(8)
Average beds	58.16			(7) *(8)
	(9)			
				(6)/(9)
CCRC Residents / average beds (% of residents subject to arrangement)			-	(6)/(9)

2020 projected operating expenses excluding depreciation and amortization	5,355,131	(10)
Multiplied by 10%	10.00%	(11)
10% of projected operating expenses	535,513	(10)*(11)
	(12)	

NOTE 10 – NOTE PAYABLE – RELATED PARTY - SUBORDINATED

On August 29, 2018, the Company, together with other related entities, entered into a loan agreement with their related management company, related through common ownership, in the amount of \$3,048,905, of which \$446,688 was allocated to the Company. Interest on the note is payable at a rate of 1% per annum. The loan matures August 27, 2023, at which point all unpaid principal and interest are due. Interest expense on the note payable for 2020 was \$4,467 and for 2019 was \$5,956, which included \$1,489 of interest for 2018. The balance due on the note payable, including all unpaid interest, at December 31, 2020 and 2019 was \$457,111 and \$452,644, respectively.

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DECEMBER 31, 2020 AND 2019

NOTE 11 – DUE TO PRIOR OWNER

The Company and the previous owner estimated certain closing adjustments, which will be finalized in the future. In addition, the Company has received payments that pertain to the previous owner or has had monies withheld due by the previous owner.

NOTE 12 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

	2020	2019
Interest	\$ 21,796	\$ 59,788
Non-cash financing activities:		
Property purchased by capital leases	\$ 12,158	\$ 55,530

NOTE 13 – CAPITAL LEASES PAYABLE

	2020	2019
Marlin Capital Solutions – secured by specific equipment, self-amortizing in equal monthly installments from \$299 to \$351 which includes interest, maturing May 2022.	\$ 5,958	\$ -
Leaf Capital Funding – secured by specific equipment, self-amortizing in equal monthly installments from \$310 to \$1,106 which includes interest, maturing between April 2024 and June 2024.	<u>46,459</u>	<u>59,733</u>
	52,417	59,733
Less: deferred interest	<u>5,655</u>	<u>8,897</u>
	46,762	50,836
Less: current portion	<u>14,754</u>	<u>9,913</u>
	\$ <u>32,008</u>	\$ <u>40,923</u>

At December 31, 2020 and 2019, the current portion was net of deferred interest of \$2,726 and \$3,361, and the long term portion was net of \$2,929 and \$5,536, respectively.

Subsequent annual payments as of December 31, 2020 are as follows:

2021	\$	17,480
2022		15,026
2023		13,274
2024		<u>6,637</u>
	\$	<u>52,417</u>

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DECEMBER 31, 2020 AND 2019

NOTE 14 – CCRC ENTRANCE FEES

The Company has not and will not accept any entrance fee under any continuing care agreement until the date of admission and this practice will continue into the future. It is management's understanding that this practice exempts the Company's CCRC from maintaining a formal escrow agreement with an appointed escrow agent or other manner of security as described in the Pennsylvania Continuing Care Provider Registration and Disclosure Act (40 P.S. § 3212).

NOTE 15 – OTHER LOANS AND GRANT REVENUE

To help ease the financial burden created by the COVID-19 pandemic, the Company received funding from both Federal and State government agencies as described below.

In May 2020, the Company received \$516,600 of Paycheck Protection Program loans. The loans carry an interest rate of 1% and the loans will be forgiven if certain conditions are met. The Company fulfilled all the conditions of the PPP loan and recognized conditional revenue as earned and recorded it as forgiveness of debt income for the year ended December 31, 2020.

The Company received \$429,256 in Provider Relief Fund payments from the Department of Health and Human Services (HHS) and \$157,561 in Act 24 payments from the State of Pennsylvania during 2020. These payments were received in the form of grants and Quality Incentive Payments (QIP). The grants are earned and recorded as grant revenue to the extent that the Company has unreimbursed expenses or losses in revenues related to the pandemic and the Quality Incentive Payments are earned when the funds are spent on specific infection control measures as defined by HHS. At the date of the financial statements, management believes that they have met the conditions for keeping the Pennsylvania Act 24 payments and the Company has therefore recognized them as revenue. Additionally, the Company has recognized \$166,381 of the Provider Relief Fund payments in 2020 and are expected to recognize the remaining \$262,875 in 2021 when the conditions of the grant program are met.

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.

The Company, together with five other related entities, are contingently liable as co-borrowers for a mortgage given to their related landlords in the amount of \$10,000,000. The total amount owed by the related landlords at both December 31, 2020 and 2019 was \$10,000,000.

The Company is contingently liable for the subordinated note (note 10) owed by its related landlord and other related entities. At December 31, 2020 and 2019, the balance due by the related landlord and other related entities was \$2,662,935 and \$2,636,913, respectively.

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

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 17 – RISKS AND UNCERTAINTIES

The COVID-19 pandemic continues to impact the Company’s overall business environment, results of operations and financial condition. The extent of this impact will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company’s customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Management is closely following the progression of COVID-19 and its potential impact on the Company. At this time, the Company cannot reasonably estimate the impact of COVID-19 on its business, liquidity, allowance for credit losses, capital resources and financial results. As additional information becomes available, the Company’s estimates may change materially in future periods.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of
Campbelltown Rehabilitation & Nursing, LLC

We have audited the financial statements of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown as of December 31, 2020 and 2019 and for the years then ended, and our report thereon dated August 25, 2021, which expressed an unmodified opinion on those financial statements, appears on page one. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of revenues, operating expenses 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 audits 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 as a whole.

August 25, 2021

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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SUPPLEMENTARY INFORMATION
REVENUES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	Per Patient Day	2019	Per Patient Day
Current year				
Medicaid	\$ 2,979,205	\$ 207.34	\$ 2,996,085	\$ 225.35
Medicaid - Managed Care	151,252	293.12	283,468	344.01
Private	370,224	319.16	379,530	268.60
Medicare - Part A	838,142	603.41	684,161	482.48
Medicare - Part A bad debts	(3,490)	(2.51)	(1,232)	(0.87)
Hospice	(438)	-	2,500	250.00
Veterans	339,662	229.19	260,475	208.05
Pennsylvania bed tax	285,049	19.84	251,929	18.95
Medicaid disproportionate share	18,559	1.29	10,283	0.77
	<u>4,978,165</u>	<u>\$ 263.17</u>	<u>4,867,199</u>	<u>\$ 267.25</u>
CCRC - Assisted living	<u>243,821</u>	<u>\$ 70.25</u>	<u>182,089</u>	<u>\$ 60.39</u>
Other income				
Ancillary	112,216		122,279	
Other	(384)		3,743	
HHS stimulus revenue	166,381		-	
Pennsylvania Act 24 stimulus revenue	157,561		-	
	<u>435,774</u>		<u>126,022</u>	
TOTAL REVENUES	<u>\$ 5,657,760</u>		<u>\$ 5,175,310</u>	

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OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	Per Patient Day	2019	Per Patient Day
Nursing				
Nursing salaries	\$ 1,595,689	\$ 84.36	\$ 1,517,879	\$ 83.34
Nursing administration salaries	83,362	4.41	127,211	6.99
Nursing contracted	(50,337)	(2.66)	370,772	20.36
Medical supplies	169,866	8.98	164,895	9.05
	<u>1,798,580</u>	<u>95.09</u>	<u>2,180,757</u>	<u>119.74</u>
Special patient care				
Social services salaries	52,147	2.76	57,377	3.15
Patient transportation	42,784	2.26	37,765	2.07
Recreation salaries	69,320	3.66	75,985	4.17
Recreation supplies and services	2,323	0.12	7,683	0.42
	<u>166,574</u>	<u>8.80</u>	<u>178,810</u>	<u>9.81</u>
Medicare expenses				
Laboratory expense	25,704	1.36	10,497	0.58
X-Ray	2,342	0.12	1,753	0.10
Pharmacy RX drugs	116,079	6.14	105,698	5.80
Physician	17,220	0.91	19,809	1.09
Therapy salaries	194,672	10.29	235,154	12.91
Therapy supplies	9,366	0.50	3,904	0.21
	<u>365,383</u>	<u>19.32</u>	<u>376,815</u>	<u>20.69</u>

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OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	Per Patient Day	2019	Per Patient Day
DHL				
Dietary salaries	\$ 266,273	\$ 14.08	\$ 237,496	\$ 13.04
Dietary supplies	804	0.04	1,097	0.06
Food	167,670	8.86	134,829	7.40
Housekeeping salaries	143,362	7.58	114,204	6.27
Laundry supplies	11,240	0.59	227	0.01
	<u>589,349</u>	<u>31.15</u>	<u>487,853</u>	<u>26.78</u>
OGSR				
Garbage disposal	7,694	0.41	5,110	0.28
General services	7,945	0.42	5,708	0.31
	<u>15,639</u>	<u>0.83</u>	<u>10,818</u>	<u>0.59</u>
Other administrative services				
Administrator	85,846	4.54	88,963	4.88
Office salaries	160,872	8.50	115,874	6.36
Management fees	264,193	13.97	257,357	14.13
Data processing	61,543	3.25	60,079	3.30
Insurance	67,474	3.57	69,288	3.80
Office and postage	41,738	2.21	69,040	3.79
Advertising	1,448	0.08	3,260	0.18
Telephone	13,042	0.69	21,691	1.19
Legal	85,696	4.53	5,374	0.30
Consulting	39,792	2.10	20,287	1.11
Travel	4,269	0.23	6,879	0.38
	<u>825,913</u>	<u>43.67</u>	<u>718,092</u>	<u>39.42</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	Per Patient Day	2019	Per Patient Day
Property				
Rent	\$ 361,810	\$ 19.13	361,810	19.87
Property insurance	38,938	2.06	65,382	\$ 3.59
Real estate taxes	45,558	2.41	32,044	1.76
Depreciation	97,483	5.15	79,889	4.39
	<u>543,789</u>	<u>28.75</u>	<u>539,125</u>	<u>29.61</u>
Utilities				
Gas	18,868	1.00	25,203	1.38
Electric	45,012	2.38	51,098	2.81
Water and sewer	29,083	1.54	40,488	2.22
Cable	23,237	1.23	22,183	1.22
	<u>116,200</u>	<u>6.15</u>	<u>138,972</u>	<u>7.63</u>
Maintenance				
Salaries	99,147	5.24	75,611	4.15
Contracted maintenance	37,643	1.99	32,694	1.80
Supplies and services	44,597	2.36	36,997	2.03
	<u>181,387</u>	<u>9.59</u>	<u>145,302</u>	<u>7.98</u>
Other expenses				
Pennsylvania bed tax	88,004	4.65	104,185	5.72
Bad debt expense	229,101	12.11	245,890	13.50
	<u>317,105</u>	<u>16.76</u>	<u>350,075</u>	<u>19.22</u>
Fringes				
Payroll taxes	232,156	12.27	209,147	11.48
Workers' compensation	46,567	2.46	35,363	1.94
Employee benefits	79,460	4.20	72,479	3.98
	<u>358,183</u>	<u>18.93</u>	<u>316,989</u>	<u>17.40</u>
TOTAL OPERATING EXPENSES	\$ <u>5,278,102</u>	\$ <u>279.04</u>	\$ <u>5,443,608</u>	\$ <u>298.87</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
PATIENT DAYS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	Percent Of Total	2019	Percent Of Total
SKILLED NURSING FACILITY				
Medicaid	14,369	75.97%	13,295	73.01%
Medicaid - Managed Care	516	2.73%	824	4.52%
Private	1,160	6.13%	1,413	7.76%
Medicare - Part A	1,389	7.34%	1,418	7.79%
Hospice	-	0.00%	10	0.05%
Veterans	1,482	7.83%	1,252	6.87%
	<u>18,916</u>	<u>100.00%</u>	<u>18,212</u>	<u>100.00%</u>
Percent occupancy	<u>97.52%</u>		<u>94.14%</u>	
CCRC - Assisted living	<u>3,471</u>		<u>3,015</u>	
Percent occupancy	<u>39.62%</u>		<u>34.42%</u>	

**CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

To the Members of
Campbelltown Rehabilitation & Nursing, LLC
d/b/a Kadima Rehabilitation & Nursing at Campbelltown

Opinion

We have audited the accompanying financial statements of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown (a limited liability company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of earnings and members' equity and cash flows for the years 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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown 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 opinions.

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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown'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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown'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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

David S. Sennreich LLP

August 31, 2022

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
BALANCE SHEETS

	At December 31	
ASSETS	2021	2020
Current assets		
Cash and cash equivalents (note 2)	\$ 86,718	\$ 66,506
Cash - restricted (patient funds) (note 2)	54,754	42,596
Cash - limited use - CCRC Statutory Liquid Reserve (note 11)	-	-
Accounts receivable - net of allowance of \$163,000 and \$494,000	682,183	819,996
Prepaid expenses and other (note 15)	317,851	127,208
Total current assets	<u>1,141,506</u>	<u>1,056,306</u>
Property and equipment - net (note 3)	292,159	365,934
Due from related entities (note 7)	5,258,765	361,050
TOTAL ASSETS	<u>\$ 6,692,430</u>	<u>\$ 1,783,290</u>
 LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	\$ 231,280	\$ 306,835
Accrued expenses and taxes	122,097	99,283
Capital lease payable - net (note 14)	13,196	14,754
Due to prior owner (note 10)	50,897	41,688
Deferred revenue - Covid-19 stimulus (note 16)	-	262,875
Patients' funds payable	54,472	42,757
Due to patients and third party payors	14,010	71,758
Total current liabilities	<u>485,952</u>	<u>839,950</u>
Due to related landlord (note 7)	2,116,073	196,386
Due to related entities (note 7)	3,610,660	-
Note payable - related party - subordinated (note 9)	-	457,111
Capital lease payable - net (note 14)	18,813	32,008
Total liabilities	<u>6,231,498</u>	<u>1,525,455</u>
Members' equity	460,932	257,835
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 6,692,430</u>	<u>\$ 1,783,290</u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
STATEMENTS OF EARNINGS AND MEMBERS' EQUITY

	Years ended December 31	
	2021	2020
Revenues	\$ 7,385,979	\$ 5,657,760
Operating expenses	<u>7,123,680</u>	<u>5,278,102</u>
Earnings from operations	262,299	379,658
Non-operating revenue (expenses):		
Gain on forgiveness of debt (note 9)	10,423	-
Forgiveness of debt - Paycheck Protection Program (note 16)	-	516,600
Interest income	298	162
Interest expense	<u>(3,056)</u>	<u>(33,010)</u>
Earnings before provision for income taxes	269,964	863,410
Provision for income taxes	<u>(18,867)</u>	<u>-</u>
NET EARNINGS	251,097	863,410
Members' equity (deficiency) - beginning of year	<u>257,835</u>	<u>(605,575)</u>
	508,932	257,835
Net members' equity distributed	<u>(48,000)</u>	<u>-</u>
MEMBERS' EQUITY - END OF YEAR	<u><u>\$ 460,932</u></u>	<u><u>\$ 257,835</u></u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
STATEMENTS OF CASH FLOWS

	Years ended December 31	
	2021	2020
Cash flows from operating activities		
Net earnings	\$ 251,097	\$ 863,410
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation	108,313	97,483
Amortization on deferred finance costs included in interest expense	-	14,258
(Increase) decrease in assets		
Accounts receivable	137,813	647,495
Prepaid expenses	(190,643)	(26,738)
Increase (decrease) in liabilities		
Accounts payable	(75,555)	(232,055)
Accrued expenses and taxes	22,814	(90,687)
Patients' funds payable	11,714	9,040
Due to patients and third party payors	(57,748)	15,069
Increase (decrease) in deferred revenue - Covid-19 stimulus	(262,875)	262,875
Net cash provided by (used in) operating activities	<u>(55,070)</u>	<u>1,560,150</u>
Cash flows from investing activities		
Purchase of equipment	(34,537)	(100,576)
Repayments of (increase in) loans to related entities	(4,897,715)	306,701
Net cash provided by (used in) investing activities	<u>(4,932,252)</u>	<u>206,125</u>
Cash flows from financing activities		
Increase in (repayment of) note payable - related party - subordinated	(457,111)	4,467
Repayment of line of credit	-	(1,811,069)
Increase in due to related landlord	1,919,687	114,097
Increase in due to prior owner	9,209	18,206
Capital lease payments	(14,753)	(16,232)
Increase in due from related entities	3,610,660	-
Members' equity distributed	(48,000)	-
Net cash provided by (used in) financing activities	<u>5,019,692</u>	<u>(1,690,531)</u>
Net increase in cash, restricted cash and equivalents	32,370	75,744
Cash, restricted cash and equivalents - beginning of year	<u>109,102</u>	<u>33,358</u>
CASH, RESTRICTED CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 141,472</u>	<u>\$ 109,102</u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Organization and business – Campbelltown Rehabilitation & Nursing, LLC was formed in the State of Pennsylvania on March 14, 2018, without a finite life. The Company leases the land and building in Palmyra, Pennsylvania from Campbelltown Property Management, LLC, a related entity, and is doing business as Kadima Rehabilitation & Nursing at Campbelltown. Effective August 29, 2018, the Company was licensed to operate a skilled nursing facility consisting of 53 long term care beds and 24 personal care beds. In addition, in 2018, the Company was approved to operate as a Continuing Care Retirement Community (CCRC). Revenues for the CCRC premises were approximately 3% and 4% of the total revenue for the years ended December 31, 2021 and 2020, respectively. The members of the Company are generally protected from liability for acts and obligations of the Company.

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 - patient funds - The Company adopted Financial Accounting Standards Board standard “ASU-2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.” This standard requires that cash, restricted cash and equivalents be included in beginning and ending cash, restricted cash and 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. The Company is also required, as part of the CCRC program, to set aside funds to be used as a statutory liquid reserve for CCRC residents (note 11).

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. During the year ended December 31, 2021, allowance for doubtful accounts decreased by approximately \$331,000. During the year ended December 31, 2020, allowance for doubtful accounts increased by approximately \$230,000.

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.

Income taxes – The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations. Provision for income taxes represents New York pass-through entity taxes when applicable. The policy of the Company is to record interest expense and penalties relating to income taxes in operating expenses. For the years ended December 31, 2021 and 2020, there was no income tax related interest or accrued interest and penalty expenses.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

In 2021, the State of New York enacted the Pass-Through Entity Tax, which gave companies with New York source income, as well as companies with non-New York source income who have New York resident partners, the option to pay taxes on their earnings at the partnership level. The tax rates are graduated and range from 6.85% to 10.3% of earnings. The Company recorded \$18,867 in income tax expense for 2021.

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 our estimates, we adjust these estimates, which would affect net service revenue in the period such variances become known.

Because the Company's contracts have a duration of one year or less, the following expedient was used for prior year contracts for contracts with variable consideration, the transaction price at the date of the contract was completed was used rather than estimating variable consideration amounts in comparative reporting periods. Due to the nature of these customer contracts, this expedient was deemed to closely approximate the change in revenue for the prior period vs, the current period's method.

Government Grants – At present there is no US GAAP for government grants for privately owned for-profit companies. The Company's accounting policy for government grants is to follow International Accounting Standards #20 - Accounting for Government Grants and Disclosure of Government Assistance.

Estimates – The preparation of 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 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.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Deferred financing costs – The Company has adopted Financial Accounting Standards Board 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.

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. The fair value of the mortgage payable is estimated at the carrying value based on the future cash flows associated with each note using the Company’s current borrowing rate.

Guaranteed Payments to Members – Guaranteed payments to members that are intended as compensation for services rendered are accounted for as expenses of the LLC rather than as allocations of LLC net income. Guaranteed payments that are intended as payments of interest on capital accounts are not accounted for as expenses of the LLC, but rather, as part of the allocation of net income.

Reclassifications – Certain reclassifications have been made to the 2020 financial statements in order to conform to the classifications used in 2021.

Subsequent events – The Company has reviewed for subsequent events and transactions for potential recognition and disclosure in the financial statements through August 31, 2022, the date the financial statements were available to be issued. No subsequent events were identified.

NOTE 2 – CASH, RESTRICTED CASH AND EQUIVALENTS

The balance in cash, restricted cash and equivalents consists of the following:

	2021		2020
Operating cash	\$ 86,718	\$	66,506
Restricted cash - patient funds	54,754		42,596
Restricted cash - limited use – CCRC Reserve	<u> -</u>		<u> -</u>
Total cash, restricted cash and equivalents	\$ <u>141,472</u>	\$	<u>109,102</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	Life (Years)		2021		2020
Leasehold improvements	15	\$	89,665	\$	67,688
Furniture and equipment	5		<u>513,511</u>		<u>500,950</u>
			603,176		568,638
Less accumulated depreciation			<u>311,017</u>		<u>202,704</u>
		\$	<u>292,159</u>	\$	<u>365,934</u>

Capitalized leases included in leasehold improvements was \$67,688 at both December 31, 2021 and 2020. Accumulated depreciation related to these leases was \$15,335 and \$9,201 at December 31, 2021 and 2020, respectively.

Depreciation expense was \$108,313 and \$97,483 for 2021 and 2020, respectively, and included depreciation on capital leases of \$6,134 and \$7,350.

NOTE 4 – LINE OF CREDIT

On August 31, 2018, the Company, together with other related entities, entered into a \$3,000,000 revolving shared line of credit agreement with a lender, which was set to mature on August 31, 2021. Interest on bank advances on the credit line were payable monthly at an annual rate of the LIBOR rate plus 5%. In addition, the companies were also required to make monthly payments for an unused line fee and a collateral management fee. The line was subject to certain financial covenants and was secured by all the assets of the companies. The line was guaranteed by the members of the companies, as well as a related company, related through common ownership. Interest expense for 2020 was \$49,806. On September 30, 2020, the balance on the line was repaid and the account was closed.

NOTE 5 – REVENUES

Approximately 43% and 58% of the revenues in 2021 and 2020 were derived from billings to the Pennsylvania Department of Health for stays by Medicaid patients, respectively, and approximately 1% and 3% of revenues for 2021 and 2020 were derived from billings to Managed Care Organizations approved by the Pennsylvania Department of Health.

Approximately 18% and 17% of the revenues in 2021 and 2020 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.

Effective January 2019, the Pennsylvania Department of Human Services changed its reimbursement methodology to a Managed Care Organization (MCO) system. The Company entered into contracts with state approved MCO's that will be paying for all new Medicaid admissions. All subsequent rates will be negotiated between the Company and each MCO.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at several financial institutions. At December 31, 2021, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021, the Company had no uninsured bank balances.

At December 31, 2021 and 2020, the Company had approximately 20% and 30% of its receivables due from the Pennsylvania Department of Health, 31% and 9% of its receivables due from Managed Care Organizations approved by the Pennsylvania Department of Health, and 24% and 12% its receivables due from the Federal government for Medicare recipients, respectively.

At December 31, 2021 and 2020, approximately 15% and 43% of the accounts payable balance was payable to one and three vendors, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

The premises of the Company was leased from a related landlord under a master operating lease, together with five other related entities, which was to expire in August 2028. The lease provided for an annual base rent of the greater of \$361,809 or 110% of the aggregate principal and interest due on the related landlord’s mortgage, plus all real estate taxes and operating expenses. The lease had the option to be extended for two separate terms of five years each, provided the Company and the related entities gave written notice to the landlord six months prior to the expiration of the term.

On April 30, 2021, the Company entered into a new lease agreement with their related landlord which expires April 30, 2031. The lease provides for an annual base rent of the greater of \$361,810, with additional rent equal to 95% of the net income of the Company, plus all real estate taxes and operating expenses. The lease may be extended for two separate terms of five years each, provided the Company gives written notice to the landlord six months prior to the expiration of the term. At December 31, 2021 and 2020, the balance due to the landlord was \$2,116,073 and \$196,386, respectively. Rent expense for 2021 and 2020 was \$2,306,670 and \$407,368, which included \$53,133 and \$45,558 of real estate taxes, respectively. The lease is subject to certain financial covenants.

Minimum annual rentals for leases in effect at December 31, 2021 were as follows:

2022	\$	361,810
2023		361,810
2024		361,810
2025		361,810
2026		361,810
Thereafter		<u>1,567,843</u>
	\$	<u>3,376,893</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Company, together with five other related entities, entered into an agreement, commencing in August 2018, to contract out its management services to a company which is related through common ownership. The term of the agreement is for five years and shall be renewable for two successive additional terms of five years at the option of the management company. Under the terms of the agreement, the Company is required to pay a management fee of 5% of revenues to the related party. Total services purchased from this company amounted to approximately \$286,000 and \$264,000 during 2021 and 2020, respectively. The balance due from the management company at December 31, 2021 and 2020 was \$5,209,258 and \$361,050, respectively.

Related party loans due from related entities that are controlled by the Company's members were \$496,195 at December 31, 2021. Related party loans due to related entities that are controlled by the Company's members were \$3,610,660 at December 31, 2021. The loans were deemed to be non-interest bearing and there is no formal plan for repayment of these loans.

NOTE 8 – ADVERTISING

Advertising expense was \$2,352 and \$1,448 for 2021 and 2020, respectively. There were no direct response advertising costs either capitalized or expensed.

NOTE 9 – NOTE PAYABLE – RELATED PARTY - SUBORDINATED

On August 29, 2018, the Company, together with other related entities, entered into a loan agreement with their related management company, related through common ownership, in the amount of \$3,048,905, of which \$446,688 was allocated to the Company. Interest on the note was payable at a rate of 1% per annum. The loan was to mature on August 27, 2023, at which point all unpaid principal and interest was to be due. Interest expense on the note payable for 2020 was \$4,467. The balance due on the note payable, including all unpaid interest, at December 31, 2020 was \$ 457,111. During 2021, the note was repaid in full and all unpaid interest was forgiven.

NOTE 10 – DUE TO PRIOR OWNER

The Company and the prior owner estimated certain closing adjustments, which will be finalized in the future. In addition, the Company has received payments that pertain to the prior owner or has had monies withheld due by the prior owner.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11– MINIMUM LIQUID RESERVE

As part of the CCRC program (see note 1) companies are required to maintain a statutory liquid reserve as of the end of the year. Funds have been set aside as assets whose use is limited as the minimum statutory liquid reserves.

Computation of minimum reserve for 2021:

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

	(3)	(4)	(3)*(4)	
Interest and principal due	-	-	-	(5)
CCRC Residents	-			(6)
Total beds	83			(7)
Average occupancy	72.64%			(8)
Average beds	60.29			(7) *(8)
	(9)			
CCRC Residents / average beds (% of residents subject to arrangement)			(6)/(9)	
			<u> </u>	

2022 projected operating expenses excluding depreciation and amortization	5,123,640	(10)
Multiplied by 10%	10.00%	(11)
10% of projected operating expenses	512,364	(10)*(11)
	(12)	
% of residents subject to arrangement	-%	(13)
10% of proj. op. exp. (allocated to % of residents subject)	-	(12)*(13)

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 – MINIMUM LIQUID RESERVE (CONTINUED)

Computation of minimum reserve for 2020:

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

	(3)	(4)	(3)*(4)	
Interest and principal due	-	-	-	(5)
CCRC Residents	-			(6)
Total beds	83			(7)
Average occupancy	73.69%			(8)
Average beds	61.16			(7) *(8)
	(9)			
CCRC Residents / average beds (% of residents subject to arrangement)			(6)/(9)	
			<u> </u>	

2021 projected operating expenses excluding depreciation and amortization	5,166,361	(10)
Multiplied by 10%	10.00%	(11)
10% of projected operating expenses	516,636	(10)*(11)
	(12)	
% of residents subject to arrangement	-%	(13)
10% of proj. op. exp. (allocated to % of residents subject)	-	(12)*(13)

NOTE 12 – CCRC ENTRANCE FEES

The Company has not and will not accept any entrance fee under any continuing care agreement until the date of admission and this practice will continue into the future. It is management’s understanding that this practice exempts the Company’s CCRC from maintaining a formal escrow agreement with an appointed escrow agent or other manner of security as described in the Pennsylvania Continuing Care Provider Registration and Disclosure Act (40 P.S. § 3212).

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

	2021	2020
Interest	\$ 3,056	\$ 14,285
Non-cash financing activities:		
Property purchased by capital leases	\$ -	\$ 12,158

NOTE 14 – CAPITAL LEASES PAYABLE

	2021	2020
Marlin Capital Solutions – secured by specific equipment, self-amortizing in equal monthly installments from \$299 to \$351 which includes interest, maturing May 2022.	\$ 1,752	\$ 5,958
Leaf Capital Funding – secured by specific equipment, self-amortizing in equal monthly installments from \$310 to \$1,106 which includes interest, maturing between April 2024 and June 2024.	<u>33,185</u>	<u>46,459</u>
	34,937	52,417
Less: deferred interest	<u>2,928</u>	<u>5,655</u>
	32,009	46,762
Less: current portion	<u>13,196</u>	<u>14,754</u>
	\$ <u>18,813</u>	\$ <u>32,008</u>

At December 31, 2021 and 2020, the current portion was net of deferred interest of \$1,830 and \$2,726, and the long term portion was net of \$1,098 and \$2,929, respectively.

Subsequent annual payments as of December 31, 2021 are as follows:

2022	\$	15,026
2023		13,274
2024		<u>6,637</u>
	\$	<u>34,937</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 15 –EMPLOYEE RETENTION CREDIT

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES” Act), small employers are eligible for a refundable Employee Retention Tax Credit (“ERTC”) if they experience a significant reduction in revenues or a complete or partial suspension of operations as defined by the CARES Act. The credit is equal to 70% of qualified wages paid to an employee, capped at \$10,000 per quarter, during the first 3 quarters of 2021, (and 50% of qualified wages paid to an employee, capped at \$10,000, in 2020). The Company met these criteria during the first, second, and third quarters of 2021 and included \$1,009,501 in revenues on the statement of earnings in 2021. Of this amount, \$792,599 was received in 2021, either as a refund or a reduction of employment taxes remitted to the government and \$216,902 is included in prepaid expenses and other on the balance sheet at December 31, 2021. It cannot be reasonably estimated when the remaining amounts will be received by the Company. Both the methodology used to determine eligibility for the credit and the calculation of the amount of the credit are subject to audit.

NOTE 16 – OTHER LOANS AND GRANT REVENUE

To help ease the financial burden created by the COVID-19 pandemic, the Company received funding from both Federal and State government agencies as described below.

In May 2020, Operations received an SBA loan, issued under the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in the amount of \$516,600. The purpose of the loan was to assist Operations in covering costs related to the COVID-19 pandemic such as payroll and other allowable non-payroll expenses. The loan carried an interest rate of 1% per annum. The loan and related accrued interest were eligible for full or partial forgiveness if Operations kept its employee headcounts and wages stable based on the terms of the PPP loan program. Operations fulfilled all the conditions of the PPP loan and recognized conditional revenue as earned and recorded it as forgiveness of debt income for the year ended December 31, 2020. The loan was forgiven in 2021.

The Company received \$234,566 and \$429,256 in Provider Relief Fund payments from the Department of Health and Human Services (HHS) during 2021 and 2020, respectively, of which \$497,441 and \$166,381 was recognized as revenue during 2021 and 2020, respectively. These payments were received in the form of grants and Quality Incentive Payments (QIP). The grants are earned and recorded as grant revenue to the extent that the Company has unreimbursed expenses or losses in revenues related to the pandemic and the QIP are earned when the funds are spent on specific infection control measures as defined by HHS.

The Company received \$159,129 and \$157,561 in Act 24 payments from the State of Pennsylvania during 2021 and 2020, respectively. At the date of the financial statements, management believes that they have met the conditions for keeping these funds and the Company has therefore, recognized them as revenue.

NOTE 17 – 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.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 17 – CONTINGENCIES (CONTINUED)

The Company, together with five other related entities, are contingently liable as co-borrowers for a mortgage given to their related landlords in the amount of \$15,000,000. The total amount owed by the related landlords at December 31, 2021 was \$14,781,228.

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

NOTE 18 – RISKS AND UNCERTAINTIES

The COVID-19 pandemic continues to impact the Company's overall business environment, results of operations and financial condition. The extent of this impact will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Management is closely following the progression of COVID-19 and its potential impact on the Company. At this time, the Company cannot reasonably estimate the impact of COVID-19 on its business, liquidity, allowance for credit losses, capital resources and financial results. As additional information becomes available, the Company's estimates may change materially in future periods.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of
Campbelltown Rehabilitation & Nursing, LLC
d/b/a Kadima Rehabilitation & Nursing at Campbelltown

We have audited the financial statements of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown (a limited liability company) as of and for the years ended December 31, 2021 and 2020 and our report thereon dated August 31, 2022, which expressed an unmodified opinion on those financial statements, appears on page one. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of revenues, departmental operating expenses, 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 audits 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 as a whole.

Brand Sonnenschine LLP

August 31, 2022

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
REVENUES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	Per Patient Day	2020	Per Patient Day
Current year				
Medicaid	\$ 2,826,047	\$ 213.48	\$ 2,979,205	\$ 207.34
Medicaid - Managed Care	108,847	140.09	151,252	293.12
Private	625,639	319.37	370,224	319.16
Medicare - Part A	1,223,059	689.44	838,142	603.41
Medicare - Part A bad debts	(11,318)	(6.38)	(3,490)	(2.51)
Hospice	-	-	(438)	-
Veterans	302,177	306.16	339,662	229.19
Pennsylvania bed tax	285,437	21.56	285,049	19.84
Medicaid disproportionate share	38,400	2.90	18,559	1.29
	<u>5,398,288</u>	<u>\$ 288.14</u>	<u>4,978,165</u>	<u>\$ 263.17</u>
CCRC - Assisted living	<u>215,573</u>	<u>\$ 65.88</u>	<u>243,821</u>	<u>\$ 70.25</u>
Other income				
Employee retention credits	1,009,501		-	
Ancillary	106,047		112,216	
Other	-		(384)	
HHS stimulus revenue	497,441		166,381	
Pennsylvania Act 24 stimulus revenue	159,129		157,561	
	<u>1,772,118</u>		<u>435,774</u>	
TOTAL REVENUES	<u>\$ 7,385,979</u>		<u>\$ 5,657,760</u>	

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	Per Patient Day	2020	Per Patient Day
Nursing				
Nursing salaries	\$ 1,710,049	\$ 91.28	\$ 1,595,689	\$ 84.36
Nursing administration salaries	41,058	2.19	83,362	4.41
Nursing contracted	101,753	5.43	(50,337)	(2.66)
Medical supplies	193,560	10.33	169,866	8.98
	<u>2,046,420</u>	<u>109.23</u>	<u>1,798,580</u>	<u>95.09</u>
Special patient care				
Social services salaries	37,118	1.98	52,147	2.76
Patient transportation	37,833	2.02	42,784	2.26
Recreation salaries	78,006	4.16	69,320	3.66
Recreation supplies and services	5,167	0.28	2,323	0.12
	<u>158,124</u>	<u>8.44</u>	<u>166,574</u>	<u>8.80</u>
Medicare expenses				
Laboratory expense	8,172	0.44	25,704	1.36
X-Ray	3,964	0.21	2,342	0.12
Pharmacy RX drugs	87,848	4.69	116,079	6.14
Physician	24,716	1.32	17,220	0.91
Therapy salaries	203,713	10.87	194,672	10.29
Therapy supplies	1,135	0.06	9,366	0.50
	<u>329,548</u>	<u>17.59</u>	<u>365,383</u>	<u>19.32</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	Per Patient Day	2020	Per Patient Day
DHL				
Dietary salaries	\$ 271,310	\$ 14.48	\$ 266,273	\$ 14.08
Dietary supplies	4,712	0.25	804	0.04
Food	184,430	9.84	167,670	8.86
Housekeeping salaries	127,239	6.79	143,362	7.58
Laundry supplies	917	0.05	11,240	0.59
	<u>588,608</u>	<u>31.41</u>	<u>589,349</u>	<u>31.15</u>
 OGSR				
Garbage disposal	10,658	0.57	7,694	0.41
General services	3,379	0.18	7,945	0.42
	<u>14,037</u>	<u>0.75</u>	<u>15,639</u>	<u>0.83</u>
 Other administrative services				
Administrator	103,862	5.54	85,846	4.54
Office salaries	90,510	4.83	160,872	8.50
Management fees	285,631	15.25	264,193	13.97
Data processing	71,676	3.83	61,543	3.25
Insurance	80,886	4.32	67,474	3.57
Office and postage	49,780	2.66	41,738	2.21
Advertising	2,352	0.13	1,448	0.08
Telephone	8,144	0.43	13,042	0.69
Legal	57,684	3.08	85,696	4.53
Consulting	28,701	1.53	39,792	2.10
Travel	3,612	0.19	4,269	0.23
	<u>781,827</u>	<u>41.74</u>	<u>825,913</u>	<u>43.67</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	Per Patient Day	2020	Per Patient Day
Property				
Rent	\$ 2,253,537	\$ 120.28	\$ 361,810	\$ 19.13
Property insurance	58,603	3.13	38,938	2.06
Real estate taxes	53,133	2.84	45,558	2.41
Depreciation	108,313	5.78	97,483	5.15
	<u>2,473,586</u>	<u>132.03</u>	<u>543,789</u>	<u>28.75</u>
Utilities				
Gas	20,168	1.08	18,868	1.00
Electric	43,910	2.34	45,012	2.38
Water and sewer	30,538	1.63	29,083	1.54
Cable	22,256	1.19	23,237	1.23
	<u>116,872</u>	<u>6.24</u>	<u>116,200</u>	<u>6.15</u>
Maintenance				
Salaries	111,759	5.97	99,147	5.24
Contracted maintenance	44,755	2.39	37,643	1.99
Supplies and services	58,396	3.12	44,597	2.36
	<u>214,910</u>	<u>11.48</u>	<u>181,387</u>	<u>9.59</u>
Other expenses				
Pennsylvania bed tax	74,344	3.97	88,004	4.65
Bad debt expense (recovery)	(77,022)	(4.11)	229,101	12.11
	<u>(2,678)</u>	<u>(0.14)</u>	<u>317,105</u>	<u>16.76</u>
Fringes				
Payroll taxes	246,684	13.17	232,156	12.27
Workers' compensation	81,269	4.34	46,567	2.46
Employee benefits	74,473	3.98	79,460	4.20
	<u>402,426</u>	<u>21.49</u>	<u>358,183</u>	<u>18.93</u>
TOTAL OPERATING EXPENSES	<u>\$ 7,123,680</u>	<u>\$ 380.26</u>	<u>\$ 5,278,102</u>	<u>\$ 279.04</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
PATIENT DAYS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	Percent Of Total	2020	Percent Of Total
SKILLED NURSING FACILITY				
Medicaid	13,238	70.65%	14,369	75.97%
Medicaid - Managed Care	777	4.15%	516	2.73%
Private	1,959	10.46%	1,160	6.13%
Medicare - Part A	1,774	9.47%	1,389	7.34%
Veterans	987	5.27%	1,482	7.83%
	<u>18,735</u>	<u>100.00%</u>	<u>18,916</u>	<u>100.00%</u>
Percent occupancy	<u>96.85%</u>		<u>97.52%</u>	
CCRC - Assisted living	<u>3,272</u>		<u>3,471</u>	
Percent occupancy	<u>37.35%</u>		<u>39.52%</u>	

**CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

To the Members of
Campbelltown Rehabilitation & Nursing, LLC
d/b/a Kadima Rehabilitation & Nursing at Campbelltown

Qualified Opinion on December 31, 2022 and Unmodified Opinion on December 31, 2021

We have audited the accompanying financial statements of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown (a limited liability company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of earnings and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the December 31, 2022 financial statements of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on December 31, 2022 and Unmodified Opinion on December 31, 2021

As more fully described in Note 6 to the financial statements, Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown has excluded from property and debt in the accompanying balance sheet certain lease obligations that, in our opinion, should be included to conform with accounting principles generally accepted in the United States of America. The effects of this departure on property, current and long-term debt, retained earnings, net earnings, and cash flows as of and for the year ended December 31, 2022 have not been determined.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown 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 qualified audit opinion on the December 31, 2022 financial statements and our unmodified audit opinion on the December 31, 2021 financial statements.

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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown'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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown'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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

David Sonnenschein LLP

July 13, 2023

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
BALANCE SHEETS

	At December 31	
	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents (note 2)	\$ 448,473	\$ 86,718
Cash - restricted (patient funds) (note 2)	61,470	54,754
Accounts receivable - net of allowance of \$348,000 and \$163,000	878,223	682,183
Prepaid expenses and other (note 15)	119,168	317,851
Total current assets	<u>1,507,334</u>	<u>1,141,506</u>
Property and equipment - net (note 3)	194,541	292,159
Due from related entities (note 7)	<u>5,935,420</u>	<u>5,258,765</u>
TOTAL ASSETS	<u>\$ 7,637,295</u>	<u>\$ 6,692,430</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	\$ 366,662	\$ 231,280
Accrued expenses and taxes	106,332	122,097
Capital lease payable - net (note 11)	12,314	13,196
Due to prior owner (note 10)	-	50,897
Patients' funds payable	53,188	54,472
Due to private and third party payers	146,971	14,010
Total current liabilities	<u>685,467</u>	<u>485,952</u>
Due to related landlord (note 6)	2,533,320	2,116,073
Due to related entities (note 7)	3,610,660	3,610,660
Capital lease payable - net (note 11)	6,499	18,813
Total liabilities	<u>6,835,946</u>	<u>6,231,498</u>
Members' equity	<u>801,349</u>	<u>460,932</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 7,637,295</u>	<u>\$ 6,692,430</u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
STATEMENTS OF EARNINGS AND MEMBERS' EQUITY

	Years ended December 31	
	2022	2021
Revenues	\$ 6,162,586	\$ 7,385,979
Operating expenses	<u>5,748,026</u>	<u>7,123,680</u>
Earnings from operations	414,560	262,299
Non-operating revenue (expenses):		
Gain on forgiveness of debt (note 9)	-	10,423
Interest income	34	298
Interest expense	<u>(3,044)</u>	<u>(3,056)</u>
NET EARNINGS	411,550	269,964
Members' equity - beginning of year	<u>460,932</u>	<u>257,835</u>
	872,482	527,799
Net members' equity distributed	<u>(71,133)</u>	<u>(66,867)</u>
MEMBERS' EQUITY - END OF YEAR	<u><u>\$ 801,349</u></u>	<u><u>\$ 460,932</u></u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
STATEMENTS OF CASH FLOWS

	Years ended December 31	
	2022	2021
Cash flows from operating activities		
Net earnings	\$ 411,550	\$ 269,964
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation	110,925	108,313
(Increase) decrease in assets		
Accounts receivable	(196,040)	137,813
Prepaid expenses	198,683	(190,643)
Increase (decrease) in liabilities		
Accounts payable	135,382	(75,555)
Accrued expenses and taxes	(15,765)	22,814
Patients' funds payable	(1,284)	11,714
Due to private and third party payers	132,961	(57,748)
Decrease in deferred revenue - COVID-19 stimulus	-	(262,875)
Net cash provided by (used in) operating activities	776,412	(36,203)
Cash flows from investing activities		
Purchase of equipment	(13,307)	(34,537)
Increase in due from related entities	(676,655)	(4,897,715)
Net cash used in investing activities	(689,962)	(4,932,252)
Cash flows from financing activities		
Repayment of note payable - related party - subordinated	-	(457,111)
Increase in due to related landlord	417,247	1,919,687
Increase (decrease) in due to prior owner	(50,897)	9,209
Capital lease payments	(13,196)	(14,753)
Increase in due to related entities	-	3,610,660
Members' equity distributed	(71,133)	(66,867)
Net cash provided by financing activities	282,021	5,000,825
Net increase in cash, restricted cash, and cash equivalents	368,471	32,370
Cash, restricted cash, and cash equivalents - beginning of year	141,472	109,102
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - END OF YEAR	\$ 509,943	\$ 141,472

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Organization and business – Campbelltown Rehabilitation & Nursing, LLC (the “Company”) was formed in the State of Pennsylvania on March 14, 2018, without a finite life. The Company leases the land and building in Palmyra, Pennsylvania, and the rights to its license, from Campbelltown Property Management, LLC, a related entity, and is doing business as Kadima Rehabilitation & Nursing at Campbelltown. Effective August 29, 2018, the Company was licensed to operate a skilled nursing facility consisting of 53 long-term care beds and 24 personal care beds. In addition, in 2018, the Company was approved to operate as a Continuing Care Retirement Community (“CCRC”). Revenues for the CCRC premises were approximately 4% and 3% of the total revenue for the years ended December 31, 2022 and 2021, respectively. The members of the Company are generally protected from liability for acts and obligations of the Company.

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 “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. The Company is also required, as part of the CCRC program, to set aside funds to be used as a statutory liquid reserve for CCRC residents (note 12).

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. During the year ended December 31, 2022, the allowance for doubtful accounts increased by approximately \$185,000, and during the year ended December 31, 2021, the allowance for doubtful accounts decreased by approximately \$331,000.

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.

Income taxes – The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations. Provision for income taxes represents New York pass-through entity taxes when applicable. The policy of the Company is to record interest expense and penalties relating to income taxes in operating expenses. For the years ended December 31, 2022 and 2021, there was no income tax-related interest or accrued interest and penalty expenses.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

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 to 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 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 our estimates, we adjust these estimates, which would affect net service revenue in the period such variances become known.

Government Grants – In 2021, the Company adopted ASU-2022-10, 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.

Deferred financing costs – The Company has 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.

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. The fair value of the mortgage payable is estimated at the carrying value based on the future cash flows associated with each note using the Company’s current borrowing rate.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 LLC rather than as allocations of LLC’s net income. Guaranteed payments that are intended as payments of interest on capital accounts are not accounted for as expenses of the LLC, but rather, as part of the allocation of net income.

Reclassifications – Certain reclassifications have been made to the 2021 financial statements in order to conform to the classifications used in 2022.

Subsequent events – The Company has reviewed for subsequent events and transactions for potential recognition and disclosure in the financial statements through July 13, 2023, the date the financial statements were available to be issued. No subsequent events were identified.

NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

The balance in cash, restricted cash, and cash equivalents consists of the following:

	2022	2021
Operating cash	\$ 448,473	\$ 86,718
Restricted cash - patient funds	61,470	54,754
Restricted cash - limited use - CCRC Reserve	<u> -</u>	<u> -</u>
Total cash, restricted cash, and cash equivalents	\$ <u>509,943</u>	\$ <u>141,472</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>Life</u> <u>(Years)</u>	2022	2021
Leasehold improvements	15	\$ 100,265	\$ 89,665
Furniture and equipment	5	<u>516,218</u>	<u>513,511</u>
		616,483	603,176
Less: accumulated depreciation		<u>421,942</u>	<u>311,017</u>
		\$ <u>194,541</u>	\$ <u>292,159</u>

Capitalized leases included in leasehold improvements was \$67,688 at both December 31, 2022 and 2021. Accumulated depreciation related to these leases was \$21,469 and \$15,335 at December 31, 2022 and 2021, respectively.

Depreciation expense was \$110,925 and \$108,313 for 2022 and 2021, respectively, and included depreciation on capital leases of \$6,134 in both years.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 – REVENUES

Approximately 49% and 44% of the revenues in 2022 and 2021, respectively, were derived from billings to the Pennsylvania Department of Health for stays by Medicaid patients, and billings to Managed Care Organizations approved by the Pennsylvania Department of Health.

Approximately 20% and 18% of the revenues in 2022 and 2021, respectively, 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.

Effective January 2019, the Pennsylvania Department of Human Services changed its reimbursement methodology to a Managed Care Organization (“MCO”) system. The Company entered into contracts with state-approved MCOs that will be paying for all new Medicaid admissions. All subsequent rates will be negotiated between the Company and each MCO.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at several financial institutions. At December 31, 2022, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022, the Company had uninsured bank balances of approximately \$161,000.

At December 31, 2022 and 2021, the Company had approximately 42% and 51% of its receivables due from the Pennsylvania Department of Health and Managed Care Organizations approved by the Pennsylvania Department of Health, and 10% and 24% of its receivables due from the Federal government for Medicare recipients, respectively.

At December 31, 2022, there were no significant balances due to individual vendors. At December 31, 2021, approximately 15% of the accounts payable balance was payable to one vendor.

NOTE 6 – LEASES

The premises of the Company was leased from a related landlord under a master operating lease, together with five other related entities, which was to expire in August 2028. The lease provided for an annual base rent of the greater of \$361,809 or 110% of the aggregate principal and interest due on the related landlord’s mortgage, plus all real estate taxes and operating expenses. The lease had the option to be extended for two separate terms of five years each, provided the Company and the related entities gave written notice to the landlord six months prior to the expiration of the term.

On April 30, 2021, the Company entered into a new lease agreement with its related landlord which expires April 30, 2031. The lease provides for an annual base rent of \$361,810, with additional rent equal to the Company’s share of 95% of the aggregated net income of the Company when combined with the net income of five other related entities controlled by the members of the Company, plus all real estate taxes and operating expenses. The lease may be extended for two separate terms of five years each, provided the Company gives written notice to the landlord six months prior to the expiration of the term. At December 31, 2022 and 2021, the balance due to the landlord was \$2,533,320 and \$2,116,073, respectively. Rent expense for 2022 and 2021 was \$417,247 and \$2,306,670, which included \$55,438 and \$53,133 of real estate taxes, respectively. The lease is subject to certain financial covenants.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 – LEASES (CONTINUED)

Minimum annual rentals for leases in effect at December 31, 2022 were as follows:

2023	\$	361,810
2024		361,810
2025		361,810
2026		361,810
2027		361,810
Thereafter		<u>1,206,033</u>
	\$	<u>3,015,083</u>

Effective January 1, 2022, GAAP requires companies to adopt new lease standards promulgated by Accounting Standards Update (ASU) 2016-02, Leases (ASC Topic 842), and subsequent amendments. In accordance with ASU 2016-02, an entity is required to capitalize lease assets and lease obligations on its balance sheet for all equipment and real estate leases with a remaining lease term that exceeds 12 months, and to provide certain disclosures related to those leases. Management has informed us that it has not capitalized lease assets and obligations related to its equipment and real estate leases and has not included most of the required lease disclosures. Instead, the Company's policy is to record lease payments as rent expense as incurred. The effects of this departure from GAAP on the Company's financial position, results of operations, and cash flows have not been determined.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company, together with five other related entities, entered into an agreement, commencing in August 2018, to contract out its management services to a company which is related through common ownership. The term of the agreement is for five years and shall be renewable for two successive additional terms of five years at the option of the management company. Under the terms of the agreement, the Company is required to pay a management fee of 5% of revenues to the related party. Total services purchased from this company amounted to approximately \$297,000 and \$286,000 during 2022 and 2021, respectively. The balance due from the management company at December 31, 2022 and 2021 was \$5,435,924 and \$4,762,570, respectively.

Related party loans due from related entities that are controlled by the Company's members were \$499,496 and \$496,195 at December 31, 2022 and 2021, respectively. Related party loans due to related entities that are controlled by the Company's members were \$3,610,660 at both December 31, 2022 and 2021. The loans were deemed to be non-interest-bearing and there is no formal plan for repayment of these loans.

The Company leases the facility from Campbelltown Property Management, LLC, which is related through common ownership (see note 6).

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 – ADVERTISING

Advertising expense was \$459 and \$2,352 for 2022 and 2021, respectively. There were no direct-response advertising costs either capitalized or expensed.

NOTE 9 – NOTE PAYABLE – RELATED PARTY - SUBORDINATED

On August 29, 2018, the Company, together with other related entities, entered into a loan agreement with their related management company, related through common ownership, in the amount of \$3,048,905, of which \$446,688 was allocated to the Company. Interest on the note was payable at a rate of 1% per annum. The loan was to mature on August 27, 2023, at which point all unpaid principal and interest were to be due. During 2021, the note was repaid in full and all unpaid interest was forgiven.

NOTE 10 – DUE TO PRIOR OWNER

The Company and the prior owner estimated certain closing adjustments and the Company had received payments and had monies withheld that pertained to the prior owner. During 2022, these amounts were reclassified to the income statement as no further settlement with the prior owner is expected.

NOTE 11 – CAPITAL LEASES PAYABLE

	2022	2021
Marlin Capital Solutions – secured by specific equipment, self-amortizing in equal monthly installments from \$299 to \$351 which includes interest, maturing May 2022.	\$ -	\$ 1,752
Leaf Capital Funding – secured by specific equipment, self-amortizing in equal monthly installments from \$310 to \$1,106 which includes interest, maturing between April 2024 and June 2024.	<u>19,911</u>	<u>33,185</u>
	19,911	34,937
Less: deferred interest	<u>1,098</u>	<u>2,928</u>
	18,813	32,009
Less: current portion	<u>12,314</u>	<u>13,196</u>
	\$ <u>6,499</u>	\$ <u>18,813</u>

At December 31, 2022 and 2021, the current portion was net of deferred interest of \$960 and \$1,830, and the long-term portion was net of \$138 and \$1,098, respectively.

Subsequent annual payments as of December 31, 2022 are as follows:

2023	\$	13,274
2024		<u>6,637</u>
	\$	<u>19,911</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12– MINIMUM LIQUID RESERVE

As part of the CCRC program (see note 1) companies are required to maintain a statutory liquid reserve as of the end of the year. Funds have been set aside as assets whose use is limited as the minimum statutory liquid reserves.

Computation of minimum reserve for 2022:

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

	(3)	(4)	(3)*(4)	
Interest and principal due	-	-	-	(5)
CCRC Residents	-	(6)		
Total beds	83	(7)		
Average occupancy	74.52%	(8)		
Average beds	61.85	(7) *(8)		
	(9)			
CCRC Residents / average beds (% of residents subject to arrangement)			(6)/(9)	
			-	

2023 projected operating expenses excluding depreciation and amortization	6,010,531	(10)
Multiplied by 10%	10.00%	(11)
10% of projected operating expenses	601,053	(10)*(11)
	(12)	
% of residents subject to arrangement	-%	(13)
10% of proj. op. exp. (allocated to % of residents subject)	-	(12)*(13)

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12 – MINIMUM LIQUID RESERVE (CONTINUED)

Computation of minimum reserve for 2021:

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

	(3)	(4)	(3)*(4)	
Interest and principal due	-	-	-	(5)
CCRC Residents	-			(6)
Total beds	83			(7)
Average occupancy	72.64%			(8)
Average beds	60.29	*(8)		(9)
	(9)			
CCRC Residents / average beds (% of residents subject to arrangement)			(6)/(9)	
			-	

2022 projected operating expenses excluding depreciation and amortization	7,015,367	(10)
Multiplied by 10%	10.00%	(11)
10% of projected operating expenses	701,537	(10)*(11)
	(12)	
% of residents subject to arrangement	-%	(13)
10% of proj. op. exp. (allocated to % of residents subject)	-	(12)*(13)

NOTE 13 – CCRC ENTRANCE FEES

The Company has not and will not accept any entrance fee under any continuing care agreement until the date of admission and this practice will continue into the future. It is management’s understanding that this practice exempts the Company’s CCRC from maintaining a formal escrow agreement with an appointed escrow agent or other manner of security as described in the Pennsylvania Continuing Care Provider Registration and Disclosure Act (40 P.S. § 3212).

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

	2022	2021
Interest	\$ 3,044	\$ 3,056

NOTE 15 –EMPLOYEE RETENTION CREDIT

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES” Act), small employers are eligible for a refundable Employee Retention Tax Credit (“ERTC”) if they experience a significant reduction in revenues or a complete or partial suspension of operations as defined by the CARES Act. The credit was equal to 70% of qualified wages paid to an employee, capped at \$10,000 per quarter, during the first 3 quarters of 2021, (and 50% of qualified wages paid to an employee, capped at \$10,000, in 2020). The Company met these criteria during the first, second, and third quarters of 2021 and included \$1,009,501 in revenues on the statement of earnings in 2021. Of this amount, \$792,599 was received in 2021, either as a refund or a reduction of employment taxes remitted to the government, and \$216,902 was included in prepaid expenses and other at December 31, 2021 and received in 2022. Both the methodology used to determine eligibility for the credit and the calculation of the amount of the credit are subject to audit.

NOTE 16 – OTHER LOANS AND GRANT REVENUE

To help ease the financial burden created by the COVID-19 pandemic, the Company received funding from both Federal and State government agencies as described below.

In May 2020, the Company received an SBA loan, issued under the Paycheck Protection Program (“PPP”) of the CARES Act, in the amount of \$516,600. The purpose of the loan was to assist the Company in covering costs related to the COVID-19 pandemic such as payroll and other allowable non-payroll expenses. The loan carried an interest rate of 1% per annum. The loan and related accrued interest were eligible for full or partial forgiveness if the Company kept its employee headcounts and wages stable based on the terms of the PPP loan program. The Company fulfilled all the conditions of the PPP loan and recognized conditional revenue as earned and recorded it as forgiveness of debt income for the year ended December 31, 2020. The loan was forgiven in 2021.

The Company received \$234,566 in Provider Relief Fund payments from the Department of Health and Human Services (“HHS”) during 2021 and recognized it as revenue. Additionally, \$262,875 of payments received in 2020 were recognized as revenue in 2021. These payments were received in the form of grants and Quality Incentive Payments (“QIP”). The grants were earned and recorded as grant revenue to the extent that the Company had unreimbursed expenses or losses in revenues related to the pandemic and the QIP were earned when the funds were spent on specific infection control measures as defined by HHS.

The Company received \$95,710 and \$159,129 in Act 24 payments from the State of Pennsylvania during 2022 and 2021, respectively. At the date of the financial statements, management believes that they have met the conditions for keeping these funds and the Company has, therefore, recognized them as revenue.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 17 – 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 has a corporate credit card which they can use for corporate purchases with a spending limit of \$62,300. The balance due on this credit card and included in accounts payable at December 31, 2022 was approximately \$7,000.

The Company, together with five other related entities, are contingently liable as co-borrowers for a mortgage given to their related landlords in the amount of \$15,000,000. The total amount owed by the related landlords at December 31, 2022 and 2021 was \$14,392,720 and \$14,781,228.

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

NOTE 18 – RISKS AND UNCERTAINTIES

The COVID-19 pandemic continues to impact the Company's overall business environment, results of operations and financial condition. The extent of this impact will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Management is closely following the progression of COVID-19 and its potential impact on the Company. At this time, the Company cannot reasonably estimate the impact of COVID-19 on its business, liquidity, allowance for credit losses, capital resources, and financial results. As additional information becomes available, the Company's estimates may change materially in future periods.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of
Campbelltown Rehabilitation & Nursing, LLC
d/b/a Kadima Rehabilitation & Nursing at Campbelltown

We have audited the financial statements of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown (a limited liability company) as of and for the years ended December 31, 2022 and 2021 and our report thereon dated July 13, 2023, which appears on page 1, was qualified for the year ended December 31, 2022, for the effects of not including certain lease obligations in property and debt, as described in the Basis for Qualified Opinion section of our report. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of revenues, operating expenses, 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 supplementary information has been subjected to the auditing procedures applied in the audits 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, except for the effects of not including certain lease obligations in property and debt on the balance sheet as described above, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Brand Sonnenschine LLP

July 13, 2023

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
REVENUES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Per Patient Day	2021	Per Patient Day
Current year				
Medicaid	\$ 258,971	\$ 159.86	\$ 284,102	\$ 196.75
Medicaid - Managed Care	2,352,956	214.69	2,614,057	207.94
Private	1,312,212	355.52	625,639	319.37
Medicare - Part A	1,081,023	661.99	1,259,794	710.14
Medicare - Part A bad debts	(26,338)	(16.13)	(11,318)	(6.38)
Veterans	271,116	339.32	302,177	306.16
Pennsylvania bed tax	348,869	215.35	285,437	21.56
Medicaid disproportionate share	46,159	28.49	38,400	2.90
	<u>5,644,968</u>	<u>\$ 301.82</u>	<u>5,398,288</u>	<u>\$ 288.14</u>
 CCRC - Assisted living	 <u>272,811</u>	 <u>\$ 71.57</u>	 <u>215,573</u>	 <u>\$ 65.88</u>
 Other income				
Employee retention credits	-		1,009,501	
Ancillary	148,497		106,047	
Other	600		-	
HHS stimulus revenue	-		497,441	
Pennsylvania Act 24 stimulus revenue	95,710		159,129	
	<u>244,807</u>		<u>1,772,118</u>	
 TOTAL REVENUES	 <u>\$ 6,162,586</u>		 <u>\$ 7,385,979</u>	

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Per Patient Day	2021	Per Patient Day
Nursing				
Nursing salaries	\$ 1,669,300	\$ 89.25	\$ 1,710,049	\$ 91.28
Nursing administration salaries	42,120	2.25	41,058	2.19
Nursing contracted	183,893	9.83	101,753	5.43
Medical supplies	131,250	7.02	182,491	9.74
	<u>2,026,563</u>	<u>108.35</u>	<u>2,035,351</u>	<u>108.64</u>
Special patient care				
Social services salaries	33,325	1.78	37,118	1.98
Patient transportation	38,678	2.07	37,833	2.02
Recreation salaries	86,376	4.62	78,006	4.16
Recreation supplies and services	15,090	0.81	5,167	0.28
	<u>173,469</u>	<u>9.28</u>	<u>158,124</u>	<u>8.44</u>
Medicare expenses				
Laboratory expense	10,051	0.54	8,172	0.44
X-Ray	1,384	0.07	3,964	0.21
Pharmacy RX drugs	89,525	4.79	87,848	4.69
Physician	5,911	0.32	24,716	1.32
Therapy salaries	213,414	11.41	203,713	10.87
Therapy supplies	1,081	0.06	1,135	0.06
	<u>321,366</u>	<u>17.19</u>	<u>329,548</u>	<u>17.59</u>
DHL				
Dietary salaries	210,283	11.24	271,310	14.48
Dietary supplies	10,800	0.58	4,070	0.22
Food	187,779	10.04	184,430	9.84
Housekeeping salaries	211,166	11.29	127,239	6.79
Laundry supplies	2,576	0.14	917	0.05
	<u>622,604</u>	<u>33.29</u>	<u>587,966</u>	<u>31.38</u>
OGSR				
Garbage disposal	9,762	0.52	10,658	0.57
General services	6,706	0.36	3,379	0.18
	<u>16,468</u>	<u>0.88</u>	<u>14,037</u>	<u>0.75</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Per Patient Day	2021	Per Patient Day
Other administrative services				
Administrator	\$ 98,637	\$ 5.27	\$ 103,862	\$ 5.54
Office salaries	107,278	5.74	90,510	4.83
Management fees	296,717	15.86	285,631	15.25
Data processing	62,165	3.32	71,676	3.83
Insurance	71,153	3.80	80,886	4.32
Office and postage	46,209	2.47	48,769	2.60
Advertising	459	0.02	2,352	0.13
Telephone	8,442	0.45	8,144	0.43
Professional fees	44,083	2.36	57,684	3.08
Consulting	24,225	1.30	28,701	1.53
Travel	12,380	0.66	3,612	0.19
	<u>771,748</u>	<u>41.25</u>	<u>781,827</u>	<u>41.73</u>
Property				
Rent	361,809	19.34	2,253,537	120.28
Property insurance	27,311	1.46	58,603	3.13
Real estate taxes	55,438	2.96	53,133	2.84
Depreciation	110,925	5.93	108,313	5.78
	<u>555,483</u>	<u>29.69</u>	<u>2,473,586</u>	<u>132.03</u>
Utilities				
Gas	32,884	1.76	20,168	1.08
Electric	36,029	1.93	43,910	2.34
Water and sewer	38,328	2.05	30,538	1.63
Cable	25,165	1.35	22,256	1.19
	<u>132,406</u>	<u>7.09</u>	<u>116,872</u>	<u>6.24</u>
Maintenance				
Salaries	132,718	7.10	111,759	5.97
Contracted maintenance	34,028	1.82	44,755	2.39
Supplies and services	81,588	4.36	58,396	3.12
	<u>248,334</u>	<u>13.28</u>	<u>214,910</u>	<u>11.48</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Per Patient Day	2021	Per Patient Day
Other expenses				
Pennsylvania bed tax	\$ 107,162	\$ 5.73	\$ 74,344	\$ 3.97
Non-allowable expenses	21,186	1.13	-	-
Bad debt expense (recovery)	327,834	17.53	(77,022)	(4.11)
	<u>456,182</u>	<u>24.39</u>	<u>(2,678)</u>	<u>(0.14)</u>
Fringes				
Payroll taxes	250,297	13.38	246,684	13.17
Workers' compensation	84,163	4.50	81,269	4.34
Employee benefits	82,271	4.40	74,473	3.98
	<u>416,731</u>	<u>22.28</u>	<u>402,426</u>	<u>21.49</u>
TOTAL OPERATING EXPENSES	<u>\$ 5,741,354</u>	<u>\$ 306.97</u>	<u>\$ 7,111,969</u>	<u>\$ 379.63</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
PATIENT DAYS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Percent Of Total	2021	Percent Of Total
SKILLED NURSING FACILITY				
Medicaid	1,620	8.67%	1,444	7.70%
Medicaid - Managed Care	10,960	58.60%	12,571	67.10%
Private	3,691	19.73%	1,959	10.46%
Medicare - Part A	1,633	8.73%	1,774	9.47%
Veterans	799	4.27%	987	5.27%
	<u>18,703</u>	<u>100.00%</u>	<u>18,735</u>	<u>100.00%</u>
Percent occupancy	<u>96.68%</u>		<u>96.85%</u>	
CCRC - Assisted living	<u>3,812</u>		<u>3,272</u>	
Percent occupancy	<u>43.52%</u>		<u>37.35%</u>	

**CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

To the Members of
Campbelltown Rehabilitation & Nursing, LLC
d/b/a Kadima Rehabilitation & Nursing at Campbelltown

Qualified Opinion

We have audited the accompanying financial statements of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown (a limited liability company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of earnings and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the financial statements of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 6 to the financial statements, Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown has excluded from property and debt in the accompanying balance sheet certain lease obligations that, in our opinion, should be included to conform with accounting principles generally accepted in the United States of America. The effects of this departure on property, current and long-term debt, retained earnings, net earnings, and cash flows as of and for the years ended December 31, 2023 and 2022 have not been determined.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown 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 qualified audit opinions.

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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown'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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown'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 Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Diana Sponaschinski LLP

July 18, 2024

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
BALANCE SHEETS

	At December 31	
ASSETS	2023	2022
Current assets		
Cash and cash equivalents (note 2)	\$ 11,269	\$ 448,473
Cash - restricted (patient funds) (note 2)	72,601	61,470
Cash - limited use - CCRC Statutory Liquid Reserve (note 11)	-	-
Accounts receivable - net of allowance of \$423,000 and \$348,000	999,410	878,223
Prepaid expenses and other	105,295	119,168
Total current assets	<u>1,188,575</u>	<u>1,507,334</u>
Property and equipment - net (note 3)	188,287	194,541
Due from related entities (note 7)	<u>7,156,880</u>	<u>5,935,420</u>
TOTAL ASSETS	<u>\$ 8,533,742</u>	<u>\$ 7,637,295</u>
 LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	\$ 518,104	\$ 366,662
Accrued expenses and taxes	136,394	106,332
Finance leases payable - net (note 9)	19,899	12,314
Patients' funds payable	59,119	53,188
Due to private and third-party payors	<u>222,363</u>	<u>146,971</u>
Total current liabilities	955,879	685,467
Due to related landlord (note 6)	2,788,790	2,533,320
Due to related entities (note 7)	3,610,660	3,610,660
Finance leases payable - net (note 9)	<u>66,230</u>	<u>6,499</u>
Total liabilities	7,421,559	6,835,946
Members' equity	<u>1,112,183</u>	<u>801,349</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 8,533,742</u>	<u>\$ 7,637,295</u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
STATEMENTS OF EARNINGS AND MEMBERS' EQUITY

	Years ended December 31	
	2023	2022
Revenues	\$ 6,089,057	\$ 6,162,586
Operating expenses	<u>5,775,233</u>	<u>5,748,026</u>
Earnings from operations	313,824	414,560
Non-operating revenue (expenses):		
Interest income	82	34
Interest expense	<u>(3,072)</u>	<u>(3,044)</u>
NET EARNINGS	310,834	411,550
Members' equity - beginning of year	<u>801,349</u>	<u>460,932</u>
	1,112,183	872,482
Net members' equity distributed	<u>-</u>	<u>(71,133)</u>
MEMBERS' EQUITY - END OF YEAR	<u><u>\$ 1,112,183</u></u>	<u><u>\$ 801,349</u></u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
STATEMENTS OF CASH FLOWS

	Years ended December 31	
	2023	2022
Cash flows from operating activities		
Net earnings	\$ 310,834	\$ 411,550
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	87,571	110,925
(Increase) decrease in assets		
Accounts receivable	(121,187)	(196,040)
Prepaid expenses	13,873	198,683
Increase (decrease) in liabilities		
Accounts payable	151,442	135,382
Accrued expenses and taxes	30,062	(15,765)
Patients' funds payable	5,931	(1,284)
Due to private and third-party payors	75,392	132,961
Net cash provided by operating activities	<u>553,918</u>	<u>776,412</u>
Cash flows from investing activities		
Purchase of equipment	-	(13,307)
Increase in due from related entities	(1,221,460)	(676,655)
Net cash used in investing activities	<u>(1,221,460)</u>	<u>(689,962)</u>
Cash flows from financing activities		
Increase in due to related landlord	255,470	417,247
Decrease in due to prior owner	-	(50,897)
Finance leases payments	(14,001)	(13,196)
Members' equity distributed	-	(71,133)
Net cash provided by financing activities	<u>241,469</u>	<u>282,021</u>
Net increase (decrease) in cash, restricted cash, and cash equivalents	(426,073)	368,471
Cash, restricted cash, and cash equivalents - beginning of year	<u>509,943</u>	<u>141,472</u>
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 83,870</u>	<u>\$ 509,943</u>

See accompanying notes to the financial statements.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Organization and business – Campbelltown Rehabilitation & Nursing, LLC (the “Company”) was formed in the State of Pennsylvania on March 14, 2018, without a finite life. The Company leases the land, building, and the rights to its license in Palmyra, Pennsylvania from Campbelltown Property Management, LLC, a related entity, and is doing business as Kadima Rehabilitation & Nursing at Campbelltown. Effective August 29, 2018, the Company was licensed to operate a skilled nursing facility consisting of 53 long-term care beds and 24 personal care beds. In addition, in 2018, the Company was approved to operate as a Continuing Care Retirement Community (“CCRC”). Revenues for the personal care premises were approximately 3% and 4% of the total revenue for the years ended December 31, 2023 and 2022, respectively. The members of the Company are generally protected from liability for acts and obligations of the Company.

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 “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. The Company is also required, as part of the CCRC program, to set aside funds to be used as a statutory liquid reserve for CCRC residents (note 11).

Trade accounts receivable – Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible and estimated 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. During the years ended December 31, 2023 and 2022, the allowance for doubtful accounts increased by \$75,000 and \$185,000, respectively.

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.

Income taxes – The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations. Provision for income taxes represents Pennsylvania corporate and local business pass-through entity taxes when applicable. The policy of the Company is to record interest expense and penalties relating to income taxes in operating expenses. For the years ended December 31, 2023 and 2022, there was no income tax-related interest or accrued interest and penalty expenses.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

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 to 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 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 estimates are adjusted, affecting net service revenue in the period such variances become known.

Government grants – In 2022, 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 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.

Guaranteed payments to members – Guaranteed payments to members that are intended as compensation for services rendered are accounted for as expenses of the LLC rather than as allocations of LLC’s net income. Guaranteed payments that are intended as payments of interest on capital accounts are not accounted for as expenses of the LLC, but rather, as part of the allocation of net income.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Variable interest entity – Effective in 2022, the Company made an accounting policy election authorized by ASU 2018-17, Consolidation (Topic 810) - Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements. Under this accounting policy, the Company elects not to evaluate for consolidation a real estate leasing company that is related to the Company through common ownership. Consequently, the financial statements do not reflect the effect, if any, of having consolidated the real estate leasing company.

Reclassifications – Certain reclassifications have been made to the 2022 financial statements in order to conform to the classifications used in 2023.

Subsequent events – The Company has reviewed subsequent events and transactions for potential recognition and disclosure in the financial statements through July 18, 2024, the date the financial statements were available to be issued. See note 16 for subsequent events identified.

NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

The balance in cash, restricted cash, and cash equivalents at December 31, 2023 and 2022, consists of the following:

	2023	2022
Operating cash	\$ 11,270	\$ 448,473
Restricted cash - patient funds	72,601	61,470
Restricted cash - limited use - CCRC Reserve	<u>-</u>	<u>-</u>
Total cash, restricted cash, and cash equivalents	\$ <u>83,871</u>	\$ <u>509,943</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 and 2022, are summarized as follows:

	Life (Years)	2023	2022
Leasehold improvements	15	\$ 181,582	\$ 100,265
Furniture and equipment	5	<u>516,218</u>	<u>516,218</u>
		697,800	616,483
Less: accumulated depreciation		<u>509,513</u>	<u>421,942</u>
		\$ <u>188,287</u>	\$ <u>194,541</u>

Finance leases included in leasehold improvements were \$149,005 and \$67,688 at December 31, 2023 and 2022, respectively. Accumulated depreciation related to these leases was \$28,958 and \$21,469 at December 31, 2023 and 2022, respectively.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 – PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense was \$87,571 and \$110,925 for 2023 and 2022, respectively, and included depreciation on finance leases of \$7,489 and \$6,134 for 2023 and 2022, respectively.

NOTE 4 – REVENUES

Approximately 55% and 51% of the revenues in 2023 and 2022, respectively, were derived from billings to the Pennsylvania Department of Health for stays by Medicaid patients, and billings to Managed Care Organizations approved by the Pennsylvania Department of Health.

Approximately 19% and 18% of the revenues in 2023 and 2022, respectively, 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.

Effective January 2019, the Pennsylvania Department of Human Services changed its reimbursement methodology to a Managed Care Organization (“MCO”) system. The Company entered into contracts with state-approved MCOs that will be paying for all new Medicaid admissions. All subsequent rates will be negotiated between the Company and each MCO.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at several financial institutions. At December 31, 2023, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2023, the Company had no uninsured bank balances.

At December 31, 2023 and 2022, the Company had approximately 41% and 42%, respectively, of its receivables due from the Pennsylvania Department of Health and MCOs approved by the Pennsylvania Department of Health, and at both December 31, 2023 and 2022, 10% of its receivables due from the Federal government for Medicare recipients.

At both December 31, 2023 and 2022, there were no significant balances due to individual vendors..

NOTE 6 – LEASES

On April 30, 2021, the Company entered into a lease agreement with its related landlord, which expires April 30, 2031. The lease provides for an annual base rent of \$361,810, with additional rent equal to the Company’s share of 95% of the aggregated net earnings of the Company when combined with the net earnings of five other related entities controlled by the members of the Company, plus all real estate taxes and operating expenses. The lease may be extended for two separate terms of five years each, provided the Company gives written notice to the landlord six months prior to the expiration of the term. Effective January 1, 2023, annual base rent was amended to be \$197,387. At December 31, 2023 and 2022, the balance due to the landlord was \$2,788,790 and \$2,533,320, respectively. Rent expense for 2023 and 2022 was \$255,470 and \$417,248, which included \$58,083 and \$55,438 of real estate taxes, respectively. The lease is subject to certain financial covenants.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 – LEASES (CONTINUED)

Minimum annual rentals for leases in effect at December 31, 2023 were as follows:

2024	\$	197,387
2025		197,387
2026		197,387
2027		197,387
2028		197,387
Thereafter		<u>459,912</u>
	\$	<u>1,446,847</u>

Effective January 1, 2022, GAAP requires companies to adopt new lease standards promulgated by Accounting Standards Update (ASU) 2016-02, Leases (ASC Topic 842), and subsequent amendments. In accordance with ASU 2016-02, an entity is required to capitalize lease assets and lease obligations on its balance sheet for all equipment and real estate leases with a remaining lease term that exceeds 12 months, and to provide certain disclosures related to those leases. Management has informed us that it has not capitalized lease assets and obligations related to its equipment and real estate leases and has not included most of the required lease disclosures. Instead, the Company's policy is to record lease payments as rent expense as incurred. The effects of this departure from GAAP on the Company's financial position, results of operations, and cash flows have not been determined.

NOTE 7 – RELATED-ENTITY TRANSACTIONS

The Company, together with five other related entities, entered into an agreement, commencing in August 2018, to contract out its management services to a company, which is related through common ownership. The term of the agreement is for five years and shall be renewable for two successive additional terms of five years at the option of the management company. In 2023, the management company exercised the first renewal option. Under the terms of the agreement, the Company is required to pay a management fee of 5% of revenues to the related entity. Total services purchased from this company amounted to approximately \$305,000 and \$297,000 during 2023 and 2022, respectively. The balance due from the management company at December 31, 2023 and 2022 was \$6,657,384 and \$5,435,924, respectively.

Related-entity loans due from related entities that are controlled by the Company's members were \$499,496 at both December 31, 2023 and 2022, respectively. Related-entity loans due to related entities that are controlled by the Company's members were \$3,610,660 at both December 31, 2023 and 2022. The loans were deemed to be non-interest-bearing and there is no formal plan for repayment of these loans.

The Company leases the facility from Campbelltown Property Management, LLC, which is related through common ownership (see note 6).

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DECEMBER 31, 2023 AND 2022

NOTE 8 – ADVERTISING

Advertising expense was \$736 and \$459 for 2023 and 2022, respectively. There were no direct-response advertising costs either capitalized or expensed.

NOTE 9 – FINANCE LEASES PAYABLE

	2023	2022
The Huntington National Bank – secured by specific equipment, self-amortizing in equal monthly installments of \$1,687, which includes interest, maturing November 2028.	\$ 99,504	\$ -
Leaf Capital Funding – secured by specific equipment, self-amortizing in equal monthly installments of \$1,106, which includes interest, maturing June 2024.	<u>6,637</u>	<u>19,911</u>
	106,141	19,911
Less: deferred interest	<u>20,012</u>	<u>1,098</u>
	86,129	18,813
Less: current portion	<u>19,899</u>	<u>12,314</u>
	\$ <u>66,230</u>	\$ <u>6,499</u>

At December 31, 2023 and 2022, the current portion was net of deferred interest of \$6,976 and \$960, and the long-term portion was net of \$13,036 and \$138, respectively.

Subsequent annual payments as of December 31, 2023 are as follows:

2024	\$	26,875
2025		20,238
2026		20,238
2027		20,238
2028		<u>18,552</u>
	\$	<u>106,141</u>

NOTE 10 – DUE TO PRIOR OWNER

The Company and the prior owner estimated certain closing adjustments and the Company had received payments and had monies withheld that pertained to the prior owner. During 2022, these amounts were reclassified to the income statement as no further settlement with the prior owner is expected.

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DECEMBER 31, 2023 AND 2022

NOTE 11– MINIMUM LIQUID RESERVE

As part of the CCRC program (see note 1) companies are required to maintain a statutory liquid reserve as of the end of the year. Funds have been set aside as assets whose use 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		-%	(2)
		<u> </u>	
	(1)*(2)	\$	<u> </u>
10% of projected annual total operating expenses, excluding depreciation and amortization	\$	<u> </u>	
Minimum reserve (greater of above)	\$	<u> </u>	

	(3)	(4)	(3)*(4)	
Interest and principal due within the next twelve months	-	-	-	(5)
CCRC Residents	-	(6)		
Total residents	57	(7)		
CCRC Residents / Total Residents (% of residents subject to arrangement)			-	(6)/(7)

2024 projected operating expenses excluding depreciation and amortization	6,016,235		(10)
Multiplied by 10%	10.00%		(11)
10% of projected operating expenses	601,624		(10)*(11)
		(12)	
% of residents subject to arrangement	-%		(13)
10% of proj. op. exp. (allocated to % of residents subject)	-		(12)*(13)

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 – MINIMUM LIQUID RESERVE (CONTINUED)

Computation of minimum reserve for 2022:

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

	(3)	(4)	(3)*(4)	
Interest and principal due within the next twelve months	-	-	-	(5)
CCRC Residents	-			(6)
Total residents	83			(7)
CCRC Residents / Total Residents (% of residents subject to arrangement)			-	(6)/(7)

2023 projected operating expenses excluding depreciation and amortization	5,637,101	(10)	
Multiplied by 10%	10.00%	(11)	
10% of projected operating expenses	563,710	(10)*(11)	
	(12)		
% of residents subject to arrangement	-%	(13)	
10% of proj. op. exp. (allocated to % of residents subject)	-	(12)*(13)	

NOTE 12 – CCRC ENTRANCE FEES

The Company has not and will not accept any entrance fee under any continuing care agreement until the date of admission and this practice will continue into the future. It is management’s understanding that this practice exempts the Company’s CCRC from maintaining a formal escrow agreement with an appointed escrow agent or other manner of security as described in the Pennsylvania Continuing Care Provider Registration and Disclosure Act (40 P.S. § 3212).

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

	2023	2022
Interest	\$ 3,072	\$ 3,044
Non-cash financing activities:		
Property purchased by capital leases	\$ 81,317	\$ -

NOTE 14 – GRANT REVENUE

To help ease the financial burden created by the COVID-19 pandemic, the Company received \$95,710 in Act 24 payments from the State of Pennsylvania during 2022. Management believes it has fulfilled the requirements to keep these funds.

NOTE 15 – 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 is 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 Company, together with five other related entities, are contingently liable as co-borrowers for a mortgage given to their related landlords in the amount of \$15,000,000. The total amount owed by the related landlords at December 31, 2023 and 2022 was \$13,990,249 and \$14,392,720.

In previous years, the Company recorded \$1,009,501 in revenues for amounts received under the provisions of the Coronavirus Aid, Relief and Economic Security Act as a refundable Employee Retention Tax Credit. The methodology used to determine eligibility for the credit and the calculation of the amount of the credit are subject to audit.

Effective January 1, 2023, the Pennsylvania Department of Health implemented a rate increase for all skilled nursing facilities. As per of the terms of the increase, nursing facilities are required to spend 70% of their total costs on direct resident care or other resident care. If this provision is not met, a percentage of the Medicaid rate will need to be repaid to the state. The effects of this provision are not reflected in the financial statements and any repayment will be recorded in the period in which it is incurred.

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 16 – SUBSEQUENT EVENTS

In March 2024, the Pennsylvania Department of Human Services approved a request from the Company and a related skilled nursing facility to transfer the 39 beds from the related skilled nursing facility located in the State of Pennsylvania to the Company, if the transfer is completed by March 14, 2025. The companies are unsure if they will proceed with the transfer.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of
Campbelltown Rehabilitation & Nursing, LLC
d/b/a Kadima Rehabilitation & Nursing at Campbelltown

We have audited the financial statements of Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Rehabilitation & Nursing at Campbelltown (a limited liability company) as of and for the years ended December 31, 2023 and 2022, and our report thereon dated July 18, 2024, which appears on page 1, which expressed a qualified opinion on those financial statements, for the effects of not including certain lease obligations in property and debt, as described in the Basis for Qualified Opinion section of our report. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of revenues, operating expenses, 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 supplementary information has been subjected to the auditing procedures applied in the audits 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, except for the effects of not including certain lease obligations in property and debt on the balance sheet as described above, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Brand Sonnenschine LLP

July 18, 2024

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
REVENUES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Per Patient Day	2022	Per Patient Day
Current year				
Medicaid	\$ 448,600	\$ 166.89	\$ 258,971	\$ 159.86
Medicaid - Managed Care	2,842,853	259.86	2,435,364	222.20
Private	1,175,597	393.31	1,312,212	355.52
Medicare - Part A	1,015,079	811.41	998,615	611.52
Medicare - Part A bad debts	(27,761)	(22.19)	(26,338)	(16.13)
Veterans	225,702	298.15	271,116	339.32
Pennsylvania bed tax	-	-	348,869	215.35
Medicaid disproportionate share	45,780	17.03	46,159	28.49
	<u>5,725,850</u>	<u>\$ 307.43</u>	<u>5,644,968</u>	<u>\$ 301.82</u>
 CCRC - Assisted living	 <u>211,563</u>	 <u>\$ 80.69</u>	 <u>272,811</u>	 <u>\$ 71.57</u>
 Other income				
Ancillary	151,166		148,497	
Other	478		600	
Pennsylvania Act 24 stimulus revenue	-		95,710	
	<u>151,644</u>		<u>244,807</u>	
 TOTAL REVENUES	 <u>\$ 6,089,057</u>		 <u>\$ 6,162,586</u>	

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Per Patient Day	2022	Per Patient Day
Nursing				
Nursing salaries	\$ 1,615,597	\$ 86.74	\$ 1,669,300	\$ 89.25
Nursing administration salaries	61,906	3.32	42,120	2.25
Nursing contracted	565,765	30.38	183,893	9.83
Medical supplies	41,192	2.21	131,250	7.02
	<u>2,284,460</u>	<u>122.65</u>	<u>2,026,563</u>	<u>108.35</u>
Special patient care				
Social services salaries	28,914	1.55	33,325	1.78
Patient transportation	97,118	5.21	38,678	2.07
Recreation salaries	81,322	4.37	86,376	4.62
Recreation supplies and services	13,428	0.72	15,090	0.81
	<u>220,782</u>	<u>11.85</u>	<u>173,469</u>	<u>9.28</u>
Medicare expenses				
Laboratory expense	4,211	0.23	10,051	0.54
X-Ray	1,225	0.07	1,384	0.07
Pharmacy RX drugs	72,375	3.89	89,525	4.79
Physician	6,813	0.37	5,911	0.32
Therapy salaries	187,185	10.05	213,414	11.41
Therapy supplies	908	0.05	1,081	0.06
	<u>272,717</u>	<u>14.66</u>	<u>321,366</u>	<u>17.19</u>
DHL				
Dietary salaries	204,996	11.01	210,283	11.24
Dietary supplies	12,957	0.70	10,800	0.58
Food	192,170	10.32	187,779	10.04
Housekeeping salaries	191,957	10.31	211,166	11.29
Laundry supplies	3,149	0.17	2,576	0.14
	<u>605,229</u>	<u>32.51</u>	<u>622,604</u>	<u>33.29</u>
OGSR				
General services	733	0.04	16,468	0.88
	<u>733</u>	<u>0.04</u>	<u>16,468</u>	<u>0.88</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Per Patient Day	2022	Per Patient Day
Other administrative services				
Administrator	\$ 120,306	\$ 6.46	\$ 98,637	\$ 5.27
Office salaries	112,804	6.06	107,278	5.74
Management fees	304,677	16.36	296,717	15.86
Data processing	52,237	2.80	62,165	3.32
Insurance	79,131	4.25	71,153	3.80
Office and postage	29,492	1.58	46,209	2.47
Advertising	736	0.04	459	0.02
Telephone	5,976	0.32	8,442	0.45
Professional fees	8,094	0.43	19,083	1.02
Accounting fees	25,000	1.34	25,000	1.34
Consulting	28,725	1.54	24,225	1.30
Travel	11,199	0.60	12,380	0.66
	<u>778,377</u>	<u>41.78</u>	<u>771,748</u>	<u>41.25</u>
Property				
Rent	197,387	10.60	361,810	19.35
Rent - equipment	14,162	0.76	6,671	0.36
Property insurance	28,661	1.54	27,311	1.46
Real estate taxes	58,083	3.12	55,438	2.96
Depreciation	87,571	4.70	110,925	5.93
	<u>385,864</u>	<u>20.72</u>	<u>562,155</u>	<u>30.06</u>
Utilities				
Gas	24,692	1.33	32,884	1.76
Electric	39,694	2.13	36,029	1.93
Water and sewer	32,496	1.74	38,328	2.05
Cable	12,228	0.66	25,165	1.35
	<u>109,110</u>	<u>5.86</u>	<u>132,406</u>	<u>7.09</u>
Maintenance				
Salaries	120,019	6.44	132,718	7.10
Supplies and services	135,545	7.28	115,616	6.18
	<u>255,564</u>	<u>13.72</u>	<u>248,334</u>	<u>13.28</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
D/B/A KADIMA REHABILITATION & NURSING AT CAMPBELLTOWN
(a limited liability company)
SUPPLEMENTARY INFORMATION
OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Per Patient Day	2022	Per Patient Day
Other expenses				
Pennsylvania bed tax	\$ 158,646	\$ 8.52	\$ 107,162	\$ 5.73
Non-allowable expenses	-	-	21,186	1.13
Bad debt expense	121,781	6.54	123,517	6.60
Bad debt expense - prior years	163,161	8.76	204,317	10.92
	<u>443,588</u>	<u>23.82</u>	<u>456,182</u>	<u>24.38</u>
Fringes				
Payroll taxes	243,186	13.06	250,297	13.38
Workers' compensation	90,553	4.86	84,163	4.50
Employee benefits	85,070	4.57	82,271	4.40
	<u>418,809</u>	<u>22.49</u>	<u>416,731</u>	<u>22.28</u>
TOTAL OPERATING EXPENSES	<u>\$ 5,775,233</u>	<u>\$ 310.10</u>	<u>\$ 5,748,026</u>	<u>\$ 307.33</u>

CAMPBELLTOWN REHABILITATION & NURSING, LLC
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SUPPLEMENTARY INFORMATION
PATIENT DAYS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Percent Of Total	2022	Percent Of Total
SKILLED NURSING FACILITY				
Medicaid	2,688	14.43%	1,620	8.67%
Medicaid - Managed Care	10,940	58.74%	10,960	58.60%
Private	2,989	16.05%	3,691	19.73%
Medicare - Part A	1,251	6.72%	1,633	8.73%
Veterans	757	4.06%	799	4.27%
	<u>18,625</u>	<u>100.00%</u>	<u>18,703</u>	<u>100.00%</u>
Percent occupancy	<u>96.28%</u>		<u>96.68%</u>	
CCRC - Assisted living	<u>2,622</u>		<u>3,812</u>	
Percent occupancy	<u>29.93%</u>		<u>43.52%</u>	

TAB 3

KADIMA SENIOR LIVING COMMUNITY RESIDENCY AGREEMENT

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DEFINITIONS OF WORDS AND PHRASES

SECTION A

ADDITIONAL OCCUPANT: An individual who, after Resident takes occupancy applies and is accepted for admission to the Community to occupy as a Co-Resident the living unit.

ASSIGNMENT OF INSURANCE: The granting of authority to the Community to apply for and collect insurance benefits from Resident's insurance carrier(s) for services furnished to Resident or on Resident's behalf by Community.

CHIEF EXECUTIVE OFFICER OR CEO: The individual responsible for the day-to-day operations of THE COMMUNITY.

CONTINUED CARE: The provision by THE COMMUNITY of living accommodations and care for Resident in a living unit and, if available, in the Health Center, until termination of this Agreement.

CO-RESIDENT: One of two individuals who signs as Resident to occupy initially one living unit.

DAILY ROOM AND BOARD RATE: The daily charge for routine health care services. It does not include charges for ancillary or miscellaneous services. Routine health care services are in semi-private accommodations. There is an additional charge for private accommodations.

DESIGNATED OCCUPANCY DATE: The date designated by THE COMMUNITY on which Resident must accept occupancy of the living unit.

DOUBLE OCCUPANCY: Two individuals initially residing in a living unit as co-Residents.

DOUBLE OCCUPANCY FEE: The additional fee for a second occupant of the living unit. This charge is included in the Monthly Fee.

ENTRANCE FEE: The charge for admission to THE COMMUNITY. The amount of the Entrance Fee is based on the type of living unit.

HEALTH CENTER: The licensed nursing care facility of the Community.

LIVING ACCOMMODATION: The living unit, or Personal Care room or nursing care bed provided for occupancy by Resident.

LIVING UNIT: A room or combination of rooms in the Community provided for occupancy by Resident that does not include nursing facility.

MEDICAL DIRECTOR: The physician designated by THE COMMUNITY to supervise the medical affairs of the Community and residents.

MONTHLY FEE: The monthly charge for occupancy of a living unit. The amount of the Monthly Fee is based on the number of occupants and the size of the living unit. In situations of double occupancy, it includes the Double Occupancy Fee.

OCCUPANCY: The right to possession and use of the living accommodation.

RATE SCHEDULE: THE COMMUNITY publication reflecting current charges for services rendered by Community.

REFURBISHMENT FEE: The charge for transferring and moving from the living unit designated under this Agreement to another living unit.

RESERVATION FEE: The fee paid for placement of applicant's name on the Waiting List which assures priority access to the designated living unit over other applicants.

RESIDENT HANDBOOK: THE COMMUNITY publication reflecting the rules, regulations, policies and administrative procedures of the Community. Resident is obligated to comply with the Community's rules, regulations, policies and procedures reflected in this publication. The Resident Handbook should not be construed as a contract. It does not grant any contractual rights, and it is subject to change from time to time.

SINGLE OCCUPANCY: One individual initially residing in the living unit.

SURRENDER: To cease to occupy a living accommodation, to remove all possessions from it, and to return all keys for it.

**THE COMMUNITY
RESIDENCY AGREEMENT**

THIS RESIDENCY AGREEMENT (called “Agreement”), made this _____, 20__ between Campbelltown Rehabilitation & Nursing, LLC d/b/a Kadima Senior Living Community (also called “Community”) and _____ (called “Resident”, and when two individuals sign this Agreement for double occupancy, they are called collectively “Resident” where the context permits, and individually “Co-Resident”) for admission of Resident to the Community for occupancy.

RECITALS:

The COMMUNITY is a continuing care retirement community consisting of a licensed health care facility and separate independent living units for residents who do not require nursing facility; and,

Resident has applied for admission to the COMMUNITY, and,

The COMMUNITY has reviewed and accepted Resident’s application subject to the execution of this Agreement.

In consideration of the mutual promises contained in this Agreement, and intending to be legally bound, the Community and Resident agree as follows:

SECTION 1: LIVING ACCOMMODATIONS AND FACILITIES

1.1 Living Accommodations and Term.

THE COMMUNITY shall provide Resident with the living accommodations, specifically unit number _____ at the independent living facility known as Kadima Senior Living Community, with a mailing address of _____, 2880 Horseshoe Pike, Palmyra, PA 17078 (hereinafter “Unit”) and common facilities and services specified in this Agreement, beginning on the Designated Occupancy Date or actual date of occupancy, whichever is earlier, and continuing until the termination of this Agreement.

1.2 Common Facilities.

Resident may use in common with others the social and recreational facilities, grounds, and other facilities provided by the COMMUNITY for all residents.

1.4 Health Care Center

THE COMMUNITY shall operate a 53-bed skilled nursing facility at 2880 Horseshoe Pike, Palmyra, PA 17078 known as Kadima Rehabilitation & Nursing at Campbelltown located on the same campus for the delivery of health care services, which shall be available on a priority access basis to Residents whose care needs meet licensure requirements for this level of care as determined by the Community subject to State and Federal review (hereinafter “Health Center”).

1.5 Designated Occupancy Date.

The Community expects that a placement will be available for the resident's occupancy __ (the "Designated Occupancy Date"). The obligation to pay the Monthly Fee shall begin on the Designated Occupancy Date or upon occupancy, whichever is earlier, and the Entrance Fee is not due until the date of occupancy.

SECTION 2: SERVICES

2.1 Utilities.

THE COMMUNITY shall provide hot and cold water, heat, electricity, sewer and weekly refuse collection at a designated location. These services are included in the Monthly Fee.

The Community reserves the right to establish maximum usage levels on utilities, and to charge Resident for any excessive or unreasonable usage.

2.2 Assessments.

The Community may be assessed real estate taxes. Real estate taxes are included in the Monthly Fee. Monthly Fee adjustments will reflect any increase in future assessments. Payment of a pro-rata portion of any real estate tax assessment does not give the Resident any interest in the land, improvements, or real estate of the Community.

2.3 Telephone.

THE COMMUNITY shall provide each resident with access to telephone service. All telephone service charges, including connection charges, are not included in the Monthly Fee and shall be paid by Resident.

2.4 Cable Television.

All costs for cable television are not included in the Monthly Fee. However, the Community shall provide residents with access to cable television connection(s).

2.5 Maintenance and Repair of Equipment.

The Community shall provide necessary repairs, maintenance and replacement of the Community's property, equipment and appliances. Repairs, maintenance, and replacement of resident's property and furnishings shall be the responsibility of Resident and are not included in the Monthly Fee. Redecoration will be at the discretion of THE COMMUNITY and will be implemented as part of the Community's preventive maintenance program and is included in the Monthly Fee.

2.6 Maintenance of Grounds.

THE COMMUNITY shall provide grounds keeping, lawn care, snow removal and grounds lighting. These services are included in the Monthly Fee.

2.7 Insurance.

THE COMMUNITY shall provide insurance on the Community's property only. Resident is responsible to insure personal property and for the cost of such insurance.

2.8 Administration.

THE COMMUNITY shall provide administrative support services to implement the provisions of this Agreement. Administrative services are included in the Monthly Fee.

2.9 Food and Meals.

(a) Resident Meals. The Community shall make available three (3) meals a day in the Community's dining facilities or, as necessary because of Resident's health, in the Resident's room, and are included in the Monthly Fee.

(b) Guest Meals. Guest meals will be available at an additional charge at rates determined by the Community.

2.10 Housekeeping.

THE COMMUNITY shall make available a limited housekeeping service for an additional fee.

2.11 Transportation.

THE COMMUNITY shall make available local transportation service in accordance with the schedule established by the Community for an additional fee.

2.12 Parking.

The Community shall provide one parking space for each living unit as part of the Monthly Fee. Authorization for parking is contingent upon Resident registering the automobile with THE COMMUNITY.

2.13 Additional Miscellaneous Services.

Other miscellaneous services are available at an additional charge as provided for in the Community's annual Disclosure Statement filed with the Pennsylvania Insurance Department and a copy of which was provided and is available to any continuing care resident upon request.

2.14 Changes in Service.

THE COMMUNITY reserves the right to alter services and will provide thirty (30) days advance notice of any changes in services.

SECTION 3: HEALTH CARE SERVICES

3.1 The Health Center.

THE COMMUNITY shall operate the Health Center and shall make available on a priority access basis and at an additional charge routine health care for temporary or permanent illnesses. Resident shall sign an Admission Agreement upon transfer to the health facility. There is no guarantee that space will be available in the Community's Health Center at such time as resident may require personal or nursing care services. Any unamortized portion of the Entrance Fee shall be paid in accordance with the refund provisions of this Agreement.

3.2 Nursing or Companion Services in the Living Unit.

The use of private duty nurses, companions or individuals providing personal services must be approved in writing by THE COMMUNITY. All private duty nurses or companions must provide the Community with an appropriate Release and Indemnification Agreement, as well as proof of liability insurance as a condition of the Community's approval. Resident must make all arrangements and is responsible to pay the cost for such services. To the extent required by law, Resident may be required to provide worker's compensation insurance. The Community reserves the right to approve/disapprove all nurses and companions and to prohibit the use of such services.

3.3 Hospitalization.

THE COMMUNITY does not provide hospital or acute care. The Community will arrange for the prompt transfer of Resident to a hospital on order of a physician. The costs of ambulance or emergency transportation for transfer to a hospital or other acute care provider and the costs of such hospitalization and acute care are not included in this Agreement and shall be the responsibility of resident.

3.4 Accident or Illness Away from THE COMMUNITY.

In the event Resident suffers an accident or illness while away from the COMMUNITY, and resident relies on health care and support services available in the

area where the accident or illness occurred, Resident's health insurance or other personal resources available to Resident must be used for payment for such services.

3.5 Limitations on Care.

The Health Center is not equipped to care for persons who are afflicted with uncontrolled or untreated mental illness resulting in behavior contrary to the conditions of occupancy, active alcohol or drug abuse, or who require specialized psychiatric care or other specialized care services not authorized or permitted under the applicable licensure regulations. If the Community determines that Resident's behaviors, conduct, actions or omissions are such that resident's, or in the case of double occupancy, one Co-Resident's continued presence in the Community is either dangerous or detrimental to the life, health, or safety of resident, or in the case of double occupancy, a Co-Resident, or other residents or the peaceful enjoyment of the Community by other residents, the Community may transfer Resident or in the case of double occupancy, a Co-Resident, to an appropriate outside care facility. The Community's determination shall be made in writing and signed by the Medical Director and the CEO or designee of the Community. If the transfer is for a temporary period, then the Resident shall continue to pay the applicable Monthly Fee and also shall be responsible to pay for the cost of Resident's or in the case of double occupancy, Co-Resident's care in such other facility. If the transfer is to be permanent, then the termination provisions of this Agreement shall apply, except that only such notice of termination as is reasonable under the circumstances shall be given in any situation where the resident is a danger to self or others, or to the health, safety or peace of the Community.

3.6 Costs in the Health Center.

(a) Exclusions (not covered by the Monthly Fee). There will be an additional charge for all personal, medical, health and nursing care services. The cost of nursing care services are not included in the Monthly Fee, and Resident shall be responsible to pay the charges and costs for all health and related services, including, but not limited to routine nursing care services in the Health Center, therapist, or rehabilitation services, physician services, diagnostic services, dental services, drugs and medications, private duty nurses or companions, care for psychiatric conditions, podiatry, refractions, eyeglasses, hearing aids, orthopedic appliances, incontinence supplies, specialized treatment or any other health or medical service not provided under this Agreement. Resident shall pay the Daily Room and Board Rate for Health Center services as that charge is reflected in the in the Community's Disclosure Statement. The Community, not Resident, shall be liable to another health care provider (including an employee or subcontractor of the Community) for health care services that the Community agrees to furnish under this Agreement in consideration of Resident's payments of the Entrance Fee and other periodic fees.

(b) Ancillary Services. All miscellaneous charges and fees for ancillary services not covered or included in the Daily Room and Board Rate are an additional charge and shall be paid by resident. A description of the routine health care services covered by and included in the Daily Room and Board Rate and ancillary services not covered by or included in the Daily Room and Board Rates is contained in the Community's current Disclosure Statement.

(c) Living Unit Reservation Costs. Resident shall pay the then current

Daily Room and Board Rate for routine personal services or services at the Health Center as reflected in the Disclosure Statement and the charges for reserving the living unit as set forth below.

(i) Temporary Transfer.

(A) Single Occupancy. During any period of temporary transfer, resident shall be charged and shall pay the Daily Room and Board Rate for routine care at the Health Center and any other additional charges for ancillary or miscellaneous services in the Health Center, and shall continue to pay the then current applicable Monthly Fee for reservation of the living unit. There will be no reduction in the Monthly Fee upon temporary transfer to the Health Center. THE COMMUNITY reserves the right to declare the transfer permanent at any time in accordance with Section 8.2 of this Agreement.

(B) Double Occupancy. During the period of temporary transfer, the Co-resident in the Health Center shall be charged and shall pay the then current Daily Room and Board Rate for routine nursing care, and any other additional charges for ancillary or miscellaneous services. The Co-Resident remaining in the living unit shall be charged and shall pay the Monthly Fee for Single Occupancy. In the event both Co-residents are temporarily transferred, each Co-resident shall be charged and shall pay the Daily Room and Board Rate for nursing care services and any additional charges for ancillary or miscellaneous services in the Health Center, and collectively shall be charged and shall pay the then current Monthly Fee for Single Occupancy. Each Co-resident remains jointly and severally liable for each other's charges. THE COMMUNITY reserves the right to declare any transfer permanent at any time in accordance with Section 8.2 of this Agreement.

(ii) Permanent Transfer.

(A) Single Occupancy. Upon the permanent transfer of Resident to the Health Center, and subsequent surrender of the Living Unit, the obligation to pay the Monthly Fee shall cease, and the Resident shall pay only the Daily Room and Board Rate for nursing care services. Any unamortized portion of the Entrance Fee shall be paid in accordance with the refund provisions of this Agreement in the case of permanent transfer.

(B) Double Occupancy. At the time one Co-Resident is permanently transferred to the Health Center, the Monthly Fee for the living unit shall be reduced to the Monthly Fee for Single Occupancy. The Co-resident in the Health Center shall be charged and shall pay the applicable Daily Room and Board Rate for routine nursing care and any additional charges for ancillary or miscellaneous services, and the Co-Resident remaining in the living unit shall be charged and shall pay the Monthly Fee

for Single Occupancy. In the event both Co• Residents are permanently transferred to the Health Center, each Co-Resident shall be charged and shall pay the Daily Room and Board Rate for nursing care services and any other additional charges for ancillary or miscellaneous services. Each obligation to pay the Monthly Fee shall cease upon permanent transfer of both Co• residents and surrender of the living unit. When both Co- Residents permanently transfer either to the Health Center any unamortized portion of the Entrance Fee shall be paid in accordance with the refund provisions of this Agreement.

SECTION 4: FEES

4.1 Entrance Fee.

The amount of the Entrance Fee is based on the type of living unit selected. Resident shall pay to THE COMMUNITY the sum of \$_____ as an Entrance Fee. The Entrance Fee or any portion of the Entrance Fee will not be accepted prior to the date of occupancy by the resident even though this Agreement may have been executed in advance of that date.

4.2 Amortization of Entrance Fee.

The Entrance Fee shall be amortized and earned by the Community at the rate of twenty percent (20%) each year pro-rated monthly for a period of five years from the date of occupancy. At the conclusion of the five-year amortization period, the Entrance Fee shall be earned by THE COMMUNITY.

4.3 Use of Entrance Fee.

The entire Entrance Fee after payment shall be used by THE COMMUNITY for any corporate purpose and in any manner deemed appropriate by the Community in its sole and absolute discretion consistent with law. No portion of the Entrance Fee shall be held in Trust for Resident and the Community assumes no fiduciary obligations to resident with respect to any amounts paid for admission to or continued occupancy in the Community. However, unamortized portions of the Entrance Fee described in Paragraph

4.2, above, shall be refundable to the resident should the resident elect to cancel this Agreement, if the resident moves to a higher level of care or if this Agreement is otherwise properly cancelled pursuant to its terms.

4.4 Fee for Optional/Additional Furnishings or Appliances. If applicable, the fee of \$ _____ for any optional or additional furnishings or appliances, must be paid on or before the Designated Occupancy Date or prior to occupancy, whichever is earlier.

4.5 Monthly Fee.

(a) Amount. Resident shall pay to THE COMMUNITY a Monthly Fee of \$ _____ in advance each month for **SINGLE** occupancy of the living unit. The amount of the Monthly Fee is based on the number of occupants of the living unit. In situations of Double Occupancy, the Monthly Fee includes the Additional Occupant Fee. Thirty (30) days prior written notice shall be provided prior to an increase in the Monthly Fee.

(b) Payment and Due Date. Payment of the first Monthly Fee is due on the date Resident accepts occupancy or the Designated Occupancy Date, whichever is earlier. The Monthly Fee shall be pro-rated if Resident assumes occupancy after the first of the month. Resident shall receive a monthly invoice on or about the third day of each subsequent month. All subsequent Monthly Fee payments are due on the seventh day of each month thereafter. If any Monthly Fee or other charges for care or for miscellaneous or ancillary services are not paid within thirty (30) days of the due date, then, subject to Section 5 of this Agreement or as it may be periodically revised, the Community may elect to exercise its available rights and remedies under this Agreement, including termination.

4.6 Other Charges.

The monthly invoice shall reflect all other charges for routine nursing care and for miscellaneous, ancillary or other services in addition to the Monthly Fee. Payment for all other charges also is due on or before the seventh day of the month of the receipt of the invoice.

4.7 Co-Resident's Fee Responsibility.

In situations of Double Occupancy, each Co-Resident, shall be jointly and severally liable for all payments due under this Agreement. If one Co-Resident dies or leaves the Community, the remaining Co-Resident shall be responsible for payment of the applicable Monthly Fee and any other charges.

4.8 Service Charge for Late Payment.

A service charge of one and one-quarter percent (1 ¼%) per month will be added to amounts past due in excess of thirty (30) days. Resident is obligated to pay all actual attorney's fees and costs relative to the collection of any amounts past due in excess of ninety (90)days.

4.9 Disclosure of Financial Information.

THE COMMUNITY reserves the right to require Resident upon request to update the financial information disclosed in the application for admission.

4.10 Comment RE: 40 P.S. Section 3214(a)(11)

Pursuant to 40 P.S. Section 3214(a)(11), to the extent this Agreement contains charges for care paid in one lump sum, they shall not be increased or changed during the duration of the agreed upon care, except for changes required by State or Federal assistance programs. In addition, THE COMMUNITY shall not seek to enter into any addendum to this Agreement which will seek to alter any lump sum payment for care made or which seeks to charge a lump sum payment for care.

SECTION 5: Circumstances Under Which Resident Will be Permitted to Remain in Unit in the Event of Financial Difficulties

5.1 Inability to Pay -- Deductions from any Unamortized Portion of the Entrance Fee.

If Resident's income and assets are no longer sufficient to pay the Monthly Fee and any other financial obligations under this Agreement, then the Community shall deduct from any funds otherwise due Resident as a refund, amounts necessary to fulfill all of Resident's financial obligations under this Agreement. Resident hereby authorizes such deductions from any unamortized portions of the Entrance Fee. The Community shall make such deductions from any refunds otherwise due under this Agreement at such time as any amounts due the Community under this Agreement have been unpaid for more than thirty (30) days from the payment due date. The Community shall continue to make such deductions from any amounts otherwise due as a refund under this Agreement on a monthly basis to offset any unpaid financial obligations of resident until all funds otherwise due Resident as a refund have been exhausted and paid to the Community. The Community offers no other financial assistance to the resident and reserves the right to terminate this Agreement should the resident exhaust all financial resources.

SECTION 6: MARRIAGE AND/OR ADDITIONAL OCCUPANTS.

6.1 Non-Resident.

In the event that a single resident wishes to marry or have another person not admitted to THE COMMUNITY under a residency Agreement share Resident's living unit as a Co-Resident, the proposed Additional Occupant must file an application for admission and meet all age and other requirements for admission applicable to Residents of the living unit. Admittance of an Additional Occupant shall be at the sole discretion of the Community. If the proposed Additional Occupant receives approval to occupy the living unit, this Agreement will be amended and the Additional Occupant shall pay one-half of the Entrance Fee in effect at the time Additional Occupant moves into the living unit. The Entrance Fee paid by the Additional Occupant shall be amortized at the rate of twenty percent (20%) per year from the date of occupancy. After the lapse of five (5) years or upon the death of Additional Occupant the Entrance Fee shall be earned in full by the Community. In the event that the Additional Occupant dies or otherwise terminates Additional Occupant's agreement with the Community during the five (5) year amortization period, any applicable refund shall be paid to the Additional Occupant or his/her estate.

In the event that the proposed Additional Occupant does not meet the requirements for admission, then the proposed Additional Occupant may request admission under such other terms and conditions as may be acceptable to the Community. If an agreement cannot be reached regarding the admission of the proposed Additional Occupant, Resident may exercise the option to terminate this Agreement in accordance with its termination provisions.

6.2 Other Resident.

In the event that Resident desires to marry another resident admitted under a separate residency Agreement, and, thereafter, occupy a single living unit, resident first must select and designate in writing at least sixty (60) days in advance of the proposed move, which one of the living units occupied by each resident, shall be thereafter occupied jointly. The living unit not designated for joint occupancy must be surrendered on or before the date of the proposed move to the designated living unit. Upon transfer, the Monthly Fee for double Occupancy of the designated or alternative living unit shall be paid. The residency Agreements shall be amended to reflect the change in the living unit, the change in the Monthly Fee, and any other matters reasonably necessary for the transfer of the resident to the designated or alternative living unit. Upon transfer to the designated or alternative living unit, any unamortized portion of the Entrance Fee paid by the resident shall continue to be amortized and shall be subject to refund only in accordance with the refund provisions of this Agreement relating to Co-Residents.

SECTION 7: TERMINATION OF AGREEMENT

7.1 Termination by Resident

(a) Rescission Period. Resident may terminate this Agreement within seven (7) days of execution by signing the attached Notice of Right to Rescind and delivering it to THE COMMUNITY. A full refund shall issue to Resident, Resident's legal representative, or Resident's estate (as the case may be).

(b) Prior to Occupancy. After the lapse of the seven (7) day rescission period, but prior to the Designated Occupancy Date, Resident may terminate this Agreement by delivering written notice to THE COMMUNITY prior to occupancy. In such event, this agreement is automatically rescinded and a full refund shall issue to Resident, Resident's legal representative, or Resident's estate (as the case may be).

(c) After Occupancy. After occupancy, Resident may terminate this Agreement by delivery of written notice to THE COMMUNITY at least thirty (30) days prior to termination, and by the surrender of the living accommodation. Termination shall be effective after the lapse of the thirty (30) day notice period and surrender of the living accommodation. Any unamortized portion of the Entrance Fee, as described in Section 4, above, shall be refunded to the Resident.

(d) Inability to Occupy Due to Illness, Injury, Incapacity or Death. This Agreement will be automatically rescinded if the Resident dies before the occupancy date, or through illness, injury or incapacity is precluded from becoming a resident under the

terms of this Agreement and the Resident or his legal representative shall receive a full refund of all moneys paid to the Community, except those costs specifically incurred by the Community at the request of the resident.

7.2 Termination by Community

(a) Prior to Occupancy. THE COMMUNITY may terminate this Agreement at any time prior to occupancy by providing written notice to Resident prior to the Designated Occupancy Date if for whatever reason the Community elects to discontinue operations. All payments, including the Reservation Fee, shall be refunded to Resident.

(b) After Occupancy. THE COMMUNITY may terminate this Agreement upon a determination of just cause and delivery of thirty (30) days written notice or such written notice as is reasonable under the circumstances to Resident or Resident's representative, subject to any additional laws or regulations then in effect. Just cause shall include, but not be limited to, a default in payment subject to Section 5 of this Agreement, the submission of any materially false information in the application documents, the failure of Resident to abide by the Community's rules, regulations, policies and procedures, the breach of any of the other terms of this Agreement, or a good faith determination in writing signed by the medical director and the administrator of the facility that continued occupancy in the living accommodation by Resident creates a serious threat or danger to the life, health, safety or peaceful enjoyment of Resident or other residents or persons in the Community. The refund provisions of this agreement shall apply to terminations for just cause in the same manner as such provisions would apply to any other termination. Nothing in this subsection shall limit the Resident's rights of continued occupancy under the separate admission agreements for the Health Center or the Personal

Care Facility and the laws and regulations limiting cause for transfer or discharge of Health Center residents.

7.3 Termination by Death.

Following the death of Resident this Agreement shall terminate when the living accommodation has been surrendered to THE COMMUNITY. In the event there is any remaining unamortized portion of the Entrance Fee left as described in Section 4, above, it will be paid in accordance with the refund provisions of this Agreement.

7.4 Surrender.

The obligation to pay the Monthly Fee shall continue until the living unit has been surrendered by Resident, or in the case of death, by the estate or family of Resident. Surrender of the living accommodation shall be complete when Resident has ceased to occupy it, has removed all possessions from it, and has turned over to THE COMMUNITY the keys for it.

SECTION 8: LEVEL OF CARE TRANSFERS OR TRANSFER TO AN OUTSIDE FACILITY

8.1 Conditions of Living Unit Occupancy.

Resident shall have the right to occupy the living unit for so long as Resident satisfies the conditions of occupancy, which may be subject to change from time to time due to regulatory or related changes in the law, or operating requirements or conditions. Resident agrees to provide appropriate information regarding Resident's ability to meet the conditions of occupancy, upon request.

8.2 Decision to Transfer.

(a) Authority to Transfer. THE COMMUNITY may transfer Resident from and between the living unit and the Health Center or any other appropriate care facility if it determines that such a move or increase in care should be made because of the health of the Resident, for the proper operation of the Community, to comply with regulations of the Pennsylvania Department of Human Services, the Pennsylvania Department of Health, the Pennsylvania Insurance Department, local regulations of the Fire Department, or any other duly constituted authorities or agencies, or otherwise to meet the requirements of law. The decision as to whether a transfer or provide increased care from within the living unit shall be deemed temporary or permanent shall be made by the Community in its sole discretion, except where limited by law or regulation then in effect. The Community shall consider the opinion of Resident and the advice of a family representative, if available, and, if requested and at the Resident's expense, a private physician. The opinion of Resident and the advice of family and Resident's physician is advisory only and shall not be binding on the Community. The Community's decision regarding the temporary or permanent nature of any transfer or provision of increased care from within the living unit may be made prior to sixty (60) days from the date of transfer or at any other time deemed appropriate by THE COMMUNITY.

(b) Role of THE COMMUNITY's Medical Direct
or. THE COMMUNITY has a medical doctor licensed to practice medicine in the
Commonwealth

of Pennsylvania as the Community's Medical Director. Upon certification by the Community's Medical Director that Resident is no longer capable of satisfying the conditions for occupancy of the living unit and is in need of health center or related care, Resident or Resident's next of kin, legal representative or agent acting on Resident's behalf, will be notified by the Community that arrangements will be made for Resident's immediate transfer to the Health Center, the provision of increased care from within the living unit, or other appropriate care facility. The Community shall not be liable for acting in accordance with the certification of the Medical Director or attending physician.

8.3 Transfers Within the Community's Facilities.

(a) Transfer to Health Center. If Resident becomes ill or incapacitated, and in the opinion of THE COMMUNITY's CEO or designee, with the advice of the Medical Director, the Resident requires nursing care, such care will be available on a priority access basis in the Health Center either on a temporary or permanent basis. If the Community's CEO or designee determines that the health of the Resident is such the occupancy in the Health Center will be permanent, Resident's living unit will be released (if not occupied by a Co-Resident) and made available for occupancy by another. In the event that the Community decides that the transfer is permanent, Resident shall surrender the living unit and cause his/her personal possessions to be removed with thirty (30) days of notice of the Community's decision. This paragraph is subject to the provisions of Section 7, above.

8.4 Transfer to Hospital or Other Outside Facility.

In the event that hospitalization or outside care of the Resident becomes necessary as determined by the Community's Medical Director, Resident will be transferred to a hospital or other acute or outside health care provider. In the event Resident's condition deteriorates to a degree that in the professional opinion of the Medical Director, Resident's presence in the Community is deemed detrimental to the health, safety or peace of other residents, the Community may transfer Resident to an appropriate outside care facility. The Community's CEO or designee with the advice of the Medical Director may declare Resident's living unit vacant (unless occupied by a Co-resident) if Resident has been transferred to an outside health care or other special service facility or hospital for health conditions which, in the opinion of the Medical Director or Resident's physician, require permanent or prolonged residence in the outside facilities (i.e. generally sixty (60) days or

more). Resident shall surrender the living unit and cause Resident's personal possessions to be removed from the living unit within thirty (30) days after notice of Community's determination that the transfer will be permanent. This paragraph is subject to the provisions of Section 7, above.

8.5 Cost Related to Transfer to an Outside Facility.

(a) Single Occupancy. During any temporary transfer to a hospital or outside facility, Resident shall continue to pay the Monthly Fee and additionally all costs and charges related to the transfer to and occupancy of the outside facility or hospital. Upon permanent transfer to an outside facility, and after surrender of the living unit, the obligation to pay the Monthly Fee shall end and this Agreement shall terminate. Any refund due shall be paid in accordance with the refund provisions of this Agreement. Resident is obligated to pay the charges for transfer to and occupancy of any outside facilities including the charges for care in an outside personal or nursing care facility resulting from a transfer because of insufficient space in the Community's Health Center.

(b) Double Occupancy. During any temporary transfer of one Co-Resident to a hospital or any outside facility, the Monthly Fee for double occupancy shall continue to be due and payable. Upon the permanent transfer of one Co-Resident to an outside facility, the Monthly Fee shall be reduced to the Monthly Fee for single occupancy of the applicable living unit. In the event both Co-Residents are temporarily transferred to an outside facility, the Monthly Fee for double occupancy shall continue to be due and payable. In the event both Co-Residents are permanently transferred to an outside facility, then, after the surrender of the living unit, the obligation to pay the Monthly Fee shall end and this Agreement shall terminate. Any refund due shall be paid in accordance with the refund provisions of this Agreement. Resident is obligated to pay all costs and charges related to the transfer to and occupancy of the outside facility or hospital, including care in an outside personal or nursing care facility resulting from a transfer because of insufficient space in the Community's Health Center.

8.6 Release of or Return To Living Unit After Transfer.

(a) Temporary Transfer. If Resident is admitted temporarily to one of the Community's Health Center or a hospital or other outside facility with a medical prognosis of recovery and return to health consistent with the conditions of living unit occupancy either on an independent basis, then Resident shall retain possession of the living unit for the purpose of resuming residence. During any period of temporary transfer to one of the Community's Health Center, Resident shall pay the costs for retaining the living unit set forth in Section 3.7 of this Agreement. During any period of temporary transfer to a hospital or other outside facility, Resident shall pay the costs for retaining the living unit set forth in Section 8.5 above. Resident may return to the living unit at such time as the Community determines that Resident can satisfy the conditions of occupancy.

(b) Permanent Transfer. If transfer to one of the Community's Health Center or a hospital or other appropriate outside facility exceeds sixty (60) days, or if at an earlier time the Community determines that Resident will not be able to satisfy the

conditions of occupancy so as to resume residence in the living unit, the Community shall have the right to declare the living unit vacant (unless occupied by a Co• resident) and release the living unit to another. Resident shall surrender and vacate the living unit within thirty (30) days of written notice of the Community’s decision to permanently transfer Resident and release the living unit. If, in the Community’s opinion, Resident subsequently recovers sufficiently to satisfy the conditions of occupancy of a living unit, the Community in the exercise of its discretion shall make available as soon as reasonably practicable a living unit with a floor plan comparable to the one relinquished. Resident shall be obligated to pay a refurbishment fee prior to re•occupancy which fee is subject to change from time to time. This paragraph is subject to the provisions of Section 7, above.

SECTION 9: LIMITED REFUND OF ENTRANCE FEE

Upon termination of this Agreement, Community shall refund the Entrance Fee in accordance with the following provisions:

9.1 Termination Before Occupancy.

Because no Entrance Fees are taken until the actual date of occupancy, the resident may terminate this agreement at any time before occupancy without penalty. If the termination occurs seven (7) days after execution of this Agreement, the contract may easily be terminated by mailing the Notice of Right to Rescind attached to the bottom of this Agreement. If the resident wishes to terminate this Agreement for any period longer than seven (7) days before occupancy, the resident can cancel by providing written notice at the address indicated in the “Notices” Section of this Agreement, and, again, this termination will be without penalty of anykind.

9.2 Termination for Any Reason Other than Death

The Entrance Fee, except as provided in Section 9.5 relating to termination by death of Resident, shall be amortized and accrue to the benefit of the Community at the rate of twenty percent (20%) per year pro-rated monthly for a period of five (5) years from the Designated Occupancy Date or date of occupancy, whichever is earlier. After the lapse of five (5) years, the Entrance Fee shall be earned in full by the Community and no part of it will be refunded. In the event of termination by reason other than death of the Resident during the five (5) year amortization period, any unamortized amounts pro-rated on a monthly basis, less any amounts deducted to cover costs incurred by the Community to refurbish, restore or repair the living unit in the event of unreasonable wear and tear, or to cover costs incurred at the specific request of Resident, or to satisfy unpaid charges, shall be refunded to Resident in accordance with Section 9.4.

9.3 No Accrual of Interest.

No interest will accrue to the benefit of Resident on any amounts required to be refunded under this Agreement, and no interest will be paid on termination.

9.4 Conditions and Due Date for Refund Payments.

Prior to occupancy, all applicable refunds will be made after termination and within sixty days of Resident’s request. After occupancy, all applicable refunds will be made only after the Resident’s, or in situations of double occupancy, both Co- Residents’, vacated living unit has been reoccupied by another resident, and the Entrance Fee for the

reoccupied living unit has been paid in full, and this Agreement has been terminated. In the event Resident's vacated living unit is reoccupied by a then current resident of the Community through an internal living unit transfer, then only at such time as the Community receives an Entrance Fee in full for the living unit vacated by the existing resident transferring to Resident's living unit under this Agreement, shall a refund be due. As long as Resident, or in the case of Double Occupancy, a Co-Resident, continues to occupy any living accommodation within the Community, including accommodations in the Health Center, no refund shall be due and no refund shall be paid until the death, permanent transfer outside of the Community, discharge or voluntary departure outside the Community by Resident, or in situations of double occupancy, both Co-Residents, and/or the termination of this Agreement. The amount of any refund due will be calculated by reference to the date of surrender of the living unit. Where a living unit is occupied by Co-Residents, there will be no refund, partial or otherwise, upon the death, permanent transfer within or outside Community, discharge or voluntary departure from the Community of only one of the Co-Residents.

9.5 Distribution of Refund Upon Death.

In the case of single occupancy, refunds to Resident's estate shall be paid to the duly appointed representative of the estate after proof of such appointment is provided to the Community in the form of a certified copy of the testamentary letters confirming such appointment. In situations of double occupancy, any applicable refund shall be paid by the Community to the estate of the last surviving Co-Resident unless otherwise agreed in writing.

SECTION 10: LIMITED OPTION TO MOVE TO ANOTHER LIVING UNIT

10.1 Option After Occupancy.

After occupancy, Resident may request to exercise a limited option to move to another living unit, if and when another living unit becomes available (including any new living units that may have been added to the Community), in accordance with the terms and conditions set forth in this section. A request to move must be based on health, financial conditions, death of a Co-Resident, marriage, or other grounds deemed reasonably necessary by the Community. Resident may elect to move to a smaller living unit, or a larger living unit but not to a living unit of substantially equivalent size in a different location. The Community reserves the right to disapprove Resident's request to move. In the event Resident desires to exercise the option to move to another living unit, Resident must notify the Community in writing of the living unit desired.

10.2 Costs of Elections to Move.

If Resident elects a smaller living unit, Resident shall pay a Refurbishment Fee in an amount determined from time to time by the Community. There will be no Entrance Fee credit or refund even if the Entrance Fee for the surrendered living unit is greater than the fee Resident would have paid for the smaller living unit designated under this Agreement. Resident shall pay, prior to moving to the selected living unit, an additional amount equal to seventy-five percent (75%) of the difference between the initial Entrance Fee paid and any higher Entrance Fee in effect at the time of the move. The additional Entrance Fee shall be immediately amortized and be earned in full by the Community. Any unamortized portion of the remaining Entrance Fee shall be paid in

accordance with the refund provisions of this Agreement.

10.3 Option to Move.

In the event Resident receives approval from the Community to move to another living unit, Additional Occupant shall sign a new Residency Agreement but will not be responsible to pay any entrance fee and will only pay the additional monthly fee for additional occupants as published in the Community's annual disclosure statement filed with the Pennsylvania Insurance Department which are made available to all residents pursuant to paragraph 12.2 of this Agreement.

SECTION 11: ARRANGEMENTS FOR GUARDIANSHIP AND FOR ESTATE

11.1 Legal Guardian

If Resident becomes incapacitated or unable to properly care for self or property, and no representative has been lawfully designated to act on behalf of Resident or no lawfully designated representative is available or able to act on behalf of Resident, then THE COMMUNITY shall have the option to institute legal proceedings to adjudge Resident incapacitated and have a guardian appointed for Resident's estate. All costs of such legal proceedings, including actual legal fees, shall be paid by Resident or the legally appointed guardian of Resident's estate.

11.2 Will and Funeral Arrangements.

The name of the executor/executrix designated in Resident's will, and the name of the funeral director selected by Resident shall be provided in writing to the Community. In the event that Resident changes the name of the executor/executrix designated in Resident's will or selects another funeral director, Resident shall notify the Community of the changes in writing. The name and address of the designated executor/executrix is:

11.3 Advance Directives.

(a) Power Of Attorney. Residents shall furnish THE COMMUNITY, no later than the date of occupancy, a durable power of attorney executed by Resident which shall be maintained in the files of the Community. The name and address of the designated power of attorney is: _____

(b) Living Will. If Resident has executed an advance directive in the form of a living will relating to the provision of health care services in the event of terminal or other illnesses/conditions, Resident shall provide the original of the living will to Community, and the original of any revisions or changes made to the document during Resident's term of occupancy. In the event of transfer to the Health Center, THE COMMUNITY shall comply with the instructions/requests as consistent with law and the Community's policy, as such policy may change from time to time. If the Community cannot comply with Resident's advance directive as reflected in Resident's living will, then the Community shall assist in arranging for the transfer of Resident to another health care provider, if reasonably available, which will comply with Resident's advance directive. The transfer and cost of care in another health care facility shall be an additional cost, and Resident shall be responsible to pay such costs.

SECTION 12: RIGHTS AND OBLIGATIONS OF RESIDENT

12.1 Right of Self-Organization.

Residents of THE COMMUNITY shall have the right to self-organization. A representative designated by the Community shall hold quarterly meetings with the organization representing the residents known as the "Resident's Council". At least seven (7) days notice of each quarterly meeting shall be given.

12.2 Right to Receive Disclosure Statements.

The Community shall make available to Resident at the time of the execution of this Agreement, and at least annually thereafter, a copy of its disclosure statement required by the Continuing Care Provider Registration and Disclosure Act, Act No. 82 of 1984, as amended (40 P.S. §§ 3201 *et seq.*).

12.3 Guest Privileges.

Resident shall be authorized to entertain and accommodate guests in accordance with THE COMMUNITY's guest policy as reflected in the Resident Handbook. The Community's policy is subject to change from time to time.

12.4 Rights to Property/Subordination.

The rights and privileges granted to Resident do not include any right, title or interest in any part of the personal property, land, buildings and improvements owned or administered by the Community. Resident's rights are primarily for services, with a contractual right of occupancy. Nothing contained in this Agreement shall be construed to create the relationship of landlord and tenant between THE COMMUNITY and Resident. Any rights, privileges, or benefits under this Agreement shall be subordinate to any existing or subsequent mortgages or deeds of trust or any other comparable interests. Upon request Resident shall execute and deliver any document which is required by the Community, or by the holder of any such mortgages or deeds of trust or similar interests, to effect such subordination or evidence the same.

12.5 Inspection of Living Unit and Right of Entry.

Resident shall permit the Community, or its agents, or any representative of any holder of a mortgage or similar interest on the property, or, when authorized by the Community, the employees of any contractor, utility company, municipal agency or others, to enter the living unit for the purpose of making reasonable inspections and repairs and replacements. Such entry will be made only with reasonable advance notice, except in emergency situations. The Community shall have the right to enter the living unit to perform scheduled housekeeping, and to perform routine maintenance and for other reasonably necessary purposes having due regard for Resident's privacy.

12.6 Housekeeping/Housecleaning Responsibilities.

Resident shall maintain the living unit in a clean, sanitary, and orderly condition. If Resident does not maintain the living unit in a reasonable manner, the Community, after notice to Resident, shall have the right to maintain the living unit, and the cost of such additional cleaning or maintenance shall be charged to Resident.

12.7 Health Insurance and Third-Party Payments.

(a) Required Insurance. THE COMMUNITY expects that some of the cost of medicines, medical or nursing services or equipment provided for Resident under this Agreement will be paid by present or future federal, state, municipal, or private plans or programs of medical/surgical insurance, including, without limitation, the benefits available under the federal government social security health insurance program known as “Medicare A and B”, or an equivalent policy and at least one supplemental co-pay health insurance policy with Medicare co-insurance coverage for skilled nursing facility care, (commonly known as “medigap” insurance), such as Blue Cross-Blue Shield Security

65 plans C and H, or an equivalent policy as approved by the Community. For a Resident under age 65, a substitute basic insurance coverage policy is required. If proceeds

from Medicare and co-pay health insurance policies are allowable for nursing or related care provided by the Community, those proceeds shall be paid to the Community directly. Proof of such insurance must be provided at the time of application and prior to admission.

In the event Resident fails to maintain in force, because of failure to make premium payments, such health care insurance after occupancy, the Community reserves and is

hereby granted the right to make such payments for purposes of maintaining such insurance in force for Resident’s benefit. Resident shall be obligated to reimburse the Community for such payments made on behalf of Resident and the cost of such premiums shall be in addition to and not included in the Monthly Fee.

(b) Assignment of Required Insurance and Third-Party Payments.

If Resident becomes eligible to receive payments from any third party for services provided under this Agreement by the Community, Resident shall at all times cooperate fully with the Community and each third-party payor so that the Community may make claim for and receive any applicable third-party payments. The Community has the right to any applicable benefits payable to Community under the insurance coverages required by this Agreement.

12.8 Automobile Insurance.

Residents who drive motor vehicles shall maintain their own automobile liability insurance to cover liability and medical expenses arising from injury to themselves and others.

12.9 Reduction of Income or Other Resources.

Resident shall make every reasonable effort to meet his/her financial obligations to THE COMMUNITY. Resident shall not transfer control of assets or property or make any gifts subsequent to the date of application for admission and shall not make any transfers or gifts after occupancy, which would substantially impair Resident’s ability or the ability of Resident’s estate to satisfy Resident’s financial obligations to the Community.

12.10 Responsibility for Property Damage to Community.

(a) Responsibility for Condition of Living Unit Upon Termination. Upon termination of this Agreement, Resident shall vacate and surrender the living unit and leave it in as good condition as the date of occupancy except for reasonable wear and tear.⁵ If

the living unit is damaged beyond ordinary wear and tear, the costs of repair shall be the obligation of Resident and such costs shall be billed directly to Resident or Resident's estate, or alternatively, deducted from any refund that may be due.

(b) Property Damages Caused by Resident. Any loss or damage to real or personal property of the Community caused by Resident or Resident's guests shall be paid for by Resident. In the event of Resident's death, Resident's estate shall be liable for any loss or damage of the Community's property caused by Resident.

12.11 Release Regarding Conduct of Other Residents or Guests.

THE COMMUNITY assumes no liability for the conduct of Resident or any other residents or guests, and Resident hereby releases and discharges the Community from any claims for personal injury to Resident or damages to Resident's personal property caused by the conduct of other residents or guests.

12.12 Responsibility For Resident's Personal Property.

(a) Responsibility for Loss or Damage. The Community shall not be responsible for the loss or damage due to fire, theft, or other causes of any property belonging to Resident or Resident's estate or Resident's guests, including motor vehicles, unless the care and control of such property is specifically accepted in writing by the Community, and then only for willful or gross negligence in failing to safeguard and account for it. Resident shall have the responsibility to provide such insurance as Resident deems necessary to protect against such losses. No personal property insurance is provided Resident by the Community, and Resident bears the risk of any damage or loss to personal property held in storage by the Community.

(b) Obligations Upon Termination. (i) If Resident has become unable to comply with the conditions of occupancy of the living accommodation, or this Agreement has been terminated for any reason other than the death of Resident, Resident or the duly authorized representative of Resident's estate must remove all personal property from the living accommodation, including property held in storage. If Resident's personal property is not removed by Resident or Resident's representative within thirty (30) days of Resident's permanent transfer from the living accommodation or termination of this Agreement, THE COMMUNITY shall dispose of Resident's property in any manner it deems appropriate, and shall not be liable or responsible for any damages to it. Resident or Resident's estate shall be obligated to pay all costs for the removal, storage or disposal of Resident's property. If Resident's property is moved to and stored in a commercial warehouse, the Community shall have no liability or responsibility for Resident's property. If Resident's property is moved to and stored in a commercial warehouse, the Community shall have no liability or responsibility for Resident's property during the transfer of the property or the storage of it. (ii) Within 24 hours of Resident's death, the Community shall contact or make a good faith effort to contact the personal representative or guardian of Resident to arrange for an inventory of Resident's personal property, after which the legal representative(s) of Resident Estate or family may remove Resident personal property or the Community may place the personal property into storage. If Resident's personal property is not thereafter claimed by Resident's Estate or family within thirty (30) days, the Community shall send a notice by certified mail to Resident's executor/executrix named in this Agreement or, if the Community has received prior written notice of a different legal representative for Resident's Estate, to that legal representative, stating that the Community will dispose of the property if not claimed within fourteen (14) days from the date such notice was postmarked; and, if the property is not claimed thereafter, such property shall be disposed of by the Community and all costs of, less any proceeds from, such disposal shall be charged to and payable by Resident's Estate.

12.13 Rules, Regulations, Policies and Procedures.

The rights and privileges of Resident under this Agreement are personal to Resident and cannot be transferred or assigned. No person other than resident may occupy or use the living accommodations covered by this Agreement unless approval is obtained in writing from THE COMMUNITY.

SECTION 13: AVERAGE ANNUAL COST OF PROVIDING SERVICES

The average annual cost of providing care and services during the most recent twelve-month period for which a report is available for a resident is: \$ _____.

SECTION 14: SEVERABILITY

If any provision of this Agreement is determined by a judicial or administrative tribunal of proper jurisdiction to be invalid or unenforceable, such provision shall be severed and the balance of this Agreement shall remain in full force and effect.

SECTION 15: ACTS OF FORBEARANCE

No act of forbearance or failure to insist upon prompt performance of any of the terms of this Agreement by THE COMMUNITY shall be construed as a waiver of any of the rights granted to Community.

SECTION 16: ENTIRE AGREEMENT

This Agreement constitutes the entire Agreement between THE COMMUNITY and Resident. The Community shall not be responsible or liable for any statements, representations or promises made by any person representing or purporting to represent the Community, unless such statements, representations or promises are set forth in the Agreement. Any brochures or advertisements describing the Community are for the purpose of inviting inquiries only and are not to be relied upon as legally or contractually binding. Resident may not amend this Agreement except by a subsequent written Agreement approved by the Community's Chief Executive Officer and executed by the parties.

SECTION 17: INDEMNIFICATION

THE COMMUNITY shall not be responsible or liable for, and Resident shall indemnify, defend and hold the Community harmless from any and all claims, losses, damages, fines, penalties, expenses, judgments, reasonable settlements, or lawsuits, including actual attorneys' fees and all costs incurred in defending against any such claims, arising from or based upon any injury or death to persons or any damages to property caused by, or arising from, or based on, or in any way attributable to or connected with the negligent, reckless, intentional or other acts, conduct or omissions of Resident. Resident's indemnification obligation is payable on demand by the Community.

SECTION 18: SUBROGATION

In the event Resident is physically injured by an individual or entity not a party to this Agreement, Resident grants to the Community a right of subrogation, and authorizes the Community to bring such demands, claims or legal proceedings in the name

of or on behalf of Resident for purposes of recovering from any third party or third party's insurer responsible for Resident's injury, the dollar value of all care provided by the Community to Resident as a result of any such injury. Resident shall cooperate and sign any documents necessary to facilitate the Community's ability to exercise its subrogation right.

SECTION 19: NOTICE

Notice, when required by the terms of this Agreement, shall be deemed to have been properly given, if and when delivered personally or, if sent by certified mail, return receipt requested, when postmarked, postage prepaid and addressed as follows:

To THE COMMUNITY:

Kadima Senior Living Community
2880 Horseshoe Pike, Palmyra, PA 17078
Attention: Administrator

To Resident (Before Occupancy):

After occupancy, notice will be provided to Resident at the living accommodation specified in this Agreement.

SECTION 20: MISCELLANEOUS PROVISIONS

20.1 Resident's Continuing Disclosure Obligation.

The information regarding Resident's age and financial affairs and Resident's ability to meet the conditions of occupancy submitted by Resident in the forms and related application documents constitutes a material part of this Agreement, and said information is incorporated as a part of this Agreement. Resident acknowledges that the submission of false information shall constitute grounds for the termination of this Agreement. Resident must disclose any material changes in Resident's financial condition or Resident's ability to meet the conditions of occupancy before and after Occupancy. The failure to make such disclosure shall constitute grounds to terminate this Agreement.

20.2 Receipt of Disclosure Statement and Resident Handbook.

Resident acknowledges receiving a copy of THE COMMUNITY's annual Disclosure Statement and Resident Handbook prior to signing this Agreement.

20.3 Community's Modification of Agreement and Policies.

THE COMMUNITY reserves the right to modify unilaterally this Agreement to conform to changes in law or regulation, and to make modifications in its rules, regulations, policies and procedures as permitted by the Continuing Care Provider Registration and Disclosure Act of 1984.

20.4 Binding Effect.

This Agreement shall bind and serve to benefit the legal representatives, successors and assigns of the Community, and the heirs, executors, administrators and assigns of Resident.

20.5 Governing Law.

This Agreement shall be interpreted according to the laws of the Commonwealth of Pennsylvania.

20.6 NON-WAIVER OF THE CONTINUING CARE PROVIDER REGISTRATION AND DISCLOSURE ACT OF 1984

No act, agreement, or statement of you, or of an individual purchasing care for you under this Agreement or any agreement to furnish care to you, shall constitute a valid waiver of any provisions of the Continuing Care Provider Registration and Disclosure Act of 1984 which is intended for the benefit or protection of you or the individual purchasing care for you.

NOTICE OF RIGHT OF RESCISSION

DATE RESCISSION PERIOD BEGINS: _____

YOU MAY RESCIND AND TERMINATE YOUR RESIDENCY AGREEMENT, WITHOUT PENALTY OR FORFEITURE, WITHIN 7 DAYS OF THE ABOVE DATE. YOU ARE NOT REQUIRED TO MOVE INTO THE CONTINUING CARE FACILITY BEFORE THE EXPIRATION OF THIS 7 DAY PERIOD. NO OTHER AGREEMENT OR STATEMENT YOU SIGN SHALL CONSTITUTE A WAIVER OF YOUR RIGHT TO RESCIND YOUR RESIDENCY AGREEMENT WITHIN THE SEVEN (7) DAY PERIOD. TO RESCIND YOUR RESIDENCY AGREEMENT, MAIL OR DELIVER A SIGNED AND DATED COPY OF THIS NOTICE, OR ANY OTHER DATED WRITTEN NOTICE, LETTER OR TELEGRAM, STATING YOUR DESIRE TO RESCIND TO:

KADIMA SENIOR LIVING COMMUNITY

2880 HORSESHOE PIKE

PALMYRA, PA 17078

NOT LATER THAN MIDNIGHT OF

(LAST DAY FOR

RESCISSION).

PURSUANT TO THIS NOTICE, I HEREBY CANCEL MY RESIDENCY AGREEMENT.

DATED:

Signature of Prospective Resident

Print Name of Prospective Resident

Resident hereby acknowledges reading this Agreement in its entirety, understanding its provisions and has been provided an opportunity to consult with personal advisors, including legal counsel, regarding its terms.

IN WITNESS WHEREOF, THE COMMUNITY has caused this Agreement to be signed by its authorized representative, and Resident has hereunto affixed his/her/their signature(s), the day and year first above written.

Attest:

THE COMMUNITY

BY: _____

Chief Executive Officer

Date

Witness:

Resident

SEAL Date

Resident

SEAL Date

**MISCELLANEOUS SERVICES OR GOODS OFFERED BY
KADIMA SENIOR LIVING COMMUNITY AT AN ADDITIONAL
FEE NOT PART OF THE MONTHLY FEE OR ENTRANCE FEE**

The types of goods and services offered by Kadima Senior Living Community at an additional fee are described in detail in the Annual Disclosure Statement provided to all residents prior to admission to Kadima Senior Living Community and provided annually to all current CCRC residents. They may be purchased here at the time of executing this Agreement and may be purchased additionally at any time during residency.

Type of Goods or Services	Units	Cost Per Unit	Total

Attest:

THE COMMUNITY

BY: _____

Chief Executive Officer

Date

Witness:

Resident

SEAL Date

Resident

SEAL Date