

JOHN P. SANNELLA, CPA

ACCOUNTING AND CONSULTING

INDEPENDENT ACCOUNTANT'S REPORT ON THE FINANCIAL SUITABILITY OF THE PROPOSED PROJECT BY LASELL VILLAGE, INC.

Board of Trustees
Lasell Village, Inc.
Newton, Massachusetts

I have performed an analysis of the financial projections for Lasell Village, Inc. This report details my analysis and findings with regard to the reasonableness of the financial feasibility of the proposed project. This report is to be used by management of Lasell Village, Inc. ("Management") on behalf of Lasell Village, Inc. in its Determination of Need Application – Factor 4(a) and should not be used for any other purpose.

The scope of my analysis was limited to an analysis of the compiled financial projections ("Projections") for the years ending 2025, 2026, 2027, 2028, and 2029 prepared in accordance with the attestation standards established by the American Institute of Certified Public Accountants for the projected operation of the Lasell Village, Inc. My analysis of the Projections and the related supporting documentation and conclusions contained within this report are based upon my detailed review of all relevant information, including actual operations for the years ending 2021, 2022 and 2023.

Reasonableness is defined within the context of this report as supportable and proper, given the underlying information. Feasibility is defined as based on Management achieving the hypothetical assumptions used, the plan is expected to result in "sufficient funds available for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant's existing Patient Panel" (per Determination of Need, Factor 4(a)).

This report is based upon compiled prospective financial information provided to me by Management. If I had audited the underlying data, matters may have come to my attention that would have resulted in my using amounts that differ from those provided. Accordingly, I do not express an opinion or any other assurances on the underlying data presented or relied upon in this report. I do not provide assurance on the achievability of the results forecasted by Management because events and circumstances frequently do not occur as expected, and the achievement of the forecasted results are dependent on the actions, plans, and assumptions of management. I reserve the right to update my analysis in the event that I am provided with additional information.

In preparing my analysis I considered multiple sources of information. It is important to note that the Projections do not account for any anticipated changes in accounting standards. These standards, which may have a material impact on individual future years, are not anticipated to have a material impact on the aggregate Projections.

Based upon my review of the relevant documents and analysis of the projected financial statements, I determined the Projections operating surpluses are reasonable expectations based upon achieving

the hypothetical assumptions that Management has included in the Projections. Accordingly, I determined that the Projections are financially feasible and sustainable and not likely to have a negative impact on the patient panel.

John P. Sannella, CPA

John P. Sannella, CPA
North Reading, Massachusetts

August 9, 2024

LASELL VILLAGE, INC.

Projected Financial Statements and
Independent Accountant's Compilation Report

Years Ended June 30, 2025 through 2029

LASELL VILLAGE, INC.

PROJECTED FINANCIAL STATEMENTS

Years Ended June 30, 2025 through 2029

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JOHN P. SANNELLA, CPA

ACCOUNTING AND CONSULTING

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Trustees
Lasell Village, Inc.
Newton, Massachusetts

Management is responsible for the accompanying projected financial statements of Lasell Village, Inc., which comprise the projected balance sheets as of June 30, 2025, 2026, 2027, 2028 and 2029, and the related projected statements of activities, and cash flows for the projected years ending June 30, 2025, 2026, 2027, 2028, and 2029, 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"). I 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. I did not examine or review the projected financial statements, nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions.

Furthermore, even if Lasell Village, Inc. can complete the construction of the Project (as defined in the summary 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. I have no responsibility to update this report for events and circumstances occurring after the date of this report.

The financial information in the accompanying 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, net assets, and operations of Lasell Village, Inc.

The accompanying Projection, and this report, are intended solely for the information and use of management, and Board of Trustees of Lasell Village, Inc., 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.

John P. Sannella, CPA

John P. Sannella, CPA
North Reading, Massachusetts

August 9, 2024

LASELL VILLAGE, INC.
PROJECTED BALANCE SHEETS
UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1
JUNE 30, 2025 THROUGH 2029

ASSETS	2025	2026	2027	2028	2029
Current Assets:					
Cash and cash equivalents	\$ 103,765,476	\$ 48,975,889	\$ 6,760,265	\$ 10,310,690	\$ 10,290,250
Patient accounts receivable, net	1,825,000	1,860,000	2,350,000	2,550,000	2,550,000
Notes receivable	800,000	1,050,000	1,050,000	1,050,000	1,050,000
Prepaid and other current assets	35,000	35,000	35,000	35,000	35,000
Cash limited as to use, residential wait list deposits	740,000	750,000	650,000	690,000	700,000
Total current assets	<u>107,165,476</u>	<u>52,670,889</u>	<u>10,845,265</u>	<u>14,635,690</u>	<u>14,625,250</u>
Assets limited as to use, Benevolent and Green Funds	267,217	292,217	317,217	342,217	367,217
Investments	61,756,676	64,844,510	68,086,736	71,491,073	75,065,626
Land	14,962,702	14,962,702	14,962,702	14,962,702	14,962,702
Property and equipment, net	<u>29,674,100</u>	<u>76,510,471</u>	<u>119,575,791</u>	<u>118,115,152</u>	<u>116,743,991</u>
Total Assets	<u>\$ 213,826,171</u>	<u>\$ 209,280,789</u>	<u>\$ 213,787,711</u>	<u>\$ 219,546,833</u>	<u>\$ 221,764,786</u>
LIABILITIES AND NET ASSETS (DEFICIT)					
Current liabilities:					
Accounts payable and accrued expenses	\$ 2,075,000	\$ 2,100,000	\$ 2,125,000	\$ 2,140,000	\$ 2,150,000
Due to affiliate	175,000	175,000	175,000	175,000	175,000
Deferred revenue	1,423,000	1,466,000	2,003,000	2,200,000	2,220,000
Residential wait list deposits	740,000	750,000	650,000	690,000	700,000
Current maturities of bonds payable - series 2024	828,976	1,105,302	1,157,472	1,212,105	1,269,316
Current maturities of bonds payable - series 2014	754,000	754,000	784,000	819,000	849,000
Total current liabilities	<u>5,995,976</u>	<u>6,350,302</u>	<u>6,894,472</u>	<u>7,236,105</u>	<u>7,363,316</u>
Long term liabilities:					
Deferred entrance fees, net	6,576,924	7,221,022	13,686,465	13,852,203	13,989,550
Refundable entrance fees	114,956,878	117,462,923	169,705,334	177,740,269	181,740,506
Fair value of interest rate swap	881,626	881,626	881,626	881,626	881,626
Residential wait list deposits	50,000,000	50,000,000	-	-	-
Current maturities of bonds payable - series 2024	64,171,024	63,065,722	61,908,250	60,696,146	59,426,830
Current maturities of bonds payable - series 2014	10,570,216	9,825,586	9,020,956	8,176,326	7,306,696
Total long term liabilities	<u>247,156,667</u>	<u>248,456,879</u>	<u>255,202,631</u>	<u>261,346,570</u>	<u>263,345,208</u>
Total liabilities	<u>253,152,643</u>	<u>254,807,180</u>	<u>262,097,103</u>	<u>268,582,674</u>	<u>270,708,524</u>
Net Assets (Deficit)					
Without donor restrictions.	(39,593,689)	(45,818,608)	(48,626,609)	(49,378,058)	(49,310,955)
With donor restrictions	267,217	292,217	317,217	342,217	367,217
Total net assets (deficit)	<u>(39,326,472)</u>	<u>(45,526,391)</u>	<u>(48,309,392)</u>	<u>(49,035,841)</u>	<u>(48,943,738)</u>
Total liabilities and net assets (deficit)	<u>\$ 213,826,171</u>	<u>\$ 209,280,789</u>	<u>\$ 213,787,711</u>	<u>\$ 219,546,833</u>	<u>\$ 221,764,786</u>

See summary of significant assumptions and accounting policies and independent accountant's compilation report.

LASELL VILLAGE, INC.
PROJECTED STATEMENTS OF ACTIVITIES
UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1
YEARS ENDING JUNE 30, 2025 THROUGH 2029

Net Assets Without Donor Restrictions	2025	2026	2027	2028	2029
Revenues:					
Supported Living	\$ 1,090,881	\$ 1,061,185	\$ 1,161,425	\$ 2,301,231	\$ 2,347,867
Skilled Nursing, net	4,886,650	3,272,644	2,598,982	4,852,559	5,010,268
Independent Living	15,625,498	16,188,248	20,914,939	23,347,556	24,281,458
Entrance Fee Amort	975,981	1,620,079	3,011,924	3,177,662	3,315,009
Total room and board revenue	22,579,010	22,142,156	27,687,270	33,679,008	34,954,602
Other Income	429,759	428,395	516,171	578,719	598,974
Total revenues	23,008,769	22,570,551	28,203,441	34,257,726	35,553,576
Operating Expenses:					
Salaries and Wages	9,474,631	9,497,174	10,223,212	11,062,323	11,539,660
Employee Benefits	2,377,019	2,382,675	2,564,825	2,775,343	2,895,099
RE Taxes	769,825	791,690	1,004,810	1,033,843	1,063,748
Management Fee	786,730	745,875	894,908	1,111,710	1,153,468
Food and Beverage	1,066,780	1,107,415	1,325,668	1,449,623	1,504,906
Interest Expense - Series 2014	628,409	589,175	548,210	505,513	461,085
Interest Expense - Series 2024	2,803,000	3,912,071	3,862,832	3,197,197	3,139,986
Non Labor & Allocated Corporate	6,458,579	6,176,882	6,264,209	7,123,290	7,336,988
Depreciation	6,536,472	6,794,162	7,564,993	10,154,670	9,966,088
Total operating expenses	30,901,444	31,997,120	34,253,668	38,413,513	39,061,026
Income (Loss) from Operations	(7,892,674)	(9,426,570)	(6,050,227)	(4,155,786)	(3,507,450)
Nonoperating Revenues and Expenses					
Net investment return	2,940,794	3,087,834	3,242,226	3,404,337	3,574,554
Interest Income on unused Series 2024	1,122,059	113,818	-	-	-
Total nonoperating revenues and expenses	4,062,853	3,201,652	3,242,226	3,404,337	3,574,554
Excess (Deficiency) of Revenues Over Expenses - Net Assets Without Donor Restrictions	(3,829,821)	(6,224,918)	(2,808,001)	(751,449)	67,103
Net Assets With Donor Restrictions					
Contributions	25,000	25,000	25,000	25,000	25,000
Increase in Net Assets With Donor Restrictions	25,000	25,000	25,000	25,000	25,000
Change in Net Deficit	(3,804,821)	(6,199,918)	(2,783,001)	(726,449)	92,103
Net Assets (Deficit) - Beginning of Year	(35,521,651)	(39,326,473)	(45,526,391)	(48,309,392)	(49,035,841)
Net Assets (Deficit) - End of Year	<u>\$ (39,326,473)</u>	<u>\$ (45,526,391)</u>	<u>\$ (48,309,392)</u>	<u>\$ (49,035,841)</u>	<u>\$ (48,943,738)</u>

LASELL VILLAGE, INC.
PROJECTED STATEMENTS OF CASH FLOWS
UNDER THE HYPOTHETICAL ASSUMPTIONS DESCRIBED IN NOTE 1
YEARS ENDING JUNE 30, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
Cash Flows from Operating Activities:					
Change in Net Deficit	\$ (3,804,821)	\$ (6,199,918)	\$ (2,783,001)	\$ (726,449)	\$ 92,103
Adjustments to reconcile increase (decrease) in net assets (deficit) to net cash from operating activities:					
Depreciation	6,536,472	6,794,162	7,564,993	10,154,670	9,966,088
Net investment return	(2,940,794)	(3,087,834)	(3,242,226)	(3,404,337)	(3,574,554)
Amortization of entrance fees	(975,981)	(1,620,079)	(3,011,924)	(3,177,662)	(3,315,009)
Net nonrefundable entrance fees received	1,730,723	1,730,723	6,804,322	1,695,970	1,499,969
(Increase) decrease					
Accounts receivable	(75,000)	(35,000)	(490,000)	(200,000)	-
Increase (decrease)					
Accounts payable and accrued expenses	25,000	25,000	25,000	15,000	10,000
Deferred revenue	58,000	43,000	537,000	197,000	20,000
Residential wait list deposits	40,000	10,000	(100,000)	40,000	10,000
Net cash provided by operating activities	593,599	(2,339,945)	5,304,164	4,594,192	4,708,597
Cash Flows from Investing Activities:					
Purchase of property and equipment	(2,729,500)	(2,811,385)	(2,895,727)	(2,982,598)	(4,575,958)
Purchase of property and equipment - project	-	(50,000,000)	(45,000,000)	-	-
Purchase of assets limited as to use	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Change in notes receivable	(800,000)	(250,000)	-	-	-
Net cash used by investing activities	(3,554,500)	(53,086,385)	(47,920,727)	(3,007,598)	(4,600,958)
Cash Flows from Financing Activities:					
Refundable entrance fees received	12,699,692	12,499,692	62,235,678	12,499,692	14,999,692
Refundable entrance fees refunded	(9,961,545)	(9,993,647)	(9,993,267)	(8,464,757)	(12,999,455)
Net change in borrowings under line of credit	(14,962,702)	-	-	-	-
Net change in borrowings under construction loan	50,000,000	-	(50,000,000)	-	-
Proceeds from bond payable - series 2024	64,171,024	-	-	-	-
Repayments of bonds payable - series 2024	(828,976)	(1,105,302)	(1,157,472)	(1,212,105)	(1,269,316)
Repayments of bonds payable - series 2014	(719,000)	(754,000)	(784,000)	(819,000)	(849,000)
Net cash used by financing activities	100,398,493	646,743	300,939	2,003,830	(118,079)
Net Increase (Decrease) in Cash and Cash Equivalents	97,437,592	(54,779,587)	(42,315,623)	3,590,424	(10,440)
Cash and restricted cash - beginning of year	7,067,884	104,505,476	49,725,889	7,410,265	11,000,690
Cash and Restricted Cash - End of Year	<u>\$ 104,505,476</u>	<u>\$ 49,725,889</u>	<u>\$ 7,410,265</u>	<u>\$ 11,000,690</u>	<u>\$ 10,990,250</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Supplemental Disclosure of Cash Flow Information

Cash paid during the year:

Interest	\$ 3,431,409	\$ 4,501,247	\$ 4,411,042	\$ 3,702,711	\$ 3,601,070
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LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

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 Lasell Village, Inc. (the “Applicant” or “Village”), the expected balance sheets as of June 30, 2025 through 2029, and the expected results of operations and cash flows for the years ending June 30, 2025 through 2029 (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 and Nursing Home are able to develop, market, construct, and complete the proposed renovation project (the “Project”, as defined more fully hereinafter).
- The Applicant and Nursing Home are able to obtain all regulatory approvals for construction of its Project.
- The Nursing Home is able to complete the Project within the cost structure presented in this Summary of Significant Projection Assumptions and Accounting Policies of total Project costs of approximately \$ 6,703,239.
- The Nursing Home 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 projected 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.

Accordingly, the Projection reflects Management’s judgement as of August 9, 2024 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.

2. ORGANIZATION AND PROJECT DESCRIPTION

Organization

The Applicant Lasell Village Inc., registered as a 501 (c) 3 corporation, is a non-profit educationally based continuing care retirement community, sponsored by Lasell University, and located on its thirteen (13) acre campus. In addition to one hundred eighty-two (182) independent living and nine (9) supportive living units, the campus includes Lasell House, a skilled nursing facility. To best serve the community, the full continuum of care is accessible at Lasell Village. Lasell Village is recognized

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

2. ORGANIZATION AND PROJECT DESCRIPTION...continued

nationally as a leader in building a highly touted living and learning community of excellence for aged adults.

Lasell House is a thirty-eight (38) bed Medicare certified skilled nursing facility, located in Newton, Massachusetts in Middlesex County. Newton is an affluent residential community 11 miles from downtown Boston with over 87,000 residents. The facility provides stellar short-term rehabilitation services along with long-term skilled nursing, hospice care, and respite care. Patients, who would benefit from a short-term rehabilitation stay, with a goal of returning home once rehabilitation and medical goals are achieved, is the focus of Lasell House. The existing facility, originally constructed and certified by Medicare in the year 2000, has one nursing unit on the third floor of a multi-use building containing 13,528 Gross Square Feet (GSF). There have been no additions since the original construction. The configuration for licensed beds is twelve (12) private rooms and thirteen (13) semi-private rooms. The facility is a five (5) star Medicare rated facility with a strong Department of Health survey history, staffing patterns significantly above state and national averages, and excellent quality measures/clinical outcomes. Due to the age of the facility, upgrades are needed to outdated finishes and furnishings in resident rooms and common areas as well as new design features to make the facility feel more homelike and comfortable for residents.

The proposed project includes decreasing the number of licensed beds to twenty-three (23) with seventeen (17) private rooms and three (3) semi-private rooms. The decrease in licensed beds will allow for re-designing and modernizing the unit, including the installation of showers in each patient bathroom. In addition to private rooms being requested by prospective residents, private rooms can better accommodate patients with infections requiring special precautions or in the event of a future pandemic. Hospital discharge planners routinely send referrals on patients who require a private room for isolation precautions and/or medical reasons. By having more private rooms available, a hospital bed in turn becomes available for a patient no longer requiring acute care. Infection and infectious disease management is an integral part of the care provided.

Lasell Village Inc. engaged the services of the architectural firm DiMella Shaffer, general contractor and construction firm C. E. Floyd, and project management by The Vertex Companies to evaluate the existing facility. They developed a Scope of Work that included energy efficiency improvements, and upgrades that would make the environment more homelike. The project includes a renovation of the entire building, including all patient care, staff, and support spaces. The goal is to restore and sustain aging elements of the facility to provide an enhanced environment for patients and a more efficient environment for staff to work. These upgrades will improve the patient experience and quality of life by increasing satisfaction and providing a safe environment.

The proposed project includes upgrades to the physical plant. Upgrades will reduce maintenance and utility costs. There is no new construction or additions but an increase to the Square Footage of the facility by 515 square feet with the tub room, soiled linen room, and storage area being relocated to the lower level.

Project Description

This project is a phased renovation of the third floor Skilled Nursing Facility Lasell House. The facility has twenty-five (25) total bedrooms accommodating up to thirty-eight (38) residents. At present, all twenty-five (25) bedrooms have a toilet and sink with only one of the twenty-five (25) bedrooms having its own shower (the Special Care Isolation Bedroom). The other patients are currently transported to

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

2. ORGANIZATION AND PROJECT DESCRIPTION...continued

the Tub/Shower Room resulting in patients having to wait to receive a shower when the room is not occupied.

Upon completion of the phased renovation, the facility will provide skilled nursing care in seventeen (17) Private Bedrooms and three (3) Semi-Private Bedrooms. The Semi-Private Bedrooms will be able to accommodate two residents or allow for a couple to remain together as they age through the Continuum of Care. The twenty (20) total bedrooms accommodate twenty-three (23) licensed beds with each bedroom having a full bathroom including toilet, sink, and shower. A select number of rooms will also be outfitted with additional structural blocking within the ceilings to accommodate Hoyer lifts in the future if they are needed. The tub room will be relocated to the lower level within the same building and located directly off the elevator. Service spaces will include a nursing station and two charting stations, a rehabilitation gym, dining space with nourishment kitchen, clean linen, clean utility room, medication room, oxygen storage, general storage, and public bathrooms. A new Linen Chute will be integrated into the building from the third floor emptying into a new Soiled Linen Room located in the lower level. The chute will alleviate the need for soiled linen closets to be located on the unit and will assist with infection prevention.

The feel of the existing facility is reminiscent of a hospital setting as was typical of most skilled nursing facilities when Lasell House was constructed. One of the goals of this renovation, and one that is tied to Lasell's overall desire to improve the culture is to create a more homelike and welcoming feel within the facility. To achieve this goal, the new design does not include a central nurse's station and instead locates nurses and charting stations directly off the corridors so that they are easily accessible and able to monitor patients without being in the main circulation space. While finish materials still need to be durable and meet the fire rated standards for a skilled nursing facility, the design team will choose warm and inviting materials that would feel more like a home setting. Patient bedrooms will have new beds, bedside cabinets, bureaus, chairs, and window treatments as part of the renovation. Common areas will have new furniture, tables, and other accessories.

Regarding building systems, the existing main mechanical, electrical, and plumbing infrastructure will remain, and the new design will connect to these existing systems. Improvements for patient comfort will be made by providing each bedroom with its own thermostat to independently control heating and cooling as currently two bedrooms share a single thermostat control. Additionally, the existing windows on the third floor will be replaced with new high-performing energy efficient windows. The roof on the building will be replaced as it is past its useful life.

The overall maximum capital expenditure (MCE) sought in this application is \$6,703,239.35 (March 2024 dollars).

Of the facility's current patients 84% are female and 16% are male. The ages of current patients are 4% ages 65-74, 32% ages 75-84, 48% ages 85-94, 16% ages 95-99 and 16% over the age of 100. While Lasell Village does not discriminate against any race or religion and welcomes all to its facility, 96% are Caucasian and 4% are African American. Religious affiliations include 40% Catholic, 8% Protestant, 28% Judaism and 24% unknown.

Lasell House primarily serves patients from Newton, Wellesley, Weston and those residing in the Lasell Village Community.

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

2. ORGANIZATION AND PROJECT DESCRIPTION...continued

The payer mix for 2023 includes 56% Medicare A, 12% Private Pay, 8% Managed Care and 24% Lasell Villagers. The short-term Medicare and Managed Care patients are admitted for rehabilitative services, including physical, occupational and speech therapy, to attain maximum potential and return home. The average length of stay is 17 days. The typical resident mix by diagnosis is orthopedic (joint replacements, fractures related to injury), surgical (general surgery, cardiac surgery), and medical (respiratory, metabolic, cardiac).

In 2023, Lasell House received an average of 316 referrals per month and an average of 30 admissions per month. Of the referrals, 67% were received from six acute care hospitals: Beth Israel Deaconess Medical Center, Boston 23%, Newton-Wellesley Hospital and Beth Israel Deaconess Hospital, Needham both at 14%, Brigham & Women's Hospital 6% and Massachusetts General Hospital and Tufts Medical Center both at 5%. The high volume of referrals is indicative of the reputation Lasell House has with their acute care partners. Total admissions include Newton-Wellesley 39%, Massachusetts General 21%, New England Baptist 9% and other 15%. The facility participates in the referring hospital's ACO/PHO waiver program so the end of the 1135 waiver has not had an impact on the three-day qualifying stay for Medicare A patients. Lasell House is an active participant in the Newton Wellesley Hospital Transitions & Care Continuum Teams Meetings. Of the patients admitted to Lasell House, 14% reside in Lasell Village.

Lasell House operates in a highly competitive environment. There are 4 competitor facilities with 491 beds within a three-mile radius of Lasell House. The facilities include: West Newton Healthcare, Newton with 123 beds, Stone Rehab & Senior Living, Newton with 82 beds, Care One Newton with 202 beds, and Elizabeth Seaton, Wellesley with 84 beds.

If approved and implemented, this Determination of Need (DON) project will allow Lasell village to improve the quality of the patient experience by redesigning and upgrading the facility as outlined in the Scope of Work section of the application.

Independent Living

In addition to the renovation of the skilled nursing facility, Lasell Village will expand its independent living services with the renovation and construction of 42 additional independent living units. The total project is estimated to be approximately \$100m. The project will include the purchase of land for approximately \$15m which will be financed with a line of credit which will be subsequently refinanced with the 30 year permanent debt.

3. LONG TERM LIABILITIES

New Long Term Liabilities

The accompanying Projection assumes that the Project will be financed by a \$50m construction loan which will be repaid upon the receipt of the entrance fees in the new independent living units, a \$50m capital project financing with a 30 year term and a \$20m LOC refinancing also with a 30 year term. It is estimated that the construction loan will have an interest rate of approximately 5.2% and the 30 year financing will have an interest rate of approximately 4.72% and will be secured by an additional mortgage on the real property.

LASELL VILLAGE, INC.**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES
YEARS ENDED JUNE 30, 2025 THROUGH 2029****3. LONG TERM LIABILITIES...continued**

It is assumed the Loan will be payable in monthly installments of principal and interest of approximately \$367,442 maturing on August 1, 2054. Any material changes in the terms of the actual Loan would impact the results of the Projection.

Existing Long Term Liabilities

The Village has bonds outstanding purchased by Banc of America Public Capital Corp. The Massachusetts Development Finance Revenue Bond, Lasell Village Inc. Issue Series 2014 requires principal payments every January 1 with interest payable on a monthly basis. The 2014 Bond Series was amended on June 1, 2023 which changed the interest rate index from London Interbank Offered Rate ("LIBOR") to a daily Secured Overnight Financing Rate ("SOFR") (approximately 4.2% at June 30, 2024.) The bonds mature on January 1, 2037.

The following are assumed current maturities of long-term debt for each of the next five years:

Projected Year Ending June 30	Assumed Current Maturities
2025	\$ 1,547,976
2026	1,859,302
2027	1,941,472
2028	2,031,105
2029	2,118,316

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

Projected revenue consists of revenue from residential and supported living fees along with net patient service and health care services. Management's baseline projected revenue and expenses for 2024 were derived from financial data for the current period 2023, and management's historical experience of operating the Facility. This information was utilized to project and establish a baseline for the year ending June 30, 2024. 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 projected baseline payer mix and per diems:

	<u>2025-2026</u>	<u>2027-2029</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
	Projected	Projected					
	<u>Payer Mix</u>	<u>Payer Mix</u>	<u>Per Diem</u>	<u>Per Diem</u>	<u>Per Diem</u>	<u>Per Diem</u>	<u>Per Diem</u>
Medicare	0.0%	52.4%	\$ 651	\$ 672	\$ 694	\$ 717	\$ 740
Managed care	0.0%	4.8%	510	526	544	561	579
Villager	55.6%	23.8%	334	345	356	368	380
Private	44.4%	19.0%	542	560	578	597	616
Total	<u>100.0%</u>	<u>100.0%</u>					

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

4. MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND EXPENSES...continued

The following table summarizes the projected occupancy:

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Projected Occupancy %	38%	38%	88%	88%	88%

Management calculated the baseline revenues for the year ending June 30, 2024, utilizing current reimbursement and economic conditions, and current nursing home regulations.

Management utilized the latest closed fiscal year census to establish the base occupancy and mix as noted above. During construction all but 10 beds will be taken out of service, limiting occupancy to approximately 38%. With the renovation and decrease in licensed beds, occupancy is expected to grow to 88% in 2027, 2028 and 2029.

Payor Rates were obtained initially via the skilled nursing facility supplied actual billed rates. The rates are expected to increase by 3.25% per year throughout the projection.

Independent living revenue is expected to increase 4% per year and supported living revenue is expected to increase by 3% per year.

Other revenue including investment income is based on \$40m of long-term investments after construction, assuming a spending policy of 4.5% and a long term investment return of 4%.

Operating Expenses

The expense base was captured from actual operations for the fiscal year ended June 30, 2023. Expenses were classified as IL labor, SLU labor, SNF labor, Non-labor and food. The inflation assumptions used were 3.25% for IL labor, 4% for SLU labor, 3% for SNF labor, 3% for Non-labor and 4% for Food.

Salaries and Related Taxes and Benefits

Salaries were assumed to increase through the Projection Period consistent with the increases in operating expenses as noted above. 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 25% of wages during the Projection Period.

Operating Assets and Liabilities

Accounts Receivable is expected to increase as more units are placed in service. Accounts payable and accrued expenses are expected to remain at current supportable amounts.

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Without Donor Restrictions – Net assets available for general use and are not subject to donor restrictions. Net assets without donor restrictions also include investment in property and equipment, net of accumulated depreciation and the related debt obligations and undesignated funds.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities, other than endowment and similar funds, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of time restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments purchased with a maturity of three months or less. The Village maintains its cash in a deposit account which, at times, may exceed federally insured limits. The Village monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. Cash equivalents held by investment managers are considered part of investments given the expectation of near-term reinvestment.

Accounts Receivable

Accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Accounts are written off when deemed uncollectable. Recoveries of accounts receivable previously written off are recorded when received.

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Investments and Investment Income

Investments are reported at estimated fair value consistent with the fair value policies described elsewhere in this section. Net investment return (loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurements

The Village reports required types of financial instruments in accordance with the fair value standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value per share ("NAV") when certain requirements are met. Items reported at fair value on a recurring basis include investments.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the Village has the ability to access at measurement date.
- Level 2 - inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.
- Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgement is required in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgement used in measuring fair value. It is reasonably possible that change in values of the instruments will occur in the near term and that such changes could materially affect amounts reported in these statements.

Assets Limited as to use, Benevolent and Green Funds

The Lasell Village Board of Trustees approved the establishment of the Lasell Village Benevolent Fund. The goal of the fund is to assist Lasell Village in the care of residents who, through no fault of their own, have exhausted their financial resources. Additionally, the Board of Trustees approved the

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

establishment of the Lasell Village Green Fund. The Green Fund was donated by a resident to enhance sustainability initiatives at the Village. The related investments are considered Level 1 assets.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Land Lease

The Village leases land from an affiliate under an operating lease arrangement through December 2028 for which expense is recognized on a straight-line basis over the lease term. The lease will end on June 1, 2024 when the Village purchased the land for a cost of \$14,962,703.

Property and Equipment

Property and equipment are recorded at cost. Assets with an estimated useful life of more than one year are capitalized. Property is reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the assets carrying amount over the fair value of the asset. Depreciation is computed using the straight-line method over the estimated useful life of two to thirty years once placed in service. Projects that are comprised of multiple phases are placed into service at the substantial completion of each phase.

Deferred Revenue

Deferred revenue represents monthly residential fees and private skilled nursing facility fees billed to residents prior to the period in which they are earned. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Residential Wait List Deposits

These deposits consist of deposits received from future prospective members who want to be included on the Village's wait list. These deposits are held in escrow and are applied to the remaining entrance fee thirty days prior to occupancy.

Refundable and Deferred Entrance Fees

The Village enters into continuing-care contracts with residents. The Village offers two contract options. The first option is an entrance fee, of which 10% is non-refundable and the remaining 90% is refundable. The non-refundable entrance fee is recorded as deferred entrance fees upon occupancy.

The non-refundable portion of the entrance fee is amortized to revenue using the straight-line method over the estimated remaining life expectancy of each resident, with the actuarial life expectancy reevaluated annually. During the first ten months of occupancy, a portion of the non-refundable entrance fee is reimbursable should a resident terminate their contract.

The second contract option is a declining balance contract. The declining balance contract allows the resident to pay 65% of the entrance fee and the equity in the fee drops 1% a month for 100 months with no equity in the apartment at 8 years and 4 months. These fees are amortized to revenue using the straight-line method over the estimated remaining life expectancy of the resident, with the actuarial life expectancy reevaluated annually.

For agreements entered into before April 2003, the refundable entrance fee is refunded upon the earlier of the reoccupancy of the unit or nine months and is classified as refundable entrance fees. These

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

refundable entrance fees are required to be paid if reoccupancy does not occur on a timely basis and are not amortized into revenue.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

For agreements entered into subsequent to April 2003, the refundable portion of the entrance fees is not paid to the terminating resident until the unit is reoccupied. These payments are classified as refundable entrance fees and are not amortized into revenue.

The Village, at its discretion, will grant financial assistance, in the form of an advance on their entrance fee, to its residents when this will not impair the ability of the Village to operate on a sound financial basis. Requests for an advance on an entrance fee are reviewed by management to determine whether or not a resident is eligible. The Village has the right to recover the assistance provided, together with interest, at an annual rate equal to the prime rate plus one percent. This becomes effective on the date a resident terminates his or her agreements with the Village. This amount will be deducted from the refund of entrance fees.

Fair Value of Interest Rate Swap

The Village reports its interest rate swaps at fair value. Fair Value is determined as per the fair value policies as described earlier in this section.

Bonds Payable

Bonds payable are reported at the face value of the remaining obligation under the related debt issue, net of the premium, discount and issuance costs. Premiums, discounts and issuance costs are amortized over the term of the related indenture.

Future Service Obligation

The Village enters into agreements with residents to provide certain services for life. In General, this includes a living space, use of community facilities, access to the skilled nursing facility, meals, maintenance and security. As of June 30, 2023, the Village calculated its obligation to provide future services to current residents using the work of an independent third-party actuary. The actuary uses standard practices to perform these computations. Implicit in these computations are assumptions regarding the expected future outcomes at the Village.

As of June 30, 2023, the deferred revenue from entrance fees exceeded the present value of the net cost of providing future services and the use of facilities. The Village determined that it had an obligation of zero as of June 30, 2023 for the cost of providing future services.

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Earned revenues are under arrangements that are one year or less in length.

Under accounting standards, earned revenue measurement is driven via a principles based process that requires the entities: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Contributed support follows different standards. A summary of each of the revenue and support flows are as follows:

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Residential and supported living fees along with net patient service and health care services revenue are reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered.

Residential fees are recorded as revenue in the period earned based on established rates pursuant to agreements with residents. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

For the year ended June 30, 2023, skilled nursing facility revenue, net of contractual allowances and discounts but before the provision for bad debts of approximately \$30,000, recognized in the period from these major payor sources, is as follows:

	<u>Third-Party</u>	<u>Private Pay</u>	<u>Total</u>
Skilled nursing facility revenue (net of Contractual allowances and discounts)	\$4,039,514	\$1,238,845	\$5,278,359

For the year ended June 30, 2023, net revenues from the Medicare program accounted for approximately 56% of total skilled nursing facility revenues. Under the Patient Driven Payment Model system which the Village uses, reimbursement from Medicare is based upon a case-mix classification that drives daily reimbursement that is generally not subject to retroactive adjustments. Such revenues are earned ratably over the duration of the patient's stay.

Deferred entrance fees are recognized as revenue over the estimated remaining life expectancy of the resident.

Expenses are reported as decreases in net assets without donor restrictions. Net return on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as "net assets released from restriction" between the classes of net assets.

Non-operating activities include the net gains and losses related to the Village's interest rate swap agreements and net investment return (loss) and the loss on disposal of property and equipment.

Use of 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

LASELL VILLAGE, INC.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES YEARS ENDED JUNE 30, 2025 THROUGH 2029

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Management Fees

The Nursing Home has a management contract with a related party. Management fees included in the base projection year ending June 30, 2025 amounted to approximately \$787,000. The remainder of the Projection Period assumes the management fees increase at an inflationary factor of 3.7% for 2026 through 2029.

Income Taxes

The Village is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code. The Organization files as a tax-exempt organization. Should that status be challenged in the future, the Organization's returns are open for examination by federal and state taxing authorities for three years after filing. The Organization follows the policy for uncertainty in income taxes to be recognized in an entity's financial statements. No uncertain income tax positions were anticipated or identified for the Projection Period.