

BELMONT MANOR NURSING HOME, INC. - FACTOR 4 ATTACHMENTS

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FOR THE YEARS ENDING DECEMBER 31, 2019 THROUGH DECEMBER 31, 2023**

BELMONT MANOR NURSING HOME, INC.

PROJECTED FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

YEARS ENDING
DECEMBER 31, 2019 THROUGH 2023

BELMONT MANOR NURSING HOME, INC
YEARS ENDING DECEMBER 31, 2019 THROUGH 2023

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Board of Directors
Belmont Manor Nursing Home, Inc.
34 Agassiz Avenue
Belmont, MA 02478

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Management is responsible for the accompanying projected financial statements of Belmont Manor Nursing Home, Inc. (the "Company"), which comprise the projected balance sheets as of December 31, 2019, 2020, 2021, 2022, and 2023, and the related projected statements of operations and changes in stockholders' deficit, and cash flows for each of the five years then ending, and the related summaries of significant assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA) (the "Projection"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions.

Furthermore, even if the Company can complete the construction of the Project (as defined in the summaries of significant assumptions and accounting policies) at the costs and timeline presented hereafter and is able to achieve the operating assumptions, collectively, the "Hypothetical Assumptions", there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying Projection, and this report, are intended solely for the information and use of management, the board of directors and stockholders of the Company, and the Massachusetts Department of Public Health Determination of Need Program (DPH-DoN) in its review of the Determination of Need application under regulation 105 CMR 100.210 (4) (a) and is not intended to be and should not be used by anyone other than these specified parties.

ALL CPAs

Chestnut Hill, Massachusetts
November 7, 2019

BELMONT MANOR NURSING HOME, INC
 PROJECTED BALANCE SHEETS
 UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTES
 DECEMBER 31, 2019 THROUGH 2023
 (000S OMITTED)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
ASSETS					
CURRENT ASSETS					
Cash	\$ 918	\$ 1,363	\$ 2,281	\$ 3,011	\$ 3,671
Accounts Receivable, Net	882	1,160	1,460	1,765	2,077
Prepaid Expenses	61	61	61	61	61
Total Current Assets	<u>1,861</u>	<u>2,584</u>	<u>3,802</u>	<u>4,837</u>	<u>5,809</u>
PROPERTY AND EQUIPMENT					
Land	289	289	289	289	289
Building and Improvements	9,657	15,036	15,036	15,136	15,236
Equipment & Furniture	2,896	2,896	2,896	2,896	2,896
Construction in Progress	325	-	-	-	-
	<u>13,167</u>	<u>18,221</u>	<u>18,221</u>	<u>18,321</u>	<u>18,421</u>
Accumulated Depreciation	<u>(7,010)</u>	<u>(7,392)</u>	<u>(8,052)</u>	<u>(8,716)</u>	<u>(9,385)</u>
Property and Equipment, Net	<u>6,157</u>	<u>10,829</u>	<u>10,169</u>	<u>9,605</u>	<u>9,036</u>
DUE FROM RELATED PARTIES	<u>3,065</u>	<u>3,065</u>	<u>2,865</u>	<u>2,665</u>	<u>2,465</u>
Total Assets	<u>\$ 11,083</u>	<u>\$ 16,478</u>	<u>\$ 16,836</u>	<u>\$ 17,107</u>	<u>\$ 17,310</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT					
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	\$ 302	\$ 386	\$ 439	\$ 458	\$ 479
Accounts Payable and Accrued Expenses	1,488	1,554	1,622	1,692	1,764
Line of Credit	250	250	250	250	250
Deferred Revenue	132	132	132	132	132
Total Current Liabilities	<u>2,172</u>	<u>2,322</u>	<u>2,443</u>	<u>2,532</u>	<u>2,625</u>
DEFERRED INCOME TAXES	<u>36</u>	<u>36</u>	<u>36</u>	<u>36</u>	<u>36</u>
LONG-TERM DEBT, Net	<u>14,103</u>	<u>18,216</u>	<u>17,778</u>	<u>17,320</u>	<u>16,841</u>
Total Liabilities	<u>16,311</u>	<u>20,574</u>	<u>20,257</u>	<u>19,888</u>	<u>19,502</u>
STOCKHOLDERS' DEFICIT	<u>(5,228)</u>	<u>(4,096)</u>	<u>(3,421)</u>	<u>(2,781)</u>	<u>(2,192)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 11,083</u>	<u>\$ 16,478</u>	<u>\$ 16,836</u>	<u>\$ 17,107</u>	<u>\$ 17,310</u>

See Summary of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report.

BELMONT MANOR NURING HOME, INC.
 PROJECTED STATEMENTS OF OPERATIONS
 UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTES
 YEARS ENDING DECEMBER 31, 2019 THROUGH 2023

	2019	2020	2021	2022	2023
REVENUE					
Private	\$ 14,399	\$ 14,686	\$ 15,807	\$ 16,123	\$ 16,446
Medicaid	2,742	3,003	3,199	3,263	3,328
Medicare Part A	742	756	814	830	846
Commercial	127	130	138	141	143
Part B - Therapy	1	1	1	2	2
Total Revenue	18,011	18,576	19,959	20,359	20,765
EXPENSES					
Administration	5,338	5,492	5,652	5,817	5,987
Plant	1,196	1,234	1,314	1,356	1,399
Dietary	1,459	1,495	1,578	1,618	1,658
Laundry & Linen	205	210	221	227	233
Housekeeping	387	398	420	432	444
Nursing	5,113	5,267	5,505	5,670	5,841
Nursing Support	623	638	667	683	700
Social Services/Admissions	714	736	758	781	804
Recreation Therapy	379	389	400	411	422
Ancillary Costs	464	465	477	491	505
Interest	638	625	818	779	760
Depreciation	398	382	661	664	669
Total Expenses	16,914	17,331	18,471	18,929	19,422
INCOME FROM OPERATIONS BEFORE INCOME TAXES	1,097	1,245	1,488	1,430	1,343
Provision for Income Taxes	(22)	(25)	(30)	(29)	(27)
NET INCOME	\$ 1,075	\$ 1,220	\$ 1,458	\$ 1,401	\$ 1,316

See Summary of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report.

BELMONT MANOR NURSING HOME, INC
 PROJECTED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
 UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTES
 YEARS ENDING DECEMBER 31, 2019 THROUGH 2023
 (000S OMITTED)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Beginning Balance - Accumulated Deficit	\$ (5,873)	\$ (5,228)	\$ (4,496)	\$ (3,821)	\$ (3,181)
Net Income	1,075	1,220	1,458	1,401	1,316
Distributions	(430)	(488)	(783)	(761)	(727)
Ending Balance – Accumulated Deficit	<u>(5,228)</u>	<u>(4,496)</u>	<u>(3,821)</u>	<u>(3,181)</u>	<u>(2,592)</u>
Beginning Balance - Paid in Capital	-	-	400	400	400
Paid In Capital in current year	<u>-</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Balance - Paid in Capital	<u>-</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Ending Balance – Stockholders' Deficit	<u>\$ (5,228)</u>	<u>\$ (4,096)</u>	<u>\$ (3,421)</u>	<u>\$ (2,781)</u>	<u>\$ (2,192)</u>

See Summary of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report.

BELMONT MANOR NURSING HOME, INC
 PROJECTED STATEMENTS OF CASH FLOWS
 UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTES
 YEARS ENDING DECEMBER 31, 2019 THROUGH 2023
 (000S OMITTED)

	2019	2020	2021	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Income	\$ 1,075	\$ 1,220	\$ 1,458	\$ 1,401	\$ 1,316
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Depreciation	398	382	661	664	669
(Increase) Decrease in Accounts Receivable	(270)	(279)	(299)	(305)	(311)
Increase (Decrease) in Accounts Payable	63	66	67	70	71
Net Cash Provided by Operating Activities	<u>1,266</u>	<u>1,389</u>	<u>1,887</u>	<u>1,830</u>	<u>1,745</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property and Equipment	-	(5,054)	-	(100)	(100)
Construction in Progress	-	-	-	-	-
Net Cash Used by Investing Activities	<u>0</u>	<u>(5,054)</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Contributed Capital	-	400	-	-	-
Proceeds from Long Term Debt	-	4,500	-	-	-
Stockholder distributions	(430)	(488)	(583)	(561)	(527)
Repayment of Long Term Debt	(291)	(302)	(386)	(439)	(458)
Net Cash Provided by (Used in) Financing Activities	<u>-721</u>	<u>4,110</u>	<u>(969)</u>	<u>(1,000)</u>	<u>(985)</u>
NET INCREASE (DECREASE) IN CASH	<u>545</u>	<u>445</u>	<u>918</u>	<u>730</u>	<u>660</u>
Cash - Beginning of Year	<u>373</u>	<u>918</u>	<u>1,363</u>	<u>2,281</u>	<u>3,011</u>
Cash - End of Year	<u>\$ 918</u>	<u>\$ 1,363</u>	<u>\$ 2,281</u>	<u>\$ 3,011</u>	<u>\$ 3,671</u>
REQUIRED SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Interest	<u>\$ 638</u>	<u>\$ 625</u>	<u>\$ 818</u>	<u>\$ 779</u>	<u>\$ 760</u>
Taxes	<u>\$ 22</u>	<u>\$ 25</u>	<u>\$ 30</u>	<u>\$ 29</u>	<u>\$ 27</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES					
Shareholder distributions used to reduce due from related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 200</u>

See Summary of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 1 BASIS OF PRESENTATION AND NATURE AND LIMITATIONS OF PROJECTIONS

Basis of Presentation

The financial projection (the “Projection”) presents, to the best of the knowledge and belief of management (“Management”) of Belmont Manor Nursing Home, Inc., (the “Applicant”, or the “Company”), the expected financial position, results of operations and cash flows for the five years ending December 31, 2019 through 2023 (the “Projection Period”).

A projection, although similar to a forecast, is a presentation of prospective financial information that is subject to one or more hypothetical assumptions. Management has included several assumptions that are considered to be hypothetical assumptions as defined by the American Institute of Certified Public Accountants’ *Guide for Prospective Financial Information*.

Management’s hypothetical assumptions (the “Hypothetical Assumptions”) are as follows:

- The Applicant is able to develop, market, construct, and complete the proposed substantial renovation (the “Project”, as defined more fully hereinafter).
- The Applicant is able to obtain all regulatory approvals for construction of its Project.
- The Applicant is able to obtain debt financing (the “Financing”) via a construction loan for approximately \$4,500,000 (the “Construction Loan”) consistent with the plans presented in this Summary of Signification Projection Assumptions and Accounting Policies.
- The Applicant is able to achieve the occupancy, payer mix, and average rates detailed in Note 4. If this is not achieved it may significantly impact the Projection results.
- The Applicant is able to maintain its existing operating structure and limit the additional expenses associated with operating the facility under the completed Project model to the scenario as outlined in Note 4.

BELMONT MANOR NURSING HOME, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 1 BASIS OF PRESENTATION AND NATURE AND LIMITATIONS OF
PROJECTIONS (Continued)

Accordingly, the Projection reflects Management's judgement as of November 7, 2019, the date of the Projection, of the expected conditions and its expected course of action assuming the Hypothetical Assumptions. The assumptions disclosed herein, while not all-inclusive, are the assumptions which Management believes are significant to the Projection. The prospective results may not be achieved. Furthermore, even if the Hypothetical Assumptions were to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

NOTE 2 NATURE OF THE ORGANIZATION AND PROJECT DESCRIPTION

Nature of the Organization

Belmont Manor Nursing Home, Inc., is a Subchapter S corporation that currently operates a 135-bed skilled nursing home located in Belmont, Massachusetts.

Project Description

The Applicant is submitting a request for a Notice of Determination of Need ("DoN") for a substantial capital expenditure in connection with planned renovations to the property located at 34 Agassiz Avenue in Belmont, Massachusetts (the "Facility"). The Applicant proposes to construct a two-story addition with a cellar to the Facility, which will allow for important renovations within the Facility. The addition will enable the Applicant to eliminate any remaining triple rooms in its inventory, and increase the number of single and double rooms with the addition of six new beds. As a result of the Project, the total number of licensed beds at the Facility will be 141.

Construction is expected to begin by early 2020 and is anticipated to be completed by the end of 2020. The Projection presentation reflects the Project assets being placed in service by December 31, 2020. Additionally, the majority of the associated debt and any equity contributions utilized to fund the Project are assumed to have occurred in 2020.

The total Project costs assumed in the Projections are approximately \$5,380,000.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 2 NATURE OF THE ORGANIZATION AND PROJECT DESCRIPTION (Continued)

Project Description (Continued)

The following table summarizes the configuration of rooms before renovations and after the proposed renovations of the Facility:

Resident Room Configuration							
Pre-Renovation - 135 Beds				Post Renovation - 141 Beds			
Type	Bed Capacity	Inventory	Total Beds	Type	Bed Capacity	Inventory	Total Beds
Private	1	15	15	Private	1	19	19
Semi	2	51	102	Semi	2	61	122
Three-Bedded	3	6	18	Three-Bedded	3	-	-
Four-Bedded	4	-	-	Four-Bedded	4	-	-
Total Beds			<u>135</u>	Total Beds			<u>141</u>

NOTE 3 LONG TERM DEBT, FINANCING AND LINE OF CREDIT

The accompanying Projection assumes that the Project will be financed by (a) the Construction Loan, secured by a second mortgage on the real property, in the amount of approximately \$4,500,000, (b) capital contributions from shareholders of \$400,000; and (c) remaining funds from operations of the Company. Additionally, approximately \$326,000 of existing pre-planning construction in progress costs were funded via operations prior to the Projection. The interest rate assumed in the Projection for the Construction Loan is the Wall Street Journal Prime Rate or 5.50% for the first 18 months and then 200 basis point above the 3-year Federal Home Loan Bank of Boston Classic Advance rate or 4.14% thereafter. Any material changes in the terms of the actual Construction Loan would impact the results of the Projection. The Projection assumes existing debt prior to the commencement of the Project of approximately \$14,695,000, remains payable at an estimated interest rates of 4.27%.

Additionally, the Applicant has a \$500,000 revolving line of credit with a bank available to fund working capital needs. The Projection assumes an outstanding balance totaling approximately \$250,000 and estimated interest at a rate of 5.25%. The line of credit is payable upon demand.

Unless otherwise noted above, all debt is due or expires on March 14, 2026 and secured by all business assets and guaranteed by the majority shareholder.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES

Projected revenue consists of revenue from operating the Facility. Management's baseline projected revenue for the first year was derived from the most recent completed fiscal year, December 31, 2018, interim financial data for the current period, and management's historical experience of operating the Facility. This information was utilized to project and establish a baseline for the first year of the Projection; 2019. Future years were projected utilizing assumptions for rate increases and operating expenses, and any known changes for operating the renovated Facility during the Projection Period.

The following tables summarize the current and projected baseline payer mix and per diems:

	Current Payer Mix	Per Diem
Private	66.00 %	\$ 450
Medicare	3.00	551
Medicaid	30.00	190
HMO	1.00	441
Total/Weighted Average	100.00 %	\$ 408

	2019-2023 Projected Payer Mix	2019 Per Diem	2020 Per Diem	2021 Per Diem	2022 Per Diem	2023 Per Diem
Private	66.00 %	\$ 450	\$ 459	\$ 473	\$ 482	\$ 491
Medicare	3.00	551	562	579	590	600
Medicaid	30.00	190	208	212	216	221
HMO	1.00	441	449	458	467	477
Total	100.00 %					

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES (CONTINUED)

The following tables summarize the current and projected occupancy at December 31:

	2015	2016	2017	2018
Occupancy %	96.59%	95.95%	97.85%	97.26%

2015-2018 Based on 135 Active Beds in Service

	2019	2020	2021	2022	2023
Occupancy %	97.50%	97.50%	97.50%	97.50%	97.50%
Total Days	48,043	48,043	50,178	50,178	50,178

135 beds through 2020; 141 thereafter

Management calculated the baseline revenues and reimbursement rates for the projected year ending December 31, 2019 utilizing historical average rate increases, current economic conditions, and current nursing home regulations. In the subsequent years of the Projection Period (years ending December 31, 2020-2023), Management applied a 2% increase per year across all payer classes (except 3% increase for Private payer in 2021 and the projected daily Medicaid rate effective January 1, 2020 based on per diem rate of \$208).

Effective October 1, 2019, the Medicare reimbursement system for skilled nursing facilities will undergo a significant change in methodology. Management's projected Medicare revenue was based on the existing reimbursement methodology. The impact of the new reimbursement methodology on projected revenue can't be determined at this time.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES
(CONTINUED)

Other Revenue Items

Other revenue items include Medicare Part B services. These are assumed to increase based on the consumption of services and for general inflation assumed to be approximately 2% annually during the Projection Period.

Operating Expenses

Operating expenses have been projected to be recognized during the month incurred. Management's baseline projected expenses for the first year of the projected year ending December 31, 2019 were derived from the most recent completed fiscal year, December 31, 2018, interim financial data for the current period and Management's historical experience of operating the facility. This information was utilized to project and establish a baseline for the projected year ending December 31, 2019. The specific basis for inflationary increases in major expense categories were formulated by Management and are discussed below.

Salaries and Related Taxes and Benefits

A full-time equivalent employee ("FTE") is assumed to represent 2,080 hours of time paid annually.

Salaries and related payroll taxes such as federal employment and unemployment taxes, state employment and unemployment taxes, and workers compensation insurance were assumed to increase 3% annually during the Projection Period. Employee benefits such as health insurance and other miscellaneous benefits for the entire Facility were assumed to increase 5% annually during the Projection Period. Commencing in 2021, approximately \$81,000 in additional nursing salary and related benefit costs were added to projected expenses to account for the additional resources necessary upon completion of the Project.

Administration

Management has projected non-salary costs of general and administrative services to include property and liability insurance, accounting and legal fees, computer expenses, human resources, professional fees, telephone and internet service, marketing costs and other miscellaneous costs associated with administrative services. Generally, these costs are anticipated to increase 2% annually throughout the Projection Period for inflation.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES
(CONTINUED)

Dietary

Non-salary cost of dining services relates to the projected costs for providing food services to the residents, including raw food, dietary supplies and other such costs. Management assumes that these costs would vary with occupancy levels. Additionally, these costs are anticipated to increase at 2% annually throughout the Projection Period.

Plant Operations, Housekeeping, & Laundry and Linen

Non-salary related costs of plant, housekeeping, and laundry and linen operations are projected to include the cost of service contracts, repairs, supplies and other miscellaneous costs associated with providing these services. In addition, these costs are anticipated to increase at 2% annually throughout the Projection Period for inflation.

Utilities and Real Estate Taxes

Utilities and real estate taxes are included under the caption Plant on the Projected Statement of Operations. Non-salary related utility costs are projected to include the cost of gas and oil, electricity, water, and sewer services. In addition, these costs are anticipated to increase at 5% annually throughout the Projection Period for inflation.

Real estate taxes were assumed to increase 2% annually throughout the Projection Period. Additionally, commencing in 2021, an estimated increase of approximately \$40,000 per year was included in the projected Statement of Operations to account for the estimated increase in the assessment value of the property.

Nursing & Support, Social Services, Recreation, & Ancillaries

Non-salary related health service costs are projected based upon Management's estimate of the cost of nursing supplies, ancillary supplies, consultants, and other miscellaneous costs associated with providing health care services. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase 2% annually throughout the Projection Period.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 4 MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES
(CONTINUED)

Depreciation

Property and equipment are projected to be depreciated over the estimated useful lives by the straight-line method.

Operating Assets and Liabilities

The accompanying Projection assume an increase of 1.5% of revenue to the accounts receivable balance throughout the Projection Period. Accounts payable is assumed to be 20% of total expenses net of depreciation, interest, real estate taxes, and income taxes (projected accounts payable) in each of the Projection years. Additionally, the accounts payable balance is projected to increase by 2% of the projected accounts payable in each of the Projection years. Excess cash flow generated is assumed to increase cash.

Stockholder cash distributions are assumed at 40% of net income to cover necessary tax payments by shareholders. In addition, non-cash distributions of \$200,000 each in years 2021 to 2023 has been assumed to reduce due from related parties in those years. All other items such as prepaid expenses, deferred revenue, and deferred income taxes were assumed to be constant during the Projection Period.

Income tax expense was estimated based on the average effective tax rate for net income reported for financial reporting purposes for the years ended December 31, 2018 and 2017, which approximates 2%.

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company maintains its accounting and financial records according to the accrual basis of accounting.

Property and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets. For tax purposes, accelerated methods of depreciation are used. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. No impairment losses were recorded in the Projection.

Due from Related Parties

The Company's loan portfolio is comprised of unsecured related party loans receivable from shareholders that bear interest at the applicable federal rate (approximately 1.70% as of the Projection date) and effectively have no fixed repayment terms, and is considered a single portfolio class. Loans receivable are recorded net of an allowance for expected loan losses (allowance). The Company establishes an allowance as an estimate of inherent risk in the Company's loan portfolio. Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. The allowance is established through a provision for loan losses that is charged to expense.

Loan losses are charged off against the allowance when the Company determines the loan balance to be uncollectible. Proceeds received on previously charged off amounts are recorded as a recovery in the year of receipt. The Company projected that all related party loans receivable are fully collectible during the Projection Period.

The Company reviews the adequacy of the allowance, including consideration of the relevant risks in the loan portfolio, current economic conditions, and other factors periodically. The Company internally monitors related party borrowers to assess the risk of nonperformance. If the Company determines that changes are warranted based on those reviews, the allowance is adjusted.

Cash and Cash Equivalents

The Company considers all short-term debt securities purchased with an original maturity of three months or less to be cash or cash equivalents.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Credit is extended to customers and collateral is not required. The Company determines delinquent accounts based on individual facts and circumstances. Historically, the Company has not charged interest on accounts that are deemed to be delinquent.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal taxes on its taxable income. Instead, the stockholders are liable for income taxes on their respective share of the Company's taxable income. There are certain gross income limitations for state income tax purposes that could subject the Company to state corporate income taxes. The Company has exceeded the gross income limitations for each of the Projection years. Accordingly, a provision for state income taxes has been recorded for each of the Projection years. The applicable state income tax rate in effect at the time of the Projection was 2.9%. The estimated provision for income taxes included in the Projected Statements of Operations for the years ended 2019 through 2023 is considered current.

Deferred income taxes arise from differences in financial and income tax accounting methods, primarily attributable to varying depreciation methods. The deferred tax liability represents the future tax impact of any differences, which will be taxable when timing difference has expired and the liability will be settled.

The Company follows the accounting standard for income taxes in evaluating uncertain tax positions and has determined that no uncertain tax positions exist or are expected to exist as of the projected balance sheet dates. Generally, the income tax returns of the Company are subject to examination by the applicable income tax authorities for three years from the date they are filed.

Estimates

The preparation of projected 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 projected financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promotional Advertising

Promotional advertising costs are expensed as incurred.

Deferred Financing Costs

Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method, and is reflected as a component of interest expense.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Projection assumes the Company adopted ASU 2014-09 during the Projection period.

ASU 2014-09 requires the Company to exercise more judgment and recognize revenue using a five-step process. The Projection assumes the Corporation adopted ASU 2014-09 using the modified retrospective method for all contracts prior to the Projection Period and is using a portfolio approach to group contracts with similar characteristics and analyze historical cash collections trends. Modified retrospective adoption requires entities to apply the standard retrospectively to the most current period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of net assets at the date of initial application.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Services Revenue

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicare

Currently, the Facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). Currently, The Facility is paid under the Medicare Prospective Payment System (PPS) through an insurance intermediary for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

The federal rates utilize facility case-mix resident assessment data, completed by the Facility, to assign patients into a Resource Utilization Group (RUGs). The Facility must complete the resident assessments according to a specific time schedule designed for Medicare payment. Organizations that do not comply with this requirement will be paid at a default payment (the lowest of the federal rates) for the days of a patient's care for which the organization is not in compliance.

The PPS program mandates the implementation of fee schedules for Facility therapy services to residents not in a covered Part A stay and to nonresidents who receive outpatient rehabilitation services from the Facility. The Centers for Medicare and Medicaid Services imposed a limit for both physical therapy (including speech therapy) and occupational therapy services. However, an exception may be granted to the limit if the patient meets certain criteria.

Effective October 1, 2019, the Medicare reimbursement system for skilled nursing facilities will undergo a significant change in methodology. Management's projected Medicare revenue was based on the existing reimbursement methodology. The impact of the new reimbursement methodology on projected revenue can't be determined at this time.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Medicaid – Standard Payments to Nursing Facilities

The Company receives reimbursement from the Commonwealth of Massachusetts under a standard rate of reimbursement payment system for the care and services rendered to publicly aided patients pursuant to regulations promulgated by the Center for Health Information and Analysis. Under the regulations, current year rates are a combination of actual base year costs blended with industry standards adjusted for inflation. The base year costs are subject to audit and may result in a retroactive rate adjustment for the current year.

Patient Services Revenue

Private/HMO/Other

Payment agreements with private residents and certain commercial insurance carriers provide for payment using prospectively determined daily rates. Revenue from these payer classes are recorded at the estimated net realizable amounts.

Settlements with third-party payers for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

BELMONT MANOR NURSING HOME, INC

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES

DECEMBER 31, 2019 THROUGH 2023

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally, residents who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Company estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

The Company has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payers, service line, method of reimbursement, and timing of when revenue is recognized.

Revenue from resident's deductibles and coinsurance are classified based on the primary payer.

Financing Component

The Projection assumes the Company elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payers for the effects of a significant financing component due to the Company's expectation that the period between the time the service is provided to a resident and the time that the Resident or a third-party payer pays for that service will be one year or less. However, the Projection assumes the Company does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The projection assumes the Company has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Company otherwise would have recognized is one year or less in duration.

BELMONT MANOR NURSING HOME, INC.

BENCHMARKING MANAGEMENT'S
PROJECTED FINANCIAL ANALYSIS

FOR THE YEARS ENDING
DECEMBER 31, 2019 THROUGH DECEMBER 31, 2023

November 7, 2019

PROCESS OVERVIEW

Management's Projections

ALL CPAs was requested by the management of Belmont Manor, Inc. to read the financial projections prepared by Belmont Manor, Inc. ("Management") from 2019 through 2023 and benchmark the stabilized year of Management's projection.

We have not compiled or examined any of the financial data utilized in the benchmarking analyses and express no assurance of any kind on it. Furthermore, even if the assumptions disclosed herein were to materialize, there will be differences between projected and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. These analyses are intended for the internal use of Management and the Massachusetts Department of Health Determination of Need Program (DoN) and is not intended to be and should not be used or relied on by anyone other than these specified parties.

BENCHMARK STAFFING AND COST ANALYSIS

Providers in Middlesex County were used to benchmark Management's projections. Belmont Manor's 2018 Medicare and Medicaid cost report data was compared to Middlesex County Medicare and Medicaid cost report data for the same period of 2018. The data was then projected out to 2023 with an applied 2% revenue inflation factor and 3% expense inflation factor.

MANAGEMENT'S PROJECTIONS

Beds & Occupancy/Payer Mix/Revenue per Patient Day

Projected revenue consists of revenue from operating the skilled nursing facility. Management's baseline projected revenue for the first year was derived from the (a) historical data from most recent completed fiscal year, December 31, 2018; (b) interim financial data for the current period; and (c) management's historical experience of operating the facility. This information was utilized to project and establish a baseline for the first year of the projection; 2019. Future years were projected utilizing assumptions for rate and operating expenses increases, and any known changes for operating the renovated facility during the Projection Period.

The following table summarizes the configuration of rooms before renovations and after the proposed renovations:

Resident Room Configuration							
Pre-Renovation - 135 Beds				Post Renovation - 141 Beds			
Type	Bed Capacity	Inventory	Total Beds	Type	Bed Capacity	Inventory	Total Beds
Private	1	15	15	Private	1	19	19
Semi	2	51	102	Semi	2	61	122
Three-Bedded	3	6	18	Three-Bedded	3	-	-
Four-Bedded	4	-	-	Four-Bedded	4	-	-
Total Beds			135	Total Beds			141

Observations:

- The plan for this Determination of Need Application is to eliminate the three-bedded rooms to create a better social environment and in doing so it enables the provider to add six additional beds

The following table summarizes Belmont Manor's 2018 data compared to 2018 Middlesex County data for beds and occupancy, payer mix and revenue per patient day. The numbers were then inflated out for Middlesex County to compare to Belmont Manor's projection to year five which is 2023.

	2018	2018			Inflation Adjust ment	2023			
	Belmont Manor Nursing Home	Middlesex MA 25th percentile	Middlesex MA 50th percentile	Middlesex MA 75th percentile		Belmont Manor Nursing Home	Middlesex MA 25th percentile	Middlesex MA 50th percentile	Middlesex MA 75th percentile
Beds & Occupancy									
SNF/NH Beds	135	84	123	142		141	84	123	144
Occupancy %	97.3%	78.0%	86.8%	92.3%		97.5%	78.0%	86.8%	92.3%
Total SNF/NH Days	47,927	27,102	35,626	42,273		50,178	27,102	35,626	42,273
SNF Payor Mix (% of Days)									
Medicare FFS	2.8%	5.2%	7.4%	11.4%		2.8%	5.2%	7.4%	11.4%
Medicaid	32.9%	46.0%	60.4%	74.5%		33.4%	46.0%	60.4%	74.5%
Other (including MC Advant	64.2%	48.8%	32.2%	14.1%		63.8%	48.8%	32.2%	14.1%
Revenue per Patient Day									
Medicare FFS	\$427	\$528	\$555	\$588	2.0%	\$602	\$583	\$613	\$649
Other	\$370	\$224	\$253	\$273	2.0%	\$400	\$247	\$279	\$301

Observations:

- Belmont Manor has consistently reported an occupancy rate greater than the 75th percentile
- As shown in the table in following page, Belmont Manor's historical occupancy level has been at 96% or greater which is well above the 75th percentile and is projected to be 97.50% in years 2019 – 2023 as shown below

- Belmont Manor's Medicare utilization is consistently below the 25th percentile but their focus has been on long-term care and on memory impaired residents.
- Belmont Manor has consistently reported a Private mix above the 75th percentile; see the historical data below on payer mix for Belmont Manor where they have had consistently a higher private census than any other payer and are projected to continue that trend
- Belmont Manor reports a higher non-Medicare rate due to its higher private mix.

Historical Average Occupancy				
December 31,				
	2015	2016	2017	2018
Occupancy %	96.59%	95.95%	97.85%	97.26%
2015-2018 Based on 135 Active Beds in Service				

Projected Average Occupancy					
December 31,					
	2019	2020	2021	2022	2023
Occupancy %	97.50%	97.50%	97.50%	97.50%	97.50%

135 beds through 2020; 141 thereafter

Historical Average Payer Mix*				
December 31,				
	2015	2016	2017	2018
Private	63.87%	61.73%	63.33%	63.79%
Medicare	2.83%	3.69%	2.37%	2.84%
Medicaid	32.65%	34.33%	33.93%	32.95%
HMO/Other	0.65%	0.24%	0.37%	0.42%
Total	100%	100%	100%	100%
*Massachusetts' Medicaid Cost Report Data				

EXPENSES

Operating expenses have been projected to be recognized during the month incurred. Management's baseline projected expenses for the first year of the projection (2019) were derived from ((a) historical data from most recent completed fiscal year, December 31, 2018; (b) interim financial data for the current period; and (c) management's historical experience of operating the facility. This information was utilized to project and establish a baseline for the first year of the projection; 2019. The specific basis for inflationary increases in major expense categories were formulated by Management and are discussed below.

The following table summarizes Belmont Manor's 2018 data compared to 2018 Middlesex County data expenses by department per patient day. The numbers are then inflated out for Middlesex County to compare to Belmont Manor's projection to year five which is 2023.

	2018	2018				2023			
	Belmont Manor Nursing Home	Middlesex MA 25th percentile	Middlesex MA 50th percentile	Middlesex MA 75th percentile	Inflati on Adjust ment	Belmont Manor Nursing Home	Middlesex MA 25th percentile	Middlesex MA 50th percentile	Middlesex MA 75th percentile
Costs per Patient Day									
Administration	\$88	\$70	\$84	\$99	3.0%	\$125	\$81	\$97	\$115
Plant	\$21	\$13	\$15	\$20	3.0%	\$24	\$15	\$17	\$23
Dietary	\$33	\$18	\$21	\$25	3.0%	\$34	\$21	\$24	\$29
Laundry	\$5	\$3	\$4	\$4	3.0%	\$5	\$3	\$5	\$5
Housekeeping	\$9	\$5	\$6	\$8	3.0%	\$9	\$6	\$7	\$9
Nursing	\$125	\$94	\$109	\$122	3.0%	\$137	\$109	\$126	\$141
Social Services	\$16	\$3	\$4	\$5	3.0%	\$17	\$4	\$5	\$6
Other General Services	\$8	\$3	\$5	\$6	3.0%	\$9	\$3	\$6	\$7
Total Costs	\$306	\$209	\$248	\$289	3.0%	\$360	\$242	\$287	\$335

Observations:

- Belmont Manor has a higher overall cost structure both historically (see table below) and in its projections
- Belmont Manor doesn't anticipate any substantial change in cost structure due to the renovations
- The only areas that are projected to increase costs related to the project would be the addition of 1 FTE in Nursing and the associated supply expense (i.e. dietary food costs and supplies, housekeeping supplies, etc.) with the addition of six beds
- Belmont Manor's Nursing Hours per patient day are higher than Middlesex County for both 2018 and 2023 the final year of projection as shown below
- Historically, Belmont has had higher nursing cost per patient day
- Belmont Manor's hours per patient day actually reduce slightly after the renovation as the increase in beds does not require substantial additional staffing (1 Nursing FTE)
- For purpose of this analysis, it is assumed, with no specific information on future of various healthcare factors or that the nursing staffing in Middlesex County will remain consistent.

	Historical Costs per Patient Day by Department*			
	December 31,			
	2015	2016	2017	2018
Administration	\$ 87	\$ 84	\$ 89	\$ 88
Plan	\$ 23	\$ 28	\$ 20	\$ 21
Dietary	\$ 27	\$ 29	\$ 31	\$ 33
Laundry	\$ 3	\$ 4	\$ 4	\$ 5
Housekeeping	\$ 10	\$ 10	\$ 10	\$ 9
Nursing	\$ 114	\$ 117	\$ 119	\$ 125
Social Services	\$ 15	\$ 16	\$ 16	\$ 16
Other General Services	\$ 8	\$ 10	\$ 8	\$ 8
Total Costs	\$ 287	\$ 298	297	305
*Massachusetts' Medicaid Cost Report Data				

	2018		2023	
	Belmont Manor Nursing Home	Middlesex County	Belmont Manor Nursing Home	Middlesex County
Nursing Hours per Patient Day (HPPD)	4.57	4.2	4.43	4.2

Operating and Capital Budgets

In Benchmarking management's projected financial analysis, we analyzed Belmont Manor's past and present operating and capital budgets. Belmont Manor's past and present operating budgets are consistent with the results contained in management's projected financial analysis, with both indicating positive income from operations. Additionally, management has no significant plans at this time to materially alter operations, thus impacting care.

Belmont Manor does not maintain formal capital budgets. However, except for the first year following construction, a review of past and present capital expenditures indicates that Belmont Manor intends to invest in the built environment of the residents at amounts consistent with prior spending levels.

				Planned	Planned
	2017	2018	2019	2022	2023
Capital Expenditures	\$ 69,632	\$ 109,342	\$ -	\$100,000	100,000

Balance Sheets

In benchmarking management's projected financial analysis, we analyzed Belmont Manor's balance sheets. We analyzed Belmont Manor's current ratio for prior years and the last year of the projection 2023. Belmont Manor's current ratio in the last year of the projection is consistent with its historical current ratios in 2017 and 2018. The current ratio is a liquidity ratio that indicates an entity's ability to satisfy its current obligations with current resources.

	2017	2018	Projected 2023
Current Ratio	2.25	2.35	2.29

KEY FINANCIAL RATIOS

In performing this analysis both Medicare and Medicaid cost report data maintained by CMS and the Massachusetts Center for Health Information and Analysis (CHIA) was utilized. This allowed management the ability to compare key financial ratios with those of similarly located facilities. The ratios below are common tools used by financial institutions and the health care industry to evaluate the operations of a health care entity.

Earnings before Interest, Depreciation and Amortization (EBIDA) Margin:

EBIDA is a measure of a company's operating performance. This measurement is a way to evaluate a company's performance without having to factor in financing decisions or tax environments. EBIDA Margin can be a useful gauge of a Company's ability to control costs, it offers a realistic reflection of operations by removing expenses that can obscure how the company is actually performing. EBIDA margin is calculated by dividing EBIDA by total revenue.

The greater a company's EBIDA Margin, the lower the company's operating expenses in relation to total revenue. EBIDA margin eliminates the non-operating profitability and cash flow. This margin is important in measuring performance across a single industry with companies of different size and tax situations.

The following chart show the provider's actual and projected EBIDA Margin against the Middlesex County Median EBIDA Margin.

	2018	2018			2023			
	Belmont Manor Nursing Home	Middlesex, MA 25th percentile	Middlesex, MA 50th percentile	Middlesex, MA 75th percentile	Belmont Manor Nursing Home	Middlesex, MA 25th percentile	Middlesex, MA 50th percentile	Middlesex, MA 75th percentile
EBIDA	11.1%	-1.8%	3.8%	7.3%	13.4%	0.5%	6.1%	9.6%

Observations

- Belmont has consistently achieved a higher EBIDA due to its higher occupancy and private mix, the organization is greater than the 75th percentile and projected to remain greater than the 75th percentile due to the occupancy projection of 97.50% as displayed earlier in this report
- Note: To derive the EBIDA inflation factor for Middlesex County, the % change applicable in EBIDA margin for Belmont Manor was applied to Middlesex County.

SUMMARY

The financial analysis of the project indicates that it is consistent with past and present operating budgets. Additionally, management has no significant plans at this time to materially alter operations. Thus, the above and benchmarking results throughout the report are indicative that the care provided to the patient panel will remain consistent and unlikely be negatively impacted by the proposed project.

Finally, the financial ratios and key financial performance indicators (KPIs) analyzed throughout this report demonstrate that the applicant is at or above the median or 75th percentile in each category before and after completion of the proposed project. The KPIs benchmarked have historically been accepted in the industry as an indicator of operational performance and financial health. Generally, applicants performing at or above this threshold is indicative of adequate financial capacity and capability to support a new project and investment.