

APPENDIX 3

INDEPENDENT CPA ANALYSIS

CARE REALTY, LLC (Applicant) on behalf of 2101 WASHINGTON STREET OPERATING CO, LLC-

FACTOR 4 ATTACHMENTS

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FOR THE YEARS ENDING DECEMBER 31, 2023 THROUGH DECEMBER 31, 2027**

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101
WASHINGTON STREET LLC**

**COMBINED PROJECTED FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

YEARS ENDING DECEMBER 31, 2023 THROUGH 2027



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**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET
LLC
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PROJECTED YEARS ENDING DECEMBER 31, 2023 THROUGH 2027**

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Members

2101 Washington Street Operating Co, LLC and 2101 Washington Street LLC
Newton, Massachusetts

Management is responsible for the accompanying combined projected financial statements of 2101 Washington Street Operating Co, LLC and 2101 Washington Street LLC which comprise the combined projected balance sheets as of December 31, 2023, 2024, 2025, 2026, and 2027 and the related combined projected statements of operations, changes in equity, and cash flows for the projected years ending December 31, 2023, 2024, 2025, 2026, and 2027 and the related summary 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 combined 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 combined projected financial statements or the assumptions.

Furthermore, even if 2101 Washington Street Operating Co, LLC and 2101 Washington Street LLC are able to achieve the hypothetical assumptions (the "Hypothetical Assumptions") as presented on page 7, 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 financial information in the accompanying combined projection is presented in accordance with the requirements of the Massachusetts Department of Public Health Determination of Need Program, and is not intended to be a complete representation of the projected assets, liabilities, equity, and operations of 2101 Washington Street Operating Co, LLC and 2101 Washington Street LLC. As a result, the financial statements may not be suitable for another purpose.

The accompanying combined projection, and this report, are intended solely for the information and use of management, officers and members of 2101 Washington Street Operating Co, LLC, 2101 Washington Street LLC 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.

CliftonLarsonAllen LLP

Boston, Massachusetts
January 23, 2023

2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
COMBINED PROJECTED BALANCE SHEETS
UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1
DECEMBER 31, 2023 THROUGH 2027
(000S OMITTED)

	2023	2024	2025	2026	2027
ASSETS					
CURRENT ASSETS					
Cash	\$ 4,342	\$ 8,936	\$ 13,682	\$ 18,673	\$ 23,923
Accounts Receivable - Patients/Residents	4,012	4,173	4,343	4,520	4,707
Prepaid Expenses	38	38	38	38	38
Other Current Assets	126	126	126	126	126
Total Current Assets	8,518	13,273	18,189	23,357	28,794
PROPERTY AND EQUIPMENT					
Land	1,661	1,661	1,661	1,661	1,661
Building	5,097	5,097	5,097	5,097	5,097
Building Improvements	4,733	4,733	4,733	4,733	4,733
Equipment	3,599	3,992	4,396	4,813	5,242
Land Improvements	126	126	126	126	126
Total	15,216	15,609	16,013	16,430	16,859
Less: Accumulated Depreciation	7,774	8,316	8,880	9,468	10,081
Property and Equipment, Net	7,442	7,293	7,133	6,962	6,778
OTHER ASSETS					
	38	38	38	38	38
Total Assets	\$ 15,998	\$ 20,604	\$ 25,360	\$ 30,357	\$ 35,610

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

2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
COMBINED PROJECTED BALANCE SHEETS
UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1
DECEMBER 31, 2023 THROUGH 2027
(000S OMITTED)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 3,477	\$ 3,589	\$ 3,708	\$ 3,831	\$ 3,963
Notes Payable	<u>6,649</u>	<u>6,649</u>	<u>6,649</u>	<u>6,649</u>	<u>6,649</u>
Total Current Liabilities	10,126	10,238	10,357	10,480	10,612
OTHER LIABILITIES	<u>5,328</u>	<u>5,328</u>	<u>5,328</u>	<u>5,328</u>	<u>5,328</u>
Total Liabilities	15,454	15,566	15,685	15,808	15,940
EQUITY (DEFICIT)	<u>544</u>	<u>5,038</u>	<u>9,675</u>	<u>14,549</u>	<u>19,670</u>
Total Liabilities and Equity	<u>\$ 15,998</u>	<u>\$ 20,604</u>	<u>\$ 25,360</u>	<u>\$ 30,357</u>	<u>\$ 35,610</u>

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

2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
COMBINED PROJECTED STATEMENTS OF OPERATIONS
UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1
YEARS ENDING DECEMBER 31, 2023 THROUGH 2027
(000S OMITTED)

	2023	2024	2025	2026	2027
REVENUE					
Private	\$ 2,209	\$ 2,326	\$ 2,435	\$ 2,557	\$ 2,685
Medicaid	4,323	4,552	4,766	5,005	5,255
Medicare Part A	20,567	21,653	22,675	23,809	24,999
Commercial	3,403	3,583	3,752	3,940	4,137
Part B - Therapy	202	212	223	234	246
Other Income	319	335	351	369	387
Total Revenues	<u>31,023</u>	<u>32,661</u>	<u>34,202</u>	<u>35,914</u>	<u>37,709</u>
EXPENSES					
Administrative and Indirect Program Expenses	7,283	7,651	8,029	8,431	8,852
Depreciation	522	542	564	588	614
Plant Operations	1,173	1,232	1,293	1,358	1,426
Dietary	1,524	1,600	1,680	1,764	1,852
Laundry	262	275	289	303	319
Housekeeping	454	477	501	526	552
Nursing	9,598	10,077	10,581	11,110	11,666
Nursing Support	752	790	829	871	914
Social Services	595	625	657	689	724
Recreation	298	313	328	345	362
Ancillaries	4,366	4,585	4,814	5,055	5,307
Total Operating Expenses	<u>26,827</u>	<u>28,167</u>	<u>29,565</u>	<u>31,040</u>	<u>32,588</u>
NET INCOME	<u>\$ 4,196</u>	<u>\$ 4,494</u>	<u>\$ 4,637</u>	<u>\$ 4,874</u>	<u>\$ 5,121</u>

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

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
COMBINED PROJECTED STATEMENTS OF CHANGES IN EQUITY
UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1
YEARS ENDING DECEMBER 31, 2023 THROUGH 2027
(000S OMITTED)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
BEGINNING BALANCE- EQUITY	\$ (3,652)	\$ 544	\$ 5,038	\$ 9,675	\$ 14,549
Net Income	<u>4,196</u>	<u>4,494</u>	<u>4,637</u>	<u>4,874</u>	<u>5,121</u>
ENDING BALANCE- EQUITY	<u><u>\$ 544</u></u>	<u><u>\$ 5,038</u></u>	<u><u>\$ 9,675</u></u>	<u><u>\$ 14,549</u></u>	<u><u>\$ 19,670</u></u>

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

2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
COMBINED PROJECTED STATEMENTS OF CASH FLOWS
UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1
YEARS ENDING DECEMBER 31, 2023 THROUGH 2027
(000S OMITTED)

	2023	2024	2025	2026	2027
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Income	\$ 4,196	\$ 4,494	\$ 4,637	\$ 4,874	\$ 5,121
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operations:					
Depreciation	522	542	564	614	614
(Increase) Decrease in Assets:					
Accounts Receivable	(154)	(162)	(169)	(178)	(187)
Increase (Decrease) in Liabilities:					
Accounts Payable and Accrued Expenses	100	113	118	97	131
Net Cash Provided by Operating Activities	<u>4,664</u>	<u>4,987</u>	<u>5,150</u>	<u>5,407</u>	<u>5,679</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment	<u>(381)</u>	<u>(393)</u>	<u>(404)</u>	<u>(416)</u>	<u>(429)</u>
Net Cash Used by Investing Activities	<u>(381)</u>	<u>(393)</u>	<u>(404)</u>	<u>(416)</u>	<u>(429)</u>
NET INCREASE IN CASH	4,283	4,594	4,746	4,991	5,250
Cash - Beginning of Year	<u>59</u>	<u>4,342</u>	<u>8,936</u>	<u>13,682</u>	<u>18,673</u>
CASH - END OF YEAR	<u>\$ 4,342</u>	<u>\$ 8,936</u>	<u>\$ 13,682</u>	<u>\$ 18,673</u>	<u>\$ 23,923</u>

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

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

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 Care Realty, LLC (the "Applicant") on behalf of 2101 Washington Street Operating Co, LLC d/b/a Care One at Newton (the "Nursing Home", "Company", or "Facility" and 2101 Washington Street LLC (the "Realty"), collectively (the "Companies"), the expected combined financial position as of December 31, 2023 through 2027, and the expected combined results of operations and cash flows for the years ending December 31, 2023 through 2027 (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*.

The Companies' hypothetical assumptions (the "Hypothetical Assumptions") are as follows:

- Changes to licensure occur as described in Note 2;
- Management is able to achieve the occupancy, payer mix, and average rates detailed in Note 4;
- Management achieves the inflationary assumptions projected for revenues and expenses;
- The opening balance sheet for the Projection is consistent with the anticipated opening balance sheet for the Projection Period; and
- There is no repayment of debt throughout the Projection Period.

Accordingly, the Projection reflects Management's judgement as of January 23, 2023, 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.

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

**NOTE 1 BASIS OF PRESENTATION AND NATURE AND LIMITATIONS OF PROJECTIONS
(CONTINUED)**

Basis of Combination

The accompanying financial statements present the combined financial position, results of operations, changes in equity and cash flows of 2101 Washington Street Operating Co, LLC and 2101 Washington Street, LLC for purposes of presentation of the applicant for the Determination of Need application. All material inter-company balances and transactions have been eliminated in combination with the net benefit/cost of these transactions being recognized in combined net income.

NOTE 2 NATURE OF THE ORGANIZATION AND PROJECT DESCRIPTION

Nature of the Organization

2101 Washington Street Operating Co, LLC, is a Massachusetts limited liability company, which operates Care One at Newton, a 141-bed nursing home in Newton, Massachusetts. 2101 Washington Street, LLC, a limited liability company, is a realty holding company that leases its land, building, and other fixed assets to the Company.

Project Description

2101 Washington Street Operating Company, LLC d/b/a Care One at Newton was built in 1971 and has been owned and operated by 2101 Washington Street Operating Company, LLC since 2003. The facility is located at the intersection of Washington Street and Beacon Street in the Auburndale section of Newton Massachusetts, across the street from Newton-Wellesley Hospital.

The Facility is currently licensed for 141 beds. From 1971 to 2021, the Facility was licensed for 202 beds but was notified in 2021 that certain beds were permanently reduced from its license. This was due to a 2017 application for Beds Out Of Service that was not renewed in 2019. Although the beds were placed back into service, formal notification of bed reactivation was not sent to the Massachusetts Department of Public Health ("DPH").

The Facility continued to operate at 202 under the Federal COVID (1135) waivers. The Facility has negotiated in good faith with the Massachusetts DPH regarding options for reinstatement and/or continued operation of the licensed beds which are used as designated COVID units. The Facility now seeks reinstatement of the de-licensed beds as a Conservation Project Determination of Need ("DoN") and to decant excess occupied beds in an orderly fashion.

The Applicant is now submitting a request for a Notice of Determination of Need ("DoN"), seeking recertification of 40 beds for a total of 181. All rooms will be single or double occupancy only.

2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027

NOTE 3 NOTE PAYABLE

The Realty holds a Note Payable from the Company's owners, in the amount of approximately \$6,649,000. There are no set terms of repayment, and the note bears no interest. Management does not project any changes in the balance throughout the Projection Period.

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

Projected revenue consists of revenue from operating the Nursing Home. Management's baseline projected revenue and expenses were derived from trended twelve-month historical information, budgeted financial data for the current period, and Management's historical experience operating the Facility. Management has projected that within the first month of 2023, the Facility will reduce occupancy to a stabilized level of 174 occupied beds, once the licensure is changed to 181 beds. Future years were projected utilizing assumptions for rate increases and operating expenses.

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

	Current Payer Mix	Per Diem
Private	7.72%	\$ 418
Medicare	43.79%	697
Medicaid	34.59%	191
HMO/Other	13.89%	368
Total	100.00%	

	2023-2027 Projected Payer Mix	2023 Per Diem	2024 Per Diem	2025 Per Diem	2026 Per Diem	2027 Per Diem
Private	8%	\$ 439	\$ 461	\$ 484	\$ 508	\$ 533
Medicare	44%	732	768	807	847	889
Medicaid	34%	200	210	221	232	243
HMO	14%	386	406	426	447	470
Total	100%					

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

	2018	2019	2020	2021	2022 ⁽¹⁾
Historical Occupancy %	53.3%	60.9%	65.5%	83.5%	91.4%
Total Days	39,315	44,927	48,291	61,726	67,523
Beds	202	202	202	202	141

See Independent Accountants' Compilation Report

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

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

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Projected Occupancy %	96.2%	96.2%	96.2%	96.2%	96.2%
Projected Total Days	63,564	63,738	63,564	63,564	63,564
Beds	181	181	181	181	181

Notes:

(1) The Facility was operating under a waiver during 2022 which allowed the Facility to utilize additional unlicensed beds during the year.

Management calculated the baseline revenues for the year ending December 31, 2023, utilizing current reimbursement and economic conditions, and current nursing home regulations.

Management assumed rates reflect the most recent regulatory or contractual actual rates in effect. Management applied a 5% rate increase per year for the Projection Period (years ending December 31, 2023-2027). Any material changes in actual rates compared to the rates assumed would impact the results of the Projection.

Other Operating Revenue Items

Other operating revenue items include COVID stimulus funds and Other Miscellaneous Revenue. The base year of the projection utilized trended twelve-month historical information. After removing non-recurring COVID stimulus-related items, Management applied a 5% inflationary increase per year for the Projection Period (years ending December 31, 2023-2027).

Inflationary Pressures

The United States economy is facing inflationary challenges that are being aggressively managed by the federal reserve via interest rate increases. Management has projected an equal "spread" in its revenue and operating expenses such that rates would increase at the same rate that operating expenses would increase. If operating expenses were to increase at higher rates than currently assumed, rate increases would also be greater than presented previous.

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

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

Operating Expenses

Operating expenses have been projected to be recognized during the month incurred. Management’s baseline projected expenses were derived from trended twelve-month historical information, budgeted financial data for the current period, and Management’s historical experience of operating the facility. Operating expenses are projected to increase 5% annually throughout the projection period. 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. Unless noted otherwise, salaries were assumed to increase 5% annually during the Projection Period. Employee benefits such as federal and state payroll taxes, health insurance, workers compensation, pension costs, and other miscellaneous benefits for the entire Facility were assumed to approximate 13% of wages during the Projection Period.

Administration

Management has projected non salary costs of general and administrative services to include liability insurance, management fees, 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 5% annually throughout the Projection Period for inflation.

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

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

Dietary

Non salary costs of dining services relate 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 5% annually throughout the Projection Period.

Plant Operations, Housekeeping, and Laundry

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 5% annually throughout the Projection Period.

Utilities and Property

Utilities 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, and trash removal. In addition, these costs are anticipated to increase at 5% annually throughout the Projection Period for inflation. In addition, property costs such as real estate taxes and property insurance are included under the caption Property on the Statement of Operations. These costs are anticipated to increase 5% annually throughout the Projection Period.

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. These costs are anticipated to increase 5% annually throughout the Projection Period.

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 .50% of revenue to the accounts receivable balance throughout the Projection Period. Accounts payable is assumed to be 20% of total operating expenses net of depreciation and any non-operating expenditures (projected accounts payable) in each of the Projection years. Additionally, the accounts payable balance is projected to increase by 5% throughout the Projection Period. Excess cash flow generated is assumed to increase operating cash except as noted elsewhere. All other items, if any, were assumed to be constant during the Projection Period.

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Companies maintain their accounting and financial records according to the accrual basis of accounting.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets. The Companies review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

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.

The useful lives of property and equipment for purposes of computing depreciation are:

Building	40 Years
Equipment	5 to 10 Years
Improvements	20 Years

Estimates

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

Cash and Cash Equivalents and Restricted Cash

The Companies consider all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The Companies also consider cash or cash equivalents that are restricted as cash and cash equivalents for cash flow purposes.

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Party Loans Receivable and Payables

Loans receivable are recorded net of an allowance for expected loan losses (allowance). The Companies establish an allowance as an estimate of inherent risk in the Companies' 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. Management has assumed that there is no allowance throughout the Projection Period. The related party payable is approximately \$10,095,000 and is assumed to remain constant throughout the Projection Period.

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

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

Accounts Receivable

Accounts receivable are recorded net of an allowance for expected implicit price concessions. 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. The Company does not plan to charge interest on accounts that are deemed to be delinquent.

Income Taxes

2101 Washington Street Operating Co, LLC and 2101 Washington Street, LLC are not taxpaying entities for purposes of federal or state income taxes. Federal and state income taxes are computed on the member's total income from all sources and accordingly, no provision for income taxes is made in these statements.

Promotional Advertising

Promotional advertising costs are expensed as incurred.

Management Fees

The Nursing Home has entered into a management contract with a related party. Management fees are projected to equal approximately 5% of annual revenue for each year during the Projection Period.

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, pertaining to recording of leases. Implementation of the new standard, which was effective for the Companies starting in the year ending December 31, 2022, can result in changes to the reporting and disclosure of leases. The Projection does not reflect the impact of implementation of ASU 2016-02, as Management does not believe it will have a material impact on the Companies based on its current leasing arrangements. If circumstances change and the impact of the implementation of ASU 2016-02 is material, it would significantly impact the results of the Projection.

Patient Services Revenues from Third Party Payors

Patient care service revenue is reported at the amount that reflects the consideration to which the Nursing Home expects to be entitled in exchange for providing patient care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Nursing Home bills the residents and third-party payors several days after the end of the month that services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Nursing Home. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Nursing Home believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our facility receiving skilled nursing or outpatient therapy services. The Nursing Home measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services.

The Nursing Home determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Nursing Home's policy, and/or implicit price concessions provided to patients. The Nursing Home determines its estimates of contractual adjustments based on contractual agreements, its policy(ies), and historical experience. The Nursing Home determines its estimate of implicit price concessions based on its historical collection experience.

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 could result in a retroactive rate adjustment for the current year.

Medicare – Prospective Payment System (Continued)

Effective October 1, 2019, the Medicare Reimbursement System underwent a significant change in methodology and implemented a patient driven payment model (PDPM). Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the patient's length of stay. Therapy services to patients not in a covered Part A stay remain the same.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. 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. 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) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor 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. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant during the Projection Period. Generally, residents who are covered by third-party payors 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 changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change.

Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were assumed to not be considered material for the projected years ending December 31, 2023 through 2027. 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:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care
- Method of reimbursement (fee for service or capitation)
- The Company's line of business that provided the service (for example, skilled nursing, therapy care, etc.)

For the projected years ending December 31, 2023, 2024, 2025, 2026, and 2027, the Company recognized revenue of approximately \$30,704,000, \$32,326,000, \$33,851,000, \$35,545,000 and \$37,322,000, respectively, from goods and services that transfer to the customer over a period of time.

**2101 WASHINGTON STREET OPERATING CO, LLC AND 2101 WASHINGTON STREET LLC
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
DECEMBER 31, 2023 THROUGH 2027**

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Equity is Comprised of the following components for the projected years ending December 31, 2023-2027.

	2023	2024	2025	2026	2027
Members Capital Realty	\$ 11,225	\$ 10,683	\$ 10,119	\$ 9,531	\$ 9,531
Members Capital Facility	(10,681)	(5,645)	(444)	5,018	10,139
Total Equity (Deficit)	<u>\$ 544</u>	<u>\$ 5,038</u>	<u>\$ 9,675</u>	<u>\$ 14,549</u>	<u>\$ 19,670</u>



CliftonLarsonAllen LLP
CLAconnect.com

January 19, 2023

Dennis Renaud, Director
Determination of Need Program
Department of Public Health
250 Washington Street, 6th Floor
Boston, MA 02108

RE: Determination of Need Application – Care Realty, LLC on behalf of 2101 Washington Street Operating Co, LLC

Dear Mr. Renaud,

The accompanying report is included as relevant additional financial information to assist the department in rendering a decision regarding the Determination of Need application of Care Realty, LLC on behalf of 2101 Washington Street Operating Co, LLC (the "Company"). The report is intended solely for the information and use of management and members of the Company, and the Massachusetts Department of Public Health Determination of Need Program in its review of the Company's Determination of Need application under regulation 100.210 (4) a. It is not intended to be and should not be used by anyone other than these specified parties.

Please contact me should you have any questions or need further information.

Sincerely,
CLA (CliftonLarsonAllen)

A handwritten signature in blue ink, appearing to read 'Mark Cummings'.

Mark Cummings, CPA

Principal

617-984-8100

mark.cummings@CLAconnect.com

CARE REALTY, LLC (Applicant on behalf of)
2101 WASHINGTON STREET OPERATING CO, LLC

BENCHMARKING MANAGEMENT'S
PROJECTED FINANCIAL ANALYSIS
FOR THE PROJECTED YEARS ENDING
DECEMBER 31, 2023 THROUGH DECEMBER 31, 2027

PROCESS OVERVIEW

Management's Projections

CliftonLarsonAllen LLP (CLA) was requested by the management of Care Realty, LLC (Applicant) on behalf of 2101 Washington Street Operating Co, LLC d/b/a CareOne at Newton (the "Nursing Home"), and 2101 Washington Street, LLC (the "Landlord"), to read the financial projections prepared by the management of 2101 Washington Street Operating Co, LLC d/b/a CareOne at Newton (the "Nursing Home") for the projected years ending December 31, 2023 through 2027 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 are 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. The Nursing Home's 2021 Medicare and Medicaid cost report data were compared to Middlesex County Medicare and Medicaid cost report data for the most recent available period of 2021. The data was then projected out to 2027 with an applied 5% revenue inflation factor and expense inflation factor of 5%.

MANAGEMENT'S PROJECTIONS

Occupancy/Payer Mix/Revenue per Patient Day

Projected revenue consists of revenue from operating the Nursing Home. Management's baseline projected revenue for the first year of the projection, 2023, was derived from trended twelve-month historical information, budgeted financial data for the current period, management's historical experience of operating the Facility, and current reimbursement and nursing home regulations. This information and the estimated impact of COVID-19 on operations, was utilized to project and establish a baseline for the projection; 2023. The Projection incorporated COVID-19 revenue impact in the base period of 2023 primarily related to census decline. Census impact is removed starting in 2023 through the end of the Projection Period to an assumed 96% occupancy by 2027.

Historical Operations

- The Nursing Home is currently licensed for 141 beds. From 1971 to 2021, the Nursing Home was licensed for 202 beds but was notified in 2021 that certain beds were permanently reduced from its license. This was due to a 2017 application for Beds Out of Service that was not renewed in 2019. Although the beds were placed back into service, formal notification of bed reactivation was not sent to the Massachusetts Department of Public Health ("DPH").

Historical Operations (Continued)

- The Nursing Home continued to operate at 202 under the Federal COVID (1135) waivers and has negotiated in good faith with the Massachusetts DPH regarding options for reinstatement and/or continued operation of the licensed beds which are used as designated COVID units.
- During the Covid-19 pandemic occupancy for this organization, unlike other nursing facilities increased. Management of the Nursing Home changed which also created an increased occupancy in 2020, 2021 and 2022 from previous years.

Historical Average Occupancy December 31,					
	2018	2019	2020	2021	2022(1)
Historical Occupancy %	53.3%	60.9%	65.5%	83.5%	91.4%
Total Days	39,315	44,927	48,291	61,726	67,523
Max Occupancy	73,730	73,730	73,730	73,932	51,465
Beds	202	202	202	202	141

Notes:

(1) The Facility was operating under a waiver during 2022 which allowed the Facility to utilize additional unlicensed beds during the year. This waiver expired on December 31, 2022, by which time the Facility decreased their occupied units to the licensed amount of 141.

Historical Average Payer Mix December 31,					
	2018*	2019*	2020*	2021*	2022**
Private	4.63%	5.95%	4.72%	4.17%	7.73%
Medicare	11.32%	16.31%	45.05%	43.60%	43.79%
Medicaid	78.98%	72.72%	44.22%	42.83%	34.59%
HMO/Other	5.07%	5.02%	6.01%	9.40%	13.89%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

*Massachusetts' Medicaid Cost Report Data

**2022 Internal Financial Reports

Projected Operations

The following table summarizes the Nursing Home's 2021 actual data compared to 2021 Middlesex County data for beds and occupancy, payer mix and revenue per patient day. The numbers are then inflated out for Middlesex County to compare to the Nursing Home's projected year five which is 2027.

Projected Operations (Continued)

	2021	2021			Inflation Adjustment	2027			
	CARE ONE AT NEWTON	Middlesex County, MA 25th percentile	Middlesex County, MA 50th percentile	Middlesex County, MA 75th percentile		CARE ONE AT NEWTON	Middlesex County, MA 25th percentile	Middlesex County, MA 50th percentile	Middlesex County, MA 75th percentile
Occupancy~									
Occupancy %	91.4%	63.6%	75.4%	83.3%		96.2%	63.6%	75.4%	83.3%
Total SNF/NH Days	61,726	23,417	31,697	39,273		63,564	23,417	31,697	39,273
SNF Payor Mix (% of Days)									
Medicare FFS	43.6%	5.9%	8.3%	14.2%		44.0%	5.9%	8.3%	14.2%
Medicaid	42.8%	50.2%	65.8%	76.9%		34.0%	50.2%	65.8%	76.9%
Other (including MC Advantage)	13.6%	43.9%	25.9%	8.9%		22.0%	43.9%	25.9%	8.9%
Revenue per Patient Day									
Medicare FFS	\$693	\$609	\$628	\$651	5.0%	\$889	\$816	\$842	\$872
Other	\$304	\$256	\$284	\$316	5.0%	\$341	\$343	\$381	\$423

~ Based on active beds

Projected Average Occupancy December 31,

	2023	2024	2025	2026	2027
Projected Occupancy %	96.2%	96.2%	96.2%	96.2%	96.2%
Projected Total Days	63,564	63,738	63,564	63,564	63,564
Beds	181	181	181	181	181

Observations:

- The Nursing Home's 2021 occupancy is above the 75th percentile in 2021 and above the 75th percentile for the county in the projected year of 2027. Management has projected improved census recovery beyond where occupancy was prior to Covid. New management was hired, and operational philosophy changed which improved and strengthened relationships with referral sources. Note the County census is assumed to be constant above absent additional information.
- The Nursing Home's current operating business model will be conducted with the project of de-densification and the increase of licensed bed capacity from 141 to 181. The Proposed Project will have capacity to serve individuals with various types of short and long-term skilled care needs.

Projected Operations (Continued)

- The Nursing Home's patient mix is expected to remain consistent, continuing to provide access to all potential community members regardless of payor.
- The Nursing Home's Medicare rate is higher than the 75th percentile before and at the end of the projection in 2027. The primary focus of this provider is to provide nursing and rehabilitation for individuals who need short or long-term options in the face of a variety of health challenges.

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 (2023) were derived from trended twelve-month historical information, budgeted financial data of the facility operations for 2022, and Management's historical experience of operating the facility. In general, operating expenses are projected to increase 5% annually throughout the projection period.

Historical Operations

The Following table summarizes the historical cost per patient day by department:

Historical Costs per Patient Day by Department*		
	December 31,	
	2020	2021
Administration	\$128	\$113
Plant	23	17
Dietary	26	25
Housekeeping/Laundry	14	12
Nursing	211	208
Social Services	8	9
Other General Services	6	6
Total Costs	\$416	\$390

*Medicaid Cost Report Data, Ancillary Expenses Excluded
Benefits included in the respective cost center

Projected Operations-Expenses

The following table summarizes The Nursing Home's 2021 data compared to 2021 Middlesex County data (which is the most recent available public information) expenses by department per patient day. The 2021 Middlesex County numbers are then inflated 5% each year to compare to The Nursing Home's projected year six which is 2027.

	2021	2021			Inflation Adjustment	2027			
	CARE ONE AT NEWTON	Middlesex County, MA 25th percentile	Middlesex County, MA 50th percentile	Middlesex County, MA 75th percentile		CARE ONE AT NEWTON	Middlesex County, MA 25th percentile	Middlesex County, MA 50th percentile	Middlesex County, MA 75th percentile
Costs per Patient Day*									
Administration	\$113	\$62	\$75	\$84	5.0%	\$149	\$83	\$101	\$113
Plant	\$17	\$14	\$18	\$21	5.0%	\$22	\$19	\$24	\$28
Dietary	\$25	\$22	\$24	\$30	5.0%	\$29	\$29	\$32	\$40
Laundry	\$5	\$4	\$5	\$5	5.0%	\$5	\$5	\$7	\$7
Housekeeping	\$7	\$8	\$9	\$11	5.0%	\$9	\$11	\$12	\$15
Nursing	\$208	\$118	\$134	\$154	5.0%	\$198	\$158	\$180	\$206
Social Services	\$9	\$4	\$5	\$6	5.0%	\$11	\$5	\$7	\$8
Other General Services	\$6	\$4	\$5	\$6	5.0%	\$6	\$5	\$7	\$8
Total Costs	\$390	\$236	\$275	\$317		\$429	\$315	\$370	\$425

*The Nursing Home's numbers include benefits which are included in Administration. Benchmark data excludes benefits. Additionally, Ancillary expenditures are excluded for both The Nursing Home and the Benchmark data.

Observations:

- The Nursing Home reports a cost structure above the 75th percentile historically and projects to remain there upon completion of the projection. Their cost structure is higher as they care for a large percentage of high acuity patients who have high clinical care needs.
- For purpose of this observation, it is assumed, with no other information on the future of various healthcare factors or changes, that the facilities in Middlesex County will make no changes in nursing staffing.

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, with the aid of a proprietary software application. This allowed management the ability to compare key financial ratios with those of similarly located facilities or the state. The ratios below are a common tool 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. Essentially, it's a way to evaluate a company's performance without having to factor in financing decisions, accounting decisions or tax environments. EBIDA Margin can be a meaningful gauge of a provider's ability to contain costs, it offers a clearer reflection of operations by stripping out expenses that can obscure how the company is really performing. The 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 and is important in measuring performance across a single industry with companies of different size and tax situations.

The following chart shows the provider's projected EBIDA Margin against the Middlesex County Median EBIDA Margin.

	2021	2021			2027			
		Middlesex County, MA 25th percentile	Middlesex County, MA 50th percentile	Middlesex County, MA 75th percentile		Middlesex County, MA 25th percentile	Middlesex County, MA 50th percentile	Middlesex County, MA 75th percentile
	CARE ONE AT NEWTON				CARE ONE AT NEWTON			
EBIDA	22.7%	-2.4%	6.2%	16.0%	15.2%	-2.4%	6.2%	16.0%
EBIDA (Excluding PHE)								

Observations

- The Nursing Home's EBIDA was above the 75th percentile in the county. The Nursing Home projects to be at or slightly below the 75th percentile upon approval of the project.
- Additionally, for both 2021 and 2027 the Nursing Home's EBIDA is above or slightly below the top quartile which is data that supports Management's ability to contain and control operating costs.
- The EBIDA for Middlesex County was assumed to remain at its 2021 level for purposes of this analysis.

Operating and Capital Budgets

In Benchmarking management's projected financial analysis, we analyzed and considered the Nursing Home's past and present operating and capital budgets. The Nursing Home does not maintain formal capital budgets. However, a review of past and present capital expenditures indicates that the Nursing Home intends to invest in the built environment of the residents at amounts consistent with the capital needs of the property and with their past expenditures.

	2021	Planned 2023	Planned 2024
Capital Expenditures	<u>\$ 378,910</u>	<u>\$ 381,100</u>	<u>\$ 392,533</u>

Capital expenditures from 2025 through the end of the projection period 2027 are consistent with the above planned amounts.

Balance Sheets

In benchmarking management's projected financial analysis, we analyzed the Nursing Home's balance sheets.

Working Capital Ratio

We analyzed the Nursing Home's working capital ratio for 2021 and the last year of the projection, 2027. The working capital also called current ratio is a measure of liquidity, meaning the business's ability to meet its payment obligations as they fall due.

Working Capital Ratio	2021				2027			
	Nursing Home	Massachusetts 25th percentile	Massachusetts 50th percentile	Massachusetts 75th percentile	Nursing Home	Massachusetts 25th percentile	Massachusetts 50th percentile	Massachusetts 75th percentile
	1.49	0.40	1.00	1.7	2.71	0.40	1.00	1.7

- The higher a company's working capital is, the more efficiently it functions. High working capital signals that a company is efficiently managed and suggests that it will be able to satisfy its obligations as they come due.
- The Nursing Home's working capital ratio is between the median and the upper quartile in 2021 and is above the upper quartile in 2027. The above ratio indicates the Nursing Home's ability to meet its obligations as they come due increases with the approval of this project.
- As noted above, the Nursing Home's liquidity ratio analyzed is projected to be above the upper quartile upon approval of the project.
- Although each situation is unique the above liquidity ratio has historically been widely accepted in the industry as one indicator of operational performance and financial health. As indicated above, the Nursing Home's Key Performance Indicator (KPI) before and upon approval of the project is slightly below or above the state upper quartile. This is also consistent with management's plans to operate the facility similarly to the past and present without any material alterations in operations or impact in care.