CliftonLarsonAllen LLP
CLAconnect.com

November 17, 2025

Determination of Need, Director
Determination of Need Program
Department of Public Health

RE: Determination of Need Application – Sherrill House, Inc.

Dear Director,
The accompanying financial analysis is submitted in connection with 105 CMR 100.210 (4) (a). The analysis consists of 1) Benchmarking Analysis-which constitutes other relevant financial information to assist the department 2) Compilation -compilation of prospective financial information for the subsequent five-year period prepared in accordance the attestation standards established by the American Institute of Certified Public Accountants. The information collectively is included to assist the department in rendering a decision regarding the Determination of Need application of Sherrill House, Inc. (the “Company”). The information is intended solely for the use of management and board of directors 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)

Mark Cummings, CPA
Principal
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SHERRILL HOUSE, INC. - FACTOR 4 ATTACHMENTS

TABLE OF CONTENTS

1) **CONSULTING REPORT BENCHMARKING ANALYSIS**

2) **PROJECTED FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT YEARS ENDING DECEMBER 31, 2025 THROUGH DECEMBER 31, 2030**

SHERRILL HOUSE, INC.

BENCHMARKING ANALYSIS

PROCESS OVERVIEW

Management Projections

CliftonLarsonAllen LLP (CLA) was requested by the management of Sherrill House, Inc. to analyze the financial projections prepared by Sherrill House, Inc. ("Management" or "Sherrill House") for the projected years ending December 31, 2025, through 2030 (see separate compilation report dated September 12, 2025) and benchmark the stabilized year of Sherrill House's projection to industry data and calculate key financial ratios and compare Sherrill House's metrics to industry data for facilities in Suffolk County. In performing this analysis CLA utilized both Medicare and Medicaid cost report data maintained by the Centers for Medicare and Medicaid Services (CMS) and the Massachusetts Center for Health Information and Analysis (CHIA) with the aid of a proprietary software application and historical audited financial statements.

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.

BENCHMARKING ANALYSIS

To benchmark Sherrill House's projection, providers in Suffolk County were utilized. Sherrill House's 2024 Medicare and Medicaid cost report data were compared to Suffolk County Medicare and Medicaid cost report data for the most recent available period of 2024. The Suffolk County data was then projected out to 2030 with an applied 2% revenue inflation factor and 2.25% expense inflation factor and compared to management's projected year 2030.

PROPOSED PROJECT

The proposed project includes renovation and restoration of Sherrill House's rehabilitation gym and maintaining the building envelope by replacing the roof and rooftop HVAC units, repairing the elevator flooring and installing a fire panel motherboard and replacing windows.

MANAGEMENT'S PROJECTIONS

Occupancy/Payer Mix/Revenue per Patient Day

Projected revenue consists of revenue from operating the skilled nursing facility. Management's baseline projected revenue for the first year of the projection, 2025, was derived from interim financial data for the current period, management's historical experience of operating the Facility, and current reimbursement and nursing home regulations. This information was utilized to project and establish a baseline for the projection; 2025. Management utilized the average daily census from 2024 and interim 2025. 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 drop in census in 2020 was caused by covid, prior to 2020, the facility ran at occupancy levels consistent with 2024. Occupancy projections are anticipated to be consistent with 2024.

Historical Operations

Historical Average Occupancy
December 31,

	2020	2021	2022	2023	2024
Occupancy %	73.77%	76.31%	77.57%	80.74%	92.90%

Based on Active Beds which fluctuates through October 2023 - 182 forward

Historical Average Payer Mix
December 31,

	*2020	*2021	*2022	*2023	*2024
Private	3.27%	4.22%	6.17%	6.71%	8.45%
Medicare	11.77%	9.92%	11.82%	16.04%	13.62%
Medicaid	78.17%	69.65%	74.47%	70.37%	70.88%
HMO/Other	6.79%	16.21%	7.54%	6.88%	7.05%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

*Massachusetts' Medicaid Cost Report Data

Projected Operations-Occupancy and Census

The following table summarizes Sherrill Houses's 2024 projected data compared to 2024 Suffolk County data for beds and occupancy, payer mix and revenue per patient day. The numbers are then inflated out for Suffolk County to compare to Sherrill House's projected year five, which is 2030.

	2024	2024				2030			
	Sherrill House	Suffolk County, MA 25th percentile	Suffolk County, MA 50th percentile	Suffolk County, MA 75th percentile	Inflation Adjustment	Sherrill House	Suffolk County, MA 25th percentile	Suffolk County, MA 50th percentile	Suffolk County, MA 75th percentile
Occupancy~									
Occupancy %	92.9%	80.7%	89.9%	93.1%		94.3%	80.7%	89.9%	93.1%
Total SNF/NH Days	61,866	29,591	40,827	42,795		62,650	29,591	40,827	42,795
SNF Payor Mix (% of Days)									
Medicare FFS	13.6%	5.5%	7.0%	10.9%		14.0%	5.5%	7.0%	10.9%
Medicaid	70.9%	47.8%	56.7%	64.8%		69.6%	47.8%	56.7%	64.8%
Other (including MC Advantage)	15.5%	21.7%	32.2%	43.4%		16.4%	21.7%	32.2%	43.4%
Revenue per Patient Day									
Medicare FFS	$749	$705	$726	$751	2.0%	$854	$802	$825	$853
Other	$410	$317	$348	$421	2.0%	$412	$357	$391	$474

~ Based on active beds note Medicare inflated 3% for 2026

Projected Operations – Occupancy and Census (Continued)

Projected Average Occupancy
December 31,

	2025	2026	2027	2028	2029	2030
Occupancy %	94.31%	94.31%	94.31%	94.31%	94.31%	94.31%
Total Days	62,650	62,650	62,650	62,822	62,650	62,650

Observations:

- Sherrill House's projected occupancy is slightly above the 75th percentile for the county after the proposed project's completion and slightly under the 75th percentile in 2024.

Sherrill House's current operating business model will be carried out consistently with past operations. The Applicant's overall goal for the proposed project is to sustain and restore the facility while also improving treatment spaces to improve patient health outcomes and patient satisfaction.

- Sherrill House's patient mix is expected to remain consistent after the completion of the renovations, continuing to provide access to all potential community members regardless of payor.
- Sherrill House's Medicare rate is higher than the median and just below the 75th percentile before the proposed project and slightly above the 75th percentile at the end of the projection in 2030. Sherrill House cares for a mix of long-term care residents as well as clinically intensive short-term care patients and medically intensive patients.
- Sherrill House's mission is to achieve, sustain, and exceed standards of excellence in skilled nursing and rehabilitation, to aging adults and their families in the Greater Boston community that it has been serving since 1907. To meet this mission, Sherrill House is committed to meeting the evolving needs of its community and offers specialized clinical skilled nursing programs including palliative and end of life services, onsite dialysis, care for patient with a left ventricular assistive device (VAD), and complex wound care. Sherrill House envisions a diverse Greater Boston community where all aging adults and their families will experience being known, comforted, and cared for with skill, dignity, and respect.
- Like other facilities, Sherrill House's occupancy was affected by COVID. However, it has rebounded to pre-covid levels and is consistent with the county 75th percentile.

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 (2025) were derived from actual financial data of the facility for 2024 and interim data for 2025, and Management's historical experience of operating the facility. This information was utilized to project and establish a baseline for the projection; 2025.

Historical Operations-Expenses

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

Sherrill House
Historical Costs per Patient Day by Department*
December 31,

	2022	2023	2024
Administration	$158	$134	$128
Plant	23	23	22
Dietary	45	43	39
Housekeeping/Laundry	14	17	15
Nursing	207	225	212
Social Services	7	8	6
Other General Services	9	8	7
Total Costs	$463	$458	$429

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

Projected Operations-Expenses

The following table summarizes Sherrill House's 2024 data compared to 2024 Suffolk County data expenses by department per patient day. The 2024 Suffolk County numbers are then inflated by 2.25% each year compared to Sherrill House's projected year six, which is 2030.

Projected Operations-Expenses (Continued)

	2024	2024				2030			
	Sherrill House	Suffolk County, MA 25th percentile	Suffolk County, MA 50th percentile	Suffolk County, MA 75th percentile	Inflation Adjustment	Sherrill House	Suffolk County, MA 25th percentile	Suffolk County, MA 50th percentile	Suffolk County, MA 75th percentile
Costs per Patient Day*									
Administration	$119	$102	$120	$137	2.25%	$172	$117	$137	$157
Plant	$20	$15	$20	$25	2.25%	$30	$17	$23	$29
Dietary	$36	$22	$26	$31	2.25%	$40	$25	$30	$35
Laundry	$7	$4	$4	$6	2.25%	$8	$5	$5	$7
Housekeeping	$7	$7	$9	$10	2.25%	$8	$8	$10	$11
Nursing	$176	$138	$158	$183	2.25%	$207	$158	$181	$209
Social Services	$5	$4	$5	$6	2.25%	$6	$5	$6	$7
Other General Services	$6	$4	$5	$8	2.25%	$4	$5	$6	$9
Total Costs	$376	$296	$347	$406		$475	$340	$398	$464

*Ancillary expenses and Capital are excluded for both Sherill House and the benchmark data.

Observations:

- Sherrill House reports a cost structure in 2024 between the 50th and 75th percentile and above the 75th percentile for the projection upon completion of the project. However, as noted below in the financial ratios, Sherrill House remains above the 50th percentile in all these categories and does not anticipate a negative impact on care as a result.
- Historically, Sherrill House's costs, except for nursing, have been within a reasonable range compared to facilities in the county. Upon completion of the Project Sherrill House's cost will be above the 75th percentile. The Nursing costs and Administration (due to inclusion of depreciation and increase due to project) are expected to increase the most upon completion of the Project and are expected to exceed the 75th percentile. As noted above, Sherrill House will remain at or above the Median in all the financial ratio categories analyzed, thus does not anticipate any drastic change in the operating structure for care of the patient panel.
- For this observation, it is assumed, with no other information on the future of various healthcare factors or changes, that the facilities in Suffolk County will make no changes in nursing staffing.

KEY FINANCIAL RATIOS

In performing this analysis CLA utilized both Medicare and Medicaid cost report data maintained by CMS and the Massachusetts Center for Health Information and Analysis (CHIA), with the aid of a proprietary software application and historical audited financial statements. Utilizing the above information, CLA computed and compared key financial ratios with those of similarly located facilities. The ratios below are a common tool used by financial institutions and the health care industry to evaluate the operations and financial performance of a health care entity.

Key Financial Ratios (Continued)

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 the 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 Suffolk County Median EBIDA Margin.

	2024	2024		
	Sherrill House	Suffolk County, MA 25th percentile	Suffolk County, MA 50th percentile	Suffolk County, MA 75th percentile
EBIDA	6.1%	-9.3%	0.9%	5.9%

	2030			
	Sherrill House	Suffolk County, MA 25th percentile	Suffolk County, MA 50th percentile	Suffolk County, MA 75th percentile
EBIDA	4.3%	-9.3%	0.9%	5.9%

Observations

- Sherrill House's EBIDA was above the 75th percentile in 2024.
- The 2030 projection shows Sherrill House's EBIDA is well over the median, which shows Management's ability to contain and control operating costs.
- The EBIDA for Suffolk County was assumed to remain at its 2024 level for purposes of this analysis.

Operating and Capital Budgets

In Benchmarking management's projected financial analysis, we analyzed and considered Sherrill House's past and present operating and capital budgets. Sherrill House does not maintain formal capital budgets. However, except for the first year following construction, a review of past and present capital expenditures indicates that Sherrill House intends to continue to invest in the built environment of the residents at amounts consistent with the capital needs of the physical plant after completion of the large project.

Operating and Capital Budgets (Continued)

	2024	Planned 2028	Planned 2029	Planned 2030
Capital Expenditures	$ 974,574	$ 150,000	$ 150,000	$ 150,000

Balance Sheets

In benchmarking management's projected financial analysis, we analyzed Sherrill House's balance sheets as noted below:

Days Cash on Hand

We computed and analyzed Sherrill House's days cash on hand ratio for 2024 and the last year of the projection, 2030. The days cash on hand ratio is a liquidity ratio that indicates an entity's ability to satisfy its current operating expenses with the current cash available. Days cash on hand is derived by Cash/Average Daily Cash Expenses. Average Daily Cash expenses=Expenses less depreciation, amortization, and other noncash expenses/365.

	2024	2024		
	Sherrill House	Suffolk County, MA 25th percentile	Suffolk County, MA 50th percentile	Suffolk County, MA 75th percentile
Days Cash on Hand	20.0	-	5.7	33.2

	2030			
	Sherrill House	Suffolk County, MA 25th percentile	Suffolk County, MA 50th percentile	Suffolk County, MA 75th percentile
Days Cash on Hand	46.0	-	5.7	33.2

- Sherrill House's cash on hand ratio is above the 50th percentile on December 31, 2024, and is projected to be above the top quartile by 2030, the last year of the projection.
- The Days Cash on Hand for Suffolk County was assumed to remain at its 2024 level for purposes of this analysis.

Working Capital Ratio

Working capital ratio is a measure of liquidity, meaning the business's ability to meet its payment obligations as they fall due. Working capital is the money used to cover all a company's short-term expenses, including inventory, payments on short-term debt, and day-to-day expenses-called operating expenses. Working Capital Ratio= Current Assets/Current Liabilities

Working Capital Ratio (Continued)

*2024	2030
0.81	1.27

*December 31, 2024 Financial

- Generally, a working capital ratio of less than one is an indicator of potential future liquidity problems.
- As noted above, Sherrill House's liquidity ratios are projected in 2030 to be above one upon completion of the proposed project and projection period.

SUMMARY

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

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

COMPILATION OF A FINANCIAL PROJECTION

SHERRILL HOUSE, INC.

FOR THE YEARS ENDING
DECEMBER 31, 2025 THROUGH 2030

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANTS’ COMPILATION REPORT	1
PROJECTED STATEMENTS OF FINANCIAL POSITION	2
PROJECTED STATEMENTS OF ACTIVITIES	3
PROJECTED STATEMENTS OF CHANGES IN NET ASSETS	4
PROJECTED STATEMENTS OF CASH FLOWS	5
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES	6

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sherrill House, Inc.
Jamaica Plains, Massachusetts

Management is responsible for the accompanying projected financial statements of Sherrill House, Inc. which comprise the projected statements of financial position as of December 31, 2025, 2026, 2027, 2028, 2029 and 2030 and the related projected statements of activities, changes in net assets, and cash flows for the projected years ending December 31, 2025, 2026, 2027, 2028, 2029 and 2030 and the related summaries of significant projection 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"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected combined financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected combined financial statements or the assumptions.

Furthermore, even if the hypothetical assumptions (the Hypothetical Assumptions) as presented on pages 6 and 7 occur, the projected results may not be achieved, as 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.

The accompanying projection, and this report, are intended solely for the information and use of management, officers and board of directors of Sherrill House, 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.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
September 12, 2025

SHERRILL HOUSE, INC.
PROJECTED STATEMENTS OF FINANCIAL POSITION
ASSUMING THE HYPOTHETICAL ASSUMPTIONS DESCRIBED ON PAGE 6
YEARS ENDING DECEMBER 31,
(IN THOUSANDS)

	2025	2026	2027	2028	2029	2030
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 2,709	$ 1,966	$ 2,610	$ 3,132	$ 3,567	$ 3,868
Accounts Receivable - Patients	3,581	3,588	3,703	3,788	3,858	3,977
Allowance for Credit Losses	-441	-441	-441	-441	-441	-441
Pledges Receivable - Without Donor Restrictions	88	88	88	88	88	88
Other Current Assets	41	41	41	41	41	41
Total Current Assets	5,978	5,242	6,001	6,608	7,113	7,533
PROPERTY AND EQUIPMENT						
Land	861	861	861	861	861	861
Building - Existing	15,490	15,490	15,490	15,490	15,490	15,490
Building Improvements - Construction Project	-	4,083	4,083	4,083	4,083	4,083
Building Improvements	28,771	28,771	28,771	28,771	28,771	28,771
Equipment	8,810	9,203	9,203	9,353	9,503	9,653
Software	453	453	453	453	453	453
Construction in Progress	59	-	-	-	-	-
Total	54,444	58,861	58,861	59,011	59,161	59,311
Less: Accumulated Depreciation	42,673	44,448	46,308	48,183	50,073	51,978
Property and Equipment, Net	11,771	14,413	12,553	10,828	9,088	7,333
OTHER ASSETS						
Right of Use Asset - Financing	11	7	2	-	-	-
Right of Use Asset - Operating	28	14	-	-	-	-
Assets with Limited Use	6,902	6,902	6,902	6,902	6,902	6,902
Total Other Assets	6,941	6,923	6,904	6,902	6,902	6,902
Total Assets	$ 24,690	$ 26,578	$ 25,458	$ 24,338	$ 23,103	$ 21,768

	2025	2026	2027	2028	2029	2030
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Portion of Long-Term Debt	$ 144	$ 333	$ 354	$ 379	$ 405	$ 493
Current Portion of Leases - Operating	4	-	-	-	-	-
Current Portion of Leases - Financing	14	14	-	-	-	-
Accounts Payable, Accrued Expenses, and Other Current Liabilities	4,852	4,947	5,091	5,197	5,305	5,418
Total Current Liabilities	5,014	5,294	5,445	5,576	5,710	5,911
LONG-TERM LEASE LIABILITY - OPERATING	14	-	-	-	-	-
LONG-TERM DEBT, NET	6,209	8,820	8,481	8,116	7,725	7,246
Total Liabilities	11,237	14,114	13,926	13,692	13,435	13,157
Net Assets						
Without Donor Restrictions	10,050	9,061	8,129	7,243	6,265	5,208
With Donor Restrictions	3,403	3,403	3,403	3,403	3,403	3,403
Total Net Assets	13,453	12,464	11,532	10,646	9,668	8,611
Total Liabilities and Net Assets	$ 24,690	$ 26,578	$ 25,458	$ 24,338	$ 23,103	$ 21,768

SHERRILL HOUSE, INC.
PROJECTED STATEMENTS OF ACTIVITIES
ASSUMING THE HYPOTHETICAL ASSUMPTIONS DESCRIBED ON PAGE 6
YEARS ENDING DECEMBER 31,
(IN THOUSANDS)

	2025	2026	2027	2028	2029	2030
REVENUES						
Private	$ 3,553	$ 3,624	$ 3,697	$ 3,781	$ 3,846	$ 3,923
Medicaid	13,773	14,108	14,693	15,028	15,287	15,592
Medicare Part A	6,706	6,907	7,046	7,206	7,330	7,477
Commercial	2,422	2,470	2,519	2,577	2,621	2,674
Ancillary Income	245	250	255	260	265	270
Hospice	661	-	-	-	-	-
Development	850	891	961	991	1,041	1,026
Other Income	835	851	869	886	904	922
Total Revenues	29,045	29,101	30,040	30,729	31,294	31,884
OPERATING EXPENSES						
Administrative and General	7,012	7,070	7,229	7,392	7,558	7,728
Plant Operations	1,752	1,739	1,779	1,819	1,860	1,901
Dietary	2,226	2,276	2,327	2,379	2,433	2,487
Laundry	450	460	470	481	492	503
Housekeeping	446	457	467	477	488	499
Nursing	11,596	11,857	12,124	12,396	12,675	12,961
Admissions	298	305	312	319	326	333
Social Services	324	331	338	346	354	362
Activities	243	248	254	259	265	271
Rehab	1,456	1,489	1,522	1,556	1,591	1,627
Development	293	301	316	332	349	366
Ancillaries	1,328	1,358	1,389	1,420	1,452	1,485
Interest	390	424	585	564	539	513
Depreciation	1,705	1,775	1,860	1,875	1,890	1,905
Total Operating Expenses	29,519	30,090	30,972	31,615	32,272	32,941
NONOPERATING ACTIVITIES						
Gain on Sale of Joint Venture	641	-	-	-	-	-
Income from Nonoperating Activities	641	-	-	-	-	-
CHANGE IN NET ASSETS	$ 167	$ (989)	$ (932)	$ (886)	$ (978)	$ (1,057)

SHERRILL HOUSE, INC.
PROJECTED STATEMENTS OF CHANGES IN NET ASSETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS DESCRIBED ON PAGE 6
YEARS ENDING DECEMBER 31,
(IN THOUSANDS)

	2025	2026	2027	2028	2029	2030
BEGINNING BALANCE - NET ASSETS	$ 13,286	$ 13,453	$ 12,464	$ 11,532	$ 10,646	$ 9,668
Change In Net Assets	167	(989)	(932)	(886)	(978)	(1,057)
ENDING BALANCE - NET ASSETS	$ 13,453	$ 12,464	$ 11,532	$ 10,646	$ 9,668	$ 8,611

SHERRILL HOUSE, INC.
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS DESCRIBED ON PAGE 6
YEARS ENDING DECEMBER 31,
(IN THOUSANDS)

	2025	2026	2027	2028	2029	2030
CASH FLOWS FROM OPERATING ACTIVITIES						
Change In Net Assets	$ 167	$ (989)	$ (932)	$ (886)	$ (978)	$ (1,057)
Adjustments to Reconcile Change In Net Assets to						
Net Cash Provided by Operations:						
Depreciation	1,705	1,775	1,860	1,875	1,890	1,905
Amortization of Deferred Financing Costs	8	12	14	14	14	14
Repayment of Lease Liability - Operating	(13)	(14)	(14)	-	-	-
Gain on Sale of Joint Venture	(641)	-	-	-	-	-
Changes in Assets and Liabilities Provided by Operating Activities:						
Accounts Receivable	(128)	(7)	(115)	(85)	(70)	(119)
Prepaid Expense	18	18	19	2	-	-
Increase (Decrease) in Liabilities:						
Accounts Payable and Accrued Expenses	217	95	145	106	108	113
Net Cash Provided by Operating Activities	1,333	890	977	1,026	964	856
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of Property and Equipment - Routine	-	-	0	(150)	(150)	(150)
Purchases of Property and Equipment - Project	-	(4,417)	-	-	-	-
Sale of Joint Venture	750					
Net Cash Provided (Used) by Investing Activities	750	(4,417)	0	(150)	(150)	(150)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Long-Term Debt	-	3,000	-	-	-	-
Payment of Mortgage Acquisition Costs	-	(68)	-	-	-	-
Payment of Lease Liability - Financing	(7)	(4)	-	-	-	-
Payment of Long-Term Debt	(60)	(144)	(333)	(354)	(379)	(405)
Net Cash Provided (Used) by Financing Activities	(67)	2,784	(333)	(354)	(379)	(405)
NET INCREASE (DECREASE) IN CASH	2,016	(743)	644	522	435	301
Cash - Beginning of Year	693	2,709	1,966	2,610	3,132	3,567
CASH - END OF YEAR	$ 2,709	$ 1,966	$ 2,610	$ 3,132	$ 3,567	$ 3,868
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Interest Paid	$ 382	$ 413	$ 571	$ 550	$ 524	$ 499

BACKGROUND AND INFORMATION

Basis of Presentation

The financial projection (the "Projection") presents, to the best of the knowledge and belief of management ("Management") of Sherrill House, Inc. (the Nursing Home, Organization, or Facility), the expected financial position as of December 31, 2025 through 2030, and the expected results of operations, changes in net assets, and cash flows for the years ending December 31, 2025 through 2030 (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 assumptions that are considered to be "hypothetical assumptions" as defined by the American Institute of Certified Public Accountants' "Guide for Prospective Financial Information." A hypothetical assumption is defined as follows: "An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation." Management does not need to have a reasonably objective basis for the hypothetical assumption, although the hypothetical assumption should be consistent with the purpose of the projection.

The accompanying financial projection contained herein is estimated by Management. Accordingly, the financial projection reflects Management's judgment as of September 12, 2025, the date of this financial projection, of its expected conditions and its expected course of action during the Projection Period assuming the Hypothetical Assumptions (defined subsequently herein) occur as projected. The assumptions disclosed herein, while not all-inclusive, are those that Management believes are significant to its financial projection. However, even if the Hypothetical Assumptions stated below occur as projected, the projected results may not be achieved, as 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.

Management's purpose in preparing this financial projection is to satisfy the requirements of DPH-DoN relative to the submission of an application for Determination of Need under regulation 105 CMR 100.20 (4) (a) to approve the Project (as defined herein) and is solely for the use of management, officers, board of directors and others of Sherrill House, Inc. and DPH-DoN and is not intended to be, and should not be, used by anyone other than these specified parties.

Hypothetical Assumptions

Management has prepared its financial projection assuming the following hypothetical assumptions (the "Hypothetical Assumptions"):

- The Organization is able to complete the proposed capital improvements (the Project, as defined more fully hereinafter);
- The Organization is able to obtain all regulatory approvals for construction of its Project (as defined herein);
- The Nursing Home is able to maintain its license to operate;
- The Nursing Home continues to participate in the Medicare and Medicaid programs;
- The Organization is able to obtain debt financing (the "Financing") via a construction loan for approximately $3,000,000 (the "Construction Loan") consistent with the plans presented in the Summary of Significant Projection Assumptions and Accounting Policies;

BACKGROUND AND INFORMATION (CONTINUED)

Hypothetical Assumptions (Continued)

- The Organization is able to complete the Project within the cost structure presented in the Summary of Significant Projection Assumptions and Accounting Policies of total Project costs of approximately $4,290,000 (including the application fee and Community Health Initiative (CHI) contribution of approximately $53,000), plus approximately $68,000 in projected financing costs and $127,000 in funded interest;
- The Organization will contribute equity in the amount of approximately $1,485,000 towards the Project;
- Management is able to achieve the occupancy, payer mix, and average rates detailed in Note 4; and
- Management achieves the inflationary assumptions projected for revenues and expenses.

Hypothetical assumptions are not derived from sources which are based upon supporting documentation such as contracts, agreements or other empirical data.

The Organization

Sherrill House, Inc. is a nonprofit corporation that owns and operates a 182 bed skilled nursing facility located in Jamaica Plain, Massachusetts.

The Project

The Project includes renovation and relocation of the existing skilled nursing facility rehabilitation gym, replacing the current rehabilitation gym space with an employee café, and maintaining the building by replacing the roof and rooftop HVAC units, upgrading the elevator flooring, and installing new fire panel motherboard and new windows.

Construction is expected to begin in the first quarter of 2026 and is anticipated to be completed by the fourth quarter of 2026, at which time Management projects Project assets will be placed into service. Management projects the debt utilized to fund the Project will be incurred during 2026, in the amount of approximately $3,000,000. Additionally, approximately $1,485,000 of existing cash is assumed be used to fund the Project and financing costs.

The total Project costs assumed in the Projections are approximately $4,290,000, plus approximately $68,000 in projected financing costs and $127,000 in funded interest.

PLAN OF FINANCE

Management has assumed the following sources and uses of funds in preparing the financial projection.

Table 2
Projected Sources and Uses of Funds
(Dollars in Thousands)

Sources of Funds:			
Construction Loan	$	3,000	(1)
Equity Contribution		1,485	(2)
Total Sources of Funds	**$**	**4,485**	
Uses of Funds:			
Project Costs	$	4,290	(3)
Funded Interest		127	(4)
Cost of Issuance		68	(5)
Total Uses of Funds	**$**	**4,485**	

Source: Management

Notes to Table 2:
1) The Construction Loan is projected to be issued for approximately $3,000,000, bearing an interest rate of 7.0% with a maturity date of March 1, 2055.
2) Management has projected approximately $1,485,000 will be contributed by the Organization.
3) Management has projected project costs of approximately $4,290,000 which includes direct and indirect costs and the application fee and CHI contribution of approximately $53,000.
4) Represents the amount Management projects to be utilized to pay project related interest during the construction period.
5) Represents the amount Management estimates related to the costs associated with the issuance of the Construction Loan.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Property and Equipment

Property, plant and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt. Gifts of long-lived assets are reported as assets without donor restrictions unless explicit donor stipulations specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long these assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed into service. Acquisitions of property and equipment in excess of $500 and all expenditures for maintenance, repair, renewals, and betterments that materially extend the useful life of the asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

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

Buildings and Improvements	10 to 40 Years
Equipment and Software	3 to 20 Years

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 Organization considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The Organization also considers cash or cash equivalents that are restricted as cash and cash equivalents for cash flow purposes.

Accounts Receivable and Allowance for Credit Losses

The Organization establishes an allowance for credit losses to present the net amount of accounts receivable expected to be collected. The allowance represents the estimate of expected credit losses based upon historical experience, current economic conditions, and certain forward-looking information. The allowance for credit losses was $441,000 throughout the Projection.

Accounts receivable are reported net of an allowance for credit losses to represent the Organization's estimate of expected losses as of year-end. The adequacy of the Organization's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, aging of receivables, a review of specific accounts, as well expected future economic conditions and market trends, and adjustments are made to the allowance accordingly.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Assets and Liabilities

The accompanying Projection assume an increase of 0.50% 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 nonoperating 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.

Income Taxes

Sherrill House, Inc. is not a taxpaying entity for purposes of federal or state income taxes. Federal and state income taxes are computed on the members' 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.

Use of Estimates

The preparation of the 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 financial statements. Estimates could also effect the reported amounts of revenues and expenses during the Projection Period. Actual results could differ from those estimates.

Net Assets with Donor Restrictions

The Organization has received donor-restricted contributions that have been accounted for as net assets with donor restrictions. Some donor-imposed restrictions are temporary in nature, such that those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purposes for which the resources was restricted has been fulfilled, or both. The Organization does not project any donor restricted net assets will meet its purpose or time restriction during the Projection Period.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the statements of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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.

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 Organization 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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Services Revenues from Third-Party Payors (Continued)

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 Organization'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 Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the 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 Organization'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 Organization 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, 2025 through 2030. 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 Organization 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 Organization's line of business that provided the service (for example, skilled nursing, therapy care, etc.)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Services Revenues from Third-Party Payors (Continued)

For the projected years ending December 31, 2025, 2026, 2027, 2028, 2029 and 2030, the Organization recognized revenue of approximately $27,360,000, $27,359,000, $28,210,000, $28,852,000, $29,349,000 and $29,936,000, respectively, from goods and services that transfer to the customer over a period of time.

BASIS FOR PROJECTION OF REVENUES AND EXPENSES

Revenues

Projected revenue consists of revenue from operating the Nursing Home. Management's projected revenue and expenses for 2025 were derived from trended 12-month historical information, budgeted financial data for the current period, and Management's historical experience operating the Facility. Future years were projected utilizing assumptions for rate increases and operating expenses.

The following tables summarize the projected payor mix and per diems for the years ended December 31:

Table 3
Projected Payor Mix and Per Diem Rates

	2025	2026	2027	2028	2029	2030
Average Payor Mix Percentage						
Private	9%	9%	9%	9%	9%	9%
Commercial	7%	7%	7%	7%	7%	7%
Medicare	14%	14%	14%	14%	14%	14%
Medicaid	70%	70%	70%	70%	70%	70%
Total	100%	100%	100%	100%	100%	100%
Projected Payor Daily Rates						
Private	$ 608	$ 620	$ 633	$ 645	$ 658	$ 671
Commercial	542	553	564	575	587	598
Medicare	766	789	805	821	837	854
Medicaid	316	324	337	344	351	358
Overall Weighted Average Daily Fees	$ 422	$ 433	$ 446	$ 455	$ 464	$ 474

Source: Management

BASIS FOR PROJECTION OF REVENUES AND EXPENSES (CONTINUED)

Revenues (Continued)

The following tables summarize the projected occupancy at December 31:

Table 4
Projected Occupancy

	2025	2026	2027	2028	2029	2030
Available Skilled Nursing Beds	182	182	182	182	182	182
Average Occupancy						
Private	16.0	16.0	16.0	16.0	16.0	16.0
Commercial	12.2	12.2	12.2	12.2	12.2	12.2
Medicare	24.0	24.0	24.0	24.0	24.0	24.0
Medicaid	119.4	119.4	119.4	119.4	119.4	119.4
Total	171.6	171.6	171.6	171.6	171.6	171.6
Projected Occupancy %	94%	94%	94%	94%	94%	94%

Source: Management

Management projected the revenues for the year ending December 31, 2025, utilizing current reimbursement and economic conditions, and current nursing home regulations.

Management assumed rates in the base year of 2025 which reflected the most recent regulatory or contractual actual rates in effect. Management applied a 2% rate increase per year for the Projection Period, except for Medicare which was inflated 3% in 2026, in addition to a Medicaid capital rate addition of $8/day in 2026 once construction is projected to be complete. Any material changes in actual rates compared to the rates assumed would impact the results of the Projection.

Development Revenue

Development revenue include Management's projections for anticipated revenues to be generated from fundraisers and other miscellaneous gifting throughout the Projection Period.

Other Income

Other Income includes miscellaneous revenues. The base year of the projection utilized trended 12-month historical information. After removing nonrecurring items, Management applied a 2% inflationary increase per year for the Projection Period.

Operating Expenses

Operating expenses have been projected to be recognized during the month incurred. Management's projected expenses for the year ending 2025 were derived from trended 12-month historical information and Management's historical experience of operating the Facility. This information was utilized to project and establish a baseline for the year ending December 31, 2025. In subsequent years, Management has projected those expenses that are considered to be variable in nature based on changes in occupancy, square footage, and property value will change accordingly throughout the Projection Period, and in general, all other operating expenses are projected to increase 2.25% annually throughout the Projection Period. The specific basis for inflationary increases in major expense categories were formulated by Management and are discussed below.

BASIS FOR PROJECTION OF REVENUES AND EXPENSES (CONTINUED)

Operating Expenses (Continued)

Salaries and Related Taxes and Benefits

A full-time equivalent employee (FTE) is assumed to represent 2,080 hours of time paid annually. Generally, outside of increases in staffing due to increases in occupancy, these costs are anticipated to increase at 2.25% annually throughout the Projection Period. Employee benefits such as federal and state payroll taxes, health insurance, workers' compensation, and other miscellaneous benefits for the entire Facility were assumed to approximate 18% of wages during the Projection Period. The Projection assumes the new bed configuration as a result of de-densifying will allow staffing levels to remain consistent with current levels.

Administration and General

Management has projected non-salary costs of general and administrative services to include liability insurance, accounting and legal fees, computer expenses, human resources, professional fees, telephone and internet service, marketing costs and other miscellaneous costs associated with administrative services. In addition, property costs such as property insurance are included. Generally, outside of changes due to anticipated property insurance cost savings as a result of the Project, these costs are anticipated to increase 2.25% annually throughout the Projection Period for inflation.

Plant Operations

Utilities are included under the caption plant operations on the projected statement of activities. Non-salary related utility costs are projected to include the cost of gas and oil, electricity, water, and sewer services, and other purchased services. Generally, outside of changes due to anticipated utility cost savings as a result of the Project energy improvements, these costs are anticipated to increase at 2.25% annually throughout the Projection Period.

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. These costs are anticipated to increase at 2.25% annually throughout the Projection Period.

Laundry and Housekeeping

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. These costs are anticipated to increase at 2.25% annually throughout the Projection Period.

Nursing, Admissions, Social Services, Activities, Rehab and Ancillaries

Non-salary related patient health and wellness 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. These costs are anticipated to increase at 2.25% annually throughout the Projection Period.

Development

Management has projected non-salary costs of development services to include fundraising supplies and expenses. These costs are anticipated to increase 3% in 2026 and 5% annually thereafter throughout the Projection Period for inflation.

BASIS FOR PROJECTION OF REVENUES AND EXPENSES (CONTINUED)

Operating Expenses (Continued)

Depreciation

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

Interest Expense

Interest expense is projected related to the anticipated debt service requirements and the amortization of deferred financing costs associated with the proposed issuance of the Construction Loan as well as the existing debt held by the Organization (as defined herein). Management has capitalized interest expense during the construction period of the Project.

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash and cash equivalent balances are assumed to reflect net cash flows during the Projection Period.

Accounts Receivable

Accounts receivable are recorded net of an allowance for expected losses to represent the Organization's estimate of expected credit losses at the statement of financial position date. The adequacy of the Organization's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary. Management has projected accounts receivable balance to remain at approximately 45 days of operating revenues during the Projection Period and the allowance for expected credit losses is assumed to be consistent throughout the Projection Period.

Pledges Receivable

Pledges receivable, or unconditional promises to give are projected based upon Management's estimate and historical operations. Amounts are projected to remain constant throughout the Projection Period.

Other Current Assets

Other current assets are projected based upon Management's estimate and historical operations. Amounts are projected to remain constant throughout the Projection Period.

Accounts Payable and Accrued Expenses

Accounts payable is projected based upon Management's estimate and historical operations, which is approximately 60 days of operating expenses, excluding depreciation, and interest expense throughout the Projection Period.

Assets With Limited Use

Assets limited as to use include donor-restricted funds and assets set aside pursuant to the terms of a loan pledge agreement, by court restriction, by board designation, and trust arrangements. Amounts are projected to remain constant throughout the Projection Period.

BASIS FOR PROJECTION OF REVENUES AND EXPENSES (CONTINUED)

Investment in Joint Venture

In December 2021, the Organization entered into a joint venture with Charles River Hospice LLC to form Longwood Hospice LLC. Management has projected the joint venture to be sold during 2025 for $750,000.

Property, Plant, and Equipment

Property, plant and equipment balances, net of accumulated depreciation, are based on assumed costs of constructing the Project, and other routine property and equipment additions during the Projection Period, reduced by estimated annual depreciation. The following table reflects the project related costs, capitalized interest, and other routine capital additions during the Projection Period.

Table 5
Projected Property and Equipment Additions
For the Years Ending December 31,
(In Thousands)

	2025	2026	2027	2028	2029	2030
Property and Equipment - Beginning	$ 54,443	$ 54,443	$ 58,860	$ 58,860	$ 59,010	$ 59,160
Project Costs [1]	-	4,290	-	-	-	-
Capitalized Interest	-	127	-	-	-	-
Routine Capital Additions	-	-	-	150	150	150
Property and Equipment - Ending	54,443	58,860	58,860	59,010	59,160	59,310
Accumulated Depreciation	(42,672)	(44,447)	(46,307)	(48,182)	(50,072)	(51,977)
Property and Equipment, Net	$ 11,771	$ 14,413	$ 12,553	$ 10,828	$ 9,088	$ 7,333

Source: Management

BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

Long-Term Debt

Construction Loan

The accompanying Projection assumes that the Project will be financed by the Construction Loan, secured by a mortgage on the real property, in the amount of approximately $3,000,000. The interest rate assumed in the Projection for the Construction Loan is 7.00%. Payments on the Construction Loan are assumed to be interest only through the completion of the Project. Subsequent to the Project completion, it is assumed that the Construction Loan will be payable in monthly installments of principal and interest of approximately $35,000 maturing on March 1, 2055. Any material changes in the terms of the actual Construction Loan would impact interest results of the Projection.

Existing Long-Term Debt

In May 2024, the Organization was issued $6,630,000 in Massachusetts Development Finance Agency Revenue Bonds. The bonds are due May 20, 2052, with monthly principal payments and interest payments at an assumed rate of 5.78%. The Projection assumes the above remains outstanding at the existing terms throughout the Projection Period.

Projected interest charged to operations on both the Construction Loan and the Existing Long-Term Debt, including amortization of debt issuance costs amounted to approximately $390,000, $424,000, $585,000, $564,000, $539,000, and $513,000 for the years ending December 31, 2025, 2026, 2027, 2028, 2029 and 2030, respectively. Capitalized interest is projected to amount to approximately $127,000 in 2026. The following are assumed current maturities of long-term debt for each of the next five years:

Table 6
Projected Principal Payments
For the Years Ending December 31,
(In Thousands)

Year	Construction Loan	Term Note	Total
2025	$ -	$ 60	$ 60
2026	35	109	144
2027	217	115	333
2028	233	121	354
2029	250	129	379
2030	268	137	405
Thereafter	1,997	5,959	7,956
Total	$ 3,000	$ 6,630	$ 9,630

Source: Management

BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

Long-Term Debt (Continued)

Existing Leases

The Organization leases a motor vehicle under a long-term cancellable lease agreement along with copier equipment under a separate agreement. The leases expire in July 2026 and December 2027, respectively. The following are the assumed current maturities of the leases during the Projection Period:

Table 7
Projected Lease Payments
For the Years Ending December 31,
(In Thousands)

Year	Operating Lease	Financing Lease	Total
2025	$ 13,000	$ 7,000	$ 20,000
2026	14,000	4,000	18,000
2027	14,000	-	14,000
Total	$ 41,000	$ 11,000	52,000

Source: Management