

**LITTLE BROOK HOME, INC. AND
BETHANE PROPERTIES, INC.**

December 31, 2023



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BETHANE PROPERTIES, INC.**

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Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

To the Stockholder of
Little Brook Home, Inc. and Bethane Properties, Inc.
Califon, New Jersey

Opinion

We have audited the accompanying financial statements of Little Brook Home, Inc. and Bethane Properties, Inc. (collectively "the Company") which comprise the Consolidated Balance Sheet as of December 31, 2023, and the related Consolidated Statements of Operations, Changes in Stockholder's Equity, and Cash Flows for the year then ended, and the related Notes to the Financial Statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Balance Sheet, Consolidating Schedule of Operations, Consolidated Schedule of Direct Resident Costs, Consolidated Schedule of General Resident Services, Consolidated Schedule of Property Operating Expenses and Consolidated Schedule of General and Administrative Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



BKC, CPAs, PC

August 15, 2025
Flemington, New Jersey

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Consolidated Balance Sheet
December 31, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 18,034
Accounts receivable, net of allowance for credit losses of \$400,000	1,354,912
Inventory	6,150
Prepaid expenses and other current assets	28,314
Total current assets	1,407,410
Property and equipment, net	1,282,341
Total assets	\$ 2,689,751

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities	
Accounts payable and accrued expenses	\$ 611,871
Due to related parties	244,878
Income taxes payable	1,040
Current portion of long-term debt	97,536
Total current liabilities	955,325
Long-term liabilities	
Long-term debt, net	362,010
Total liabilities	1,317,335
Stockholder's equity	
Additional paid-in capital	863,945
Retained earnings	508,471
Total stockholder's equity	1,372,416
Total liabilities and stockholder's equity	\$ 2,689,751

See accompanying notes to the financial statements.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Consolidated Statement of Operations
For the Year Ended December 31, 2023

Revenues	\$ 3,198,597
Expenses	
Direct resident costs	1,594,637
General resident services	555,527
Property operating expenses	215,638
General and administrative expenses	1,055,691
Total expenses	3,421,493
Income from operations before other income (expense)	(222,896)
Other income (expense)	
Depreciation	(50,811)
Interest expense	(34,501)
Interest income	182
Provision for taxes	(188)
SBA loan forgiveness	332,998
Miscellaneous income	23,459
Total other income	271,139
Net income	\$ 48,243

See accompanying notes to the financial statements.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Consolidated Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2023

	Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
Balance - December 31, 2022, as originally stated	\$ 442,500	\$ 561,948	\$ 1,004,448
Prior period adjustments	-	(101,720)	(101,720)
Balance - December 31, 2022, as restated	442,500	460,228	902,728
Contributions	425,000	-	425,000
Distributions	(3,555)	-	(3,555)
Net income	-	48,243	48,243
Balance - December 31, 2023	<u>\$ 863,945</u>	<u>\$ 508,471</u>	<u>\$ 1,372,416</u>

See accompanying notes to the financial statements.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023

Cash flows from operating activities	
Net income	\$ 48,243
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation	50,811
Prior period adjustments	(101,720)
Provision for credit losses	
(Increase) Decrease in assets	
Accounts receivable	30,389
Prepaid expenses and other current assets	44,686
Increase (Decrease) in liabilities	
Accounts payable and accrued expenses	(494,099)
Total adjustments	<u>(469,933)</u>
Net cash used in operating activities	<u>(421,690)</u>
 Cash flows from investing activities	
Purchases of property, plant and equipment	<u>(32,255)</u>
Net cash used in investing activities	<u>(32,255)</u>
 Cash flows from financing activities	
Member contributions	425,000
Member distributions	(3,555)
Principal payments on long-term debt	<u>(93,232)</u>
Net cash provided by financing activities	<u>328,213</u>
 Net decrease in cash and cash equivalents	(125,732)
 Cash and cash equivalents - beginning of year	<u>143,766</u>
 Cash and cash equivalents - end of year	<u>\$ 18,034</u>

See accompanying notes to the financial statements.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Notes to the Consolidated Financial Statements

Note 1 - Summary of significant accounting policies

Nature of operations

Little Brook Home, Inc. (Little Brook) and Bethane Properties, Inc. (Bethane) (collectively, the Company) operates as a licensed homecare agency that owns and operates a residential group home in Califon, New Jersey.

Basis of consolidation

The Consolidated Financial Statements include the accounts of Little Brook Home, Inc. and Bethane Properties, Inc. due to common ownership. All intercompany balances and transactions between these entities have been eliminated in consolidation.

Use of 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 to disclose 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.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for credit losses

In the normal course of business and subject to credit evaluations, the Company extends credit to substantially all of its patients. The Company, in general, does not require collateral from its patients nor does it charge interest on accounts receivable.

Accounts receivables are written off as bad debts when they have been deemed uncollectible. An allowance for credit losses on accounts receivable are provided for utilizing the current expected credit loss model methodology. This model requires management's evaluation of credit losses utilizing historical experience, current market conditions and future forecasts. The estimated allowance for credit losses as of December 31, 2023 was \$400,000.

Inventory

Inventory consists of nursing supplies, whose cost is determined utilizing the first-in, first-out methodology (FIFO method).

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Repair and maintenance costs are expensed, while additions and betterments are capitalized.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Notes to the Consolidated Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Revenue recognition

Revenue is reported at the amounts that reflect the consideration to which the Company is expected to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care organizations and government programs, i.e., Medicare and Medicaid), and others. These amounts include variable consideration for retroactive adjustments due to settlement of future audits, reviews, and investigations. Generally, patients and third-party payors are billed several days after the services have been rendered. Revenue is recognized in the period in which the performance obligations are satisfied under contracts by transferring services to patients.

Performance obligations are determined based on the nature of the services provided. Revenue is recognized for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. The Company believes that this method provides an appropriate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

Income taxes

The Company has elected to be treated as a corporation for both Federal and State income tax purposes. In accordance with ASC 740, *Income Taxes*, the Company has evaluated all uncertain tax positions and deems that more likely than not, all positions taken will be sustained under examination. Generally, tax returns prior to fiscal years ending 2021 and earlier are no longer subject to examination by the IRS or State Taxing Authorities.

Advertising

The Company expenses advertising costs as they are incurred. For the year ended December 31, 2023, advertising expenses totaled \$24,754.

Change in accounting standard

ASU 2016-13: The FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments in 2016. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. This applies to all financial assets including trade accounts receivable and notes receivable. This standard was adopted by the Company effective January 1, 2023.

Note 2 - Concentration of credit risk

The Company maintains several cash accounts with banks that are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, these cash accounts could have balances in excess of the insurance limitation. As of December 31, 2023, the Company had no uninsured cash balances.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Notes to the Consolidated Financial Statements

Note 3 - Property and equipment

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

Land	\$	300,000
Building		1,275,000
Improvements		347,562
Furniture and fixtures		342,036
Vehicles		181,949
Equipment		82,186
Total property and equipment		2,528,733
Less: accumulated depreciation		1,246,392
Total property and equipment, net	\$	1,282,341

Depreciation expense for the year ended December 31, 2023, was \$50,811.

Note 4 - Long-term debt

Bethane entered into a \$569,000 loan agreement with the Small Business Administration in May 2006. The loan is payable in monthly installments of principal and interest at the rate of 5.95% per annum. Current monthly payments are \$4,049 with a scheduled maturity of May 2026. Interest expense incurred on the loan during the year ended December 31, 2023 totaled \$7,835. The outstanding principal balance on this loan at December 31, 2023 was \$109,131.

Bethane entered into a \$400,000 loan agreement with Zions Bank in January 2021. The loan is payable in monthly installments of principal and interest at the rate of 3.25% per annum. Current monthly payments are \$4,419 with a scheduled maturity of January 2031. Interest expense incurred on the loan during the year ended December 31, 2023 totaled \$11,762. The outstanding principal balance on this loan at December 31, 2023 was \$334,512.

Little Brook entered into a \$55,000 loan agreement with Silver Star Motors in June 2020. The loan is payable in monthly installments of principal and interest at the rate of 3.99% per annum. Current monthly payments are \$1,014 with a scheduled maturity of June 2025. Interest expense incurred on the loan during the year ended December 31, 2023 totaled \$964. The outstanding principal balance on this loan at December 31, 2023 was \$17,680.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Notes to the Consolidated Financial Statements

Note 4 - Long-term debt (continued)

Principal loan repayments over the next 5 years and thereafter are as follows:

December 31, 2024	\$	97,536
December 31, 2025		95,979
December 31, 2026		65,530
December 31, 2027		47,070
December 31, 2028		48,631
Thereafter		106,577
Subtotal		461,323
Less: Unamortized loan acquisition costs		(1,777)
Total	\$	459,546

Note 5 - Service revenue

The Company has entered into agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of payment arrangements with major third-party payors are as follows:

- Medicare - Patient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on a combination of factors. In addition, the Company is reimbursed for certain cost reimbursable items at tentative interim rates, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.
- Medicaid - Patient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on a combination of factors.
- Other Payors - The Company has also entered into payments arrangements with certain managed care and commercial insurance carriers, Medicare and Medicaid managed care insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payments under these agreements includes prospectively determined rates and discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretations. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Notes to the Consolidated Financial Statements

Note 5 - Service revenue (continued)

There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) claims or penalties would have on the Company. Additionally, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the transaction price for providing patient care. These settlements are estimated based on the terms of payment agreement with the payor, correspondence with the payor and the Company's historical settlement activity. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled and no longer subject to such audits, reviews, or investigations.

Note 6 - Related party transactions

The Company incurred various fees to affiliated companies during the year ended December 31, 2023. The outstanding balance due to related parties at December 31, 2023 was \$244,878.

Note 7 - SBA loan forgiveness

The Company applied for and received a total of \$332,998 via the Paycheck Protection Program administered by the SBA during 2020 and 2021. The entire balance of the proceeds was forgiven during the year ended December 31, 2023 and has been recognized as income.

Note 8 - Prior period adjustments

The opening balances of multiple balance sheet accounts were adjusted as of January 1, 2023 to reflect the proper balance in the respective accounts. These adjustments resulted in a decrease to total stockholder's equity of \$101,720.

Note 9 - Subsequent events

The Company's management has determined that no material events or transactions occurred subsequent to December 31, 2023 and through August 15, 2025, the date of the Company's financial statement issuance, which requires additional disclosure in the Company's financial statements.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Consolidating Balance Sheet
December 31, 2023

ASSETS

	Little Brook Home, Inc.	Bethane Properties, Inc.	Eliminations	Consolidated
Assets				
Cash and cash equivalents	\$ 8,670	\$ 9,364	\$ -	\$ 18,034
Accounts receivable, net	1,354,912	200,000	(200,000)	1,354,912
Inventory	6,150	-	-	6,150
Prepaid expenses and other current assets	28,314	-	-	28,314
Property and equipment, net	581,091	701,250	-	1,282,341
Total assets	<u>\$ 1,979,137</u>	<u>\$ 910,614</u>	<u>\$ (200,000)</u>	<u>\$ 2,689,751</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

	Little Brook Home, Inc.	Bethane Properties, Inc.	Eliminations	Consolidated
Liabilities				
Accounts payable and accrued expenses	\$ 584,529	\$ 27,342	\$ -	\$ 611,871
Due to related parties	358,581	86,297	(200,000)	244,878
Income taxes payable	520	520	-	1,040
Long-term debt, net	17,680	441,866	-	459,546
Total liabilities	<u>961,310</u>	<u>556,025</u>	<u>(200,000)</u>	<u>1,317,335</u>
Stockholder's equity				
Additional paid-in capital	596,575	267,370	-	863,945
Retained earnings	421,252	87,219	-	508,471
Total stockholder's equity	<u>1,017,827</u>	<u>354,589</u>	<u>-</u>	<u>1,372,416</u>
Total liabilities and stockholder's equity	<u>\$ 1,979,137</u>	<u>\$ 910,614</u>	<u>\$ (200,000)</u>	<u>\$ 2,689,751</u>

See independent auditors' report.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Consolidating Schedule of Operations
For the Year Ended December 31, 2023

	Little Brook Home, Inc.	Bethane Properties, Inc.	Eliminations	Consolidated
Revenues	\$ 3,198,597	\$ 210,000	\$ (210,000)	\$ 3,198,597
Expenses				
Direct resident costs	1,594,637	-	-	1,594,637
General resident services	555,527	-	-	555,527
Property operating expenses	342,228	83,410	(210,000)	215,638
General and administrative expenses	981,521	74,170	-	1,055,691
Total expenses	<u>3,473,913</u>	<u>157,580</u>	<u>(210,000)</u>	<u>3,421,493</u>
Income from operations before other income (expense)	(275,316)	52,420	-	(222,896)
Other income (expense)				
Depreciation	(18,048)	(32,763)	-	(50,811)
Interest expense	(27,841)	(6,660)	-	(34,501)
Interest income	182	-	-	182
Provision for taxes	-	(188)	-	(188)
Forgiveness of SBA loan	332,998	-	-	332,998
Miscellaneous income	23,459	-	-	23,459
Total other income (expense)	<u>310,750</u>	<u>(39,611)</u>	<u>-</u>	<u>271,139</u>
Net income (loss)	<u>\$ 35,434</u>	<u>\$ 12,809</u>	<u>\$ -</u>	<u>\$ 48,243</u>

See independent auditors' report.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Consolidated Schedules of Direct Resident Costs and General Resident Services
For the Year Ended December 31, 2023

Consolidated Schedule of Direct Resident Costs

Nursing wages - LPN	\$	497,781
Nursing wages - CNA		443,806
Therapy		177,892
Workers compensation insurance		113,896
Nursing wages - RN		91,060
Nursing supplies		77,050
Activities department wages		72,993
Social worker wages		52,868
Pharmacy		44,635
Other medical expenses		13,456
Medical director		9,200
		9,200
 Total direct resident costs	 \$	 1,594,637
		1,594,637

Consolidated Schedule of General Resident Services

Dietary department wages	\$	157,507
Raw goods		118,597
NJ nursing home tax expense		105,335
Housekeeping wages		69,711
Maintenance wages		52,921
Housekeeping supplies		29,652
Laundry wages		18,795
Laundry supplies		3,009
		3,009
 Total general resident services	 \$	 555,527
		555,527

See independent auditors' report.

LITTLE BROOK HOME, INC. AND BETHANE PROPERTIES, INC.
Consolidated Schedules of Property Operating Expenses and
General and Administrative Expenses
For the Year Ended December 31, 2023

Consolidated Schedule of Property Operating Expenses

Rent	\$	276,000
Repairs and maintenance		50,113
Utilities		50,022
Contract services		31,586
Property taxes		17,917
		17,917
 Total property operating expenses	 \$	 425,638
		425,638

Consolidated Schedule of General and Administrative Expenses

Professional fees	\$	282,387
Payroll taxes		156,569
Administrator wages		153,275
Director of nursing wages		113,274
Insurance		84,799
Employee benefits		77,436
Office manager		75,933
Office expense		28,065
Bookkeeper		25,195
Advertising		23,791
Auto		14,544
Bank fees		7,695
Travel and entertainment		6,844
Dues and subscriptions		5,884
		5,884
 Total general and administrative expenses	 \$	 1,055,691
		1,055,691

See independent auditors' report.