



Ocean Convalescent Center Inc.

FINANCIAL STATEMENTS

Year Ended December 31, 2023

Ocean Convalescent Center Inc.
T/A Rose Garden Nursing & Rehabilitation Center
Year Ended December 31, 2023

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LOGAN & ASSOCIATES CPAs

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ocean Convalescent Center Inc.:

Opinion

We have audited the accompanying financial statements of Ocean Convalescent Center Inc., which comprise the balance sheet as of December 31, 2023, and the related statement of income, members' equity, and cash flow for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ocean Convalescent Center Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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Independent Auditors' Report Continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ocean Convalescent Center Inc.'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 Ocean Convalescent Center Inc.'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.

Logan & Associates

Logan & Associates

February 28, 2025

Ocean Convalescent Center Inc.
T/A Rose Garden Nursing & Rehabilitation Center
Balance Sheet
For The Year Ended December 31, 2023

ASSETS

Current Assets

Cash	\$ 2,340,455
Accounts Receivable, Net	1,576,555
Prepaid Expenses And Other	<u>21,527</u>
 Total Current Assets	 3,938,537

Property, Plant, And Equipment

Furniture And Equipment	899,315
Leasehold Acquisitions Costs	398,677
Leasehold Improvements	<u>179,992</u>
	1,477,984
Less Accumulated Depreciation And Amortization	<u>(1,378,689)</u>
Property, Plant, And Equipment, Net	99,295
 Total Assets	 <u>\$ 4,037,832</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable	\$ 543,880
Accrued Liabilities	344,811
Other Liabilities	<u>132,803</u>
 Total Current Liabilities	 1,021,494

Long Term Debt

Due To Stockholders'	404,617
 Total Liabilities	 <u>1,426,111</u>
 Total Stockholders' Equity	 2,611,721
 Total Liabilities and Stockholders' Equity	 <u>\$ 4,037,832</u>

See accompanying Notes to the Financial Statement

Ocean Convalescent Center Inc.
T/A Rose Garden Nursing & Rehabilitation Center
Statement of Operations
For The Year Ended December 31, 2023

Total Revenue		\$ 16,724,610
Operating Expenses:		
Direct Costs:		
Nursing		5,740,151
Drugs And Lab		161,183
Medical And Surgical Supplies		286,708
Physical Therapy		1,140,859
Other Cost Centers:		
Administrative And General		3,274,660
Dietary		1,763,581
Housekeeping and Laundry		1,021,409
Plant Operations And Maintenance		722,304
Recreational Therapy		419,743
Social Services		197,202
Rent		1,688,320
Depreciation And Amortization		67,756
Total Operating Expenses		16,483,876
Net Income		\$ 240,734

See accompanying Notes to the Financial Statement

Ocean Convalescent Center Inc.
T/A Rose Garden Nursing & Rehabilitation Center
Changes in Stockholder's Capital
For The Year Ended December 31, 2023

Balance December 31, 2022	\$ 2,520,987
Net Income 2023	240,734
Sub S Distributions	(150,000)
Balance December 31, 2023	<u>\$ 2,611,721</u>

See accompanying Notes to the Financial Statement

Ocean Convalescent Center Inc.
T/A Rose Garden Nursing & Rehabilitation Center
Statement of Cash Flow
For The Year Ended December 31, 2023

Cash Flow From Operating Activities:

Net Income \$ 240,736

Adjustments To Reconcile Net Loss To Net Cash

Provided By Operating Activities:

Depreciation	67,756
Accounts Receivable	464,384
Accounts Payable	192,380
Accrued Liabilities	(152,690)
Prepaid Expenses	16,321
Other Liabilities	20,908

Net Cash Provided By Operating Activities	849,795
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Cash Flow From Investing Activities:

Furniture And Equipment	(75,300)
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Net Cash Used By Investing Activities	(75,300)
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Cash Flow From By Financing Activities:

Distributions	(150,000)
Due To Stockholders'	(358,493)

Net Cash Flow Used By Financing Activities:	(508,493)
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Increase In Cash And Cash Equivalents	266,002
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Cash Balance, Beginning	2,074,453
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Cash Balance, Ending	\$ 2,340,455
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Supplemental Disclosure:

Interest Paid	\$ -
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See accompanying Notes to the Financial Statement

Ocean Convalescent Center Inc.
T/A Rose Garden Nursing & Rehabilitation Center
Notes to Financial Statements

1) **Organization:**

Ocean Convalescent Center Inc., a New Jersey Sub-Chapter S Corporation is licensed by the New Jersey State Department of Health to run and operate a 128-bed skilled nursing facility located in Toms River, New Jersey. The Facility began operations in May 2005.

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

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

Method of Accounting:

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

Cash and Cash Equivalents:

The Company considers all highly liquid financial instruments with a maturity of three months or less at date of purchase to be cash equivalents, except for those classified as investments and assets whose use is limited.

Fair Value of Financial Instruments:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

- Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.
- Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Ocean Convalescent Center Inc.

T/A Rose Garden Nursing & Rehabilitation Center

Notes to Financial Statements

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

Property and Equipment:

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the term of the related lease.

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in the organization's statement of activities during the applicable period.

Expenditures for renewals and improvements that significantly add to productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

	Lives in Years
Furniture And Equipment	3 - 7
Leasehold Acquisitions Cost	15 - 30
Leasehold Improvements	5 - 15

Income Taxes:

The Company files corporation form 1120S for tax purposes. As such, the Company's income or loss and credits are passed through to the stockholders and reported on their individual income tax returns. The provision for income taxes is not material.

Local income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the financial and income tax bases of certain asset and liability accounts. The deferred tax asset or liability, as applicable, represent the future tax return consequences of those differences, which will either be deductible or taxable when the asset or liability is recovered, or settled.

The Company accounts for uncertainty in income taxes using a recognition threshold of more likely-than-not to be sustained upon audit examination by the appropriate federal and state taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met.

The Company implemented this policy as it will result in increased relevance and comparability in financial reporting of income taxes because all tax positions accounted for in accordance with Statement 109 will be evaluated for recognition, derecognition, and measurement using consistent criteria. Finally, the disclosure provisions of this interpretation will provide more information about the uncertainty in income tax assets and liabilities. Management determined there were no tax uncertainties that met the recognition threshold in 2023.

Ocean Convalescent Center Inc.
T/A Rose Garden Nursing & Rehabilitation Center

Notes to Financial Statements

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

Resident's Funds:

Residents' funds are held by the Facility on behalf of the residents. Such funds represent allowances received by residents as well as other residents' funds deposited with the Facility for safekeeping. These funds are disbursed by the Facility at the request of, or on behalf of, residents for their personal use.

Third-Party Payor Settlements:

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are recorded in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in the combined statement of activities in the year of the settlement. No material amounts related to prior year settlements were recorded during 2023.

3) **Accounts Receivable:**

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

Medicaid	\$ 891,934
Private	21,240
Medicare	325,991
HMO	315,631
Hospice	<u>171,759</u>
	1,726,555
Less: Allowance For Doubtful Accounts	<u>(150,000)</u>
Total	<u>\$ 1,576,555</u>

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 still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable.

4) **Nursing Home User Fee:**

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

Ocean Convalescent Center Inc.
T/A Rose Garden Nursing & Rehabilitation Center
Notes to Financial Statements

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

The Facility's operating lease right-of-use asset and operating lease liability relate to a building lease.

The Facility holds an initial 20-year lease term, beginning in June 2005, with two extended terms at the Facility's option for successive 20-year and 15-year periods expiring June 2060. The terms of the lease call for basic rental payments equal to the sum of the monthly mortgage loan payment, real estate taxes, mortgage insurance premiums, reserve for replacement funding, and a lease payment of \$37,500 per month. The lease payment is adjusted every five years based on the New York Metropolitan Consumer Price Index (CPI).

The Facility recognizes lease expense for this operating lease on a straight-line basis over the of the lease.

The lease expense for 2023 was \$1,688,320. The Facility determines the present value of the remaining lease payments using the US Treasury risk-free rate at the time of adoption of the Standard, which was 2.01%.

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

2024	\$	1,350,360
2025		1,350,360
2026		1,350,360
2027		1,350,360
2028		1,350,360
For the Years Thereafter	\$	27,653,280

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

6) **Related Party Transactions:**

Stockholder /Officer's Compensation in 2023 was \$150,313.

Balance of Loan from Stockholder as of December31, 2023 was \$404,617. No interest accrued on the loan and no formal repayment plan is in place.

Ocean Convalescent Center Inc.
T/A Rose Garden Nursing & Rehabilitation Center
Notes to Financial Statements

7) **Subsequent Events:**

The Facility has evaluated subsequent events through February 28, 2025 the date which the financial statements were available to be issued. No significant subsequent events have been identified by management.



LOGAN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors,

Ocean Convalescent Center Inc.:

Our report on our audit of the basic financial statements of Ocean Convalescent Center Inc. for 2023 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 13 through 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Logan & Associates

Logan & Associates

February 28, 2025

Ocean Convalescent Center Inc.
Supplementary Schedules
For the Year Ended December 31, 2023

Private Income	\$ 5,756,704
Medicaid income	4,280,770
Medicare Income	3,959,598
HMO Revenue	1,905,473
Hospice Revenue	544,231
Total Patient Revenue	<u>16,446,776</u>
Physical Therapy Income Part B	54,418
Occupational Therapy Part B	53,468
Speech Therapy Income Part B	24,348
Other Income	145,600
Total Other Revenue	<u>277,834</u>
Total Revenue	<u>\$ 16,724,610</u>

See accompanying Notes to the Financial Statement

Ocean Convalescent Center Inc.
Supplementary Schedules
For the Year Ended December 31, 2023

Nursing Wages	\$ 4,527,153
Benefits And Payroll Taxes	605,564
Nursing - Other	161,994
NJ Nursing Home Assessment	445,440
Total Nursing	\$ 5,740,151
Medicare Prescription Drugs	\$ 145,401
Medicare Lab	5,969
Medicare Xrays	9,813
Total Drugs And Lab	\$ 161,183
Medical Supplies	\$ 253,692
Respiratory Supplies	1,032
Ancillary Medical Supplies	4,865
Nursing Supplies	4,399
Physical Therapy Supplies	12,813
Medicare Medical Supplies	9,906
Total Medical Supplies	\$ 286,707
Administrative Wages	\$ 921,794
Benefits	35,631
Payroll Tax Expense	85,815
Insurance	789,232
Other General And Administrative	1,442,187
Total Admin & General	\$ 3,274,659
Raw Food	\$ 671,996
Dietary Wages	826,758
Benefits	95,888
Payroll Tax Expense	80,957
Dietary Supplies	85,276
Other Dietary Expenses	2,707
Total Dietary	\$ 1,763,582

See accompanying Notes to the Financial Statement

Ocean Convalescent Center Inc.
Supplementary Schedules
For the Year Ended December 31, 2023

Laundry Expenses	\$ 40,741
Housekeeping Supplies	109,003
Housekeeping/Laundry Wages	571,718
Benefits	132,628
Payroll Tax Expense	64,868
Exterminating	4,999
Sanitation	35,159
Snow/Law n	19,571
Grounds Maintenance	26,906
Fire Prevention	12,589
General Services - Other	3,226
Total Housekeeping And Laundry	\$ 1,021,408
Maintenance Wages	\$ 150,803
Maintenance Benefits	6,090
Payroll Tax Expense	14,714
Maintenance Expenses	255,482
Gas	84,463
Water And Sewer	78,199
Utilities - Electric And Cable	132,554
Total Plant Operations And Maintenance	\$ 722,305
Activity Wages	\$ 299,361
Benefits	35,040
Payroll Tax Expense	31,274
Salon Expense	1,375
Event Expenses	9,924
Activities Supplies - Other	42,768
Total Activities	\$ 419,742
Benefits	\$ 9,528
Payroll Tax Expense	13,777
Social Services Wages	173,897
Total Social Services	\$ 197,202

See accompanying Notes to the Financial Statement