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MARTIN FRIEDMAN CPA PC  
CERTIFIED PUBLIC ACCOUNTANTS

**CRNC OPERATING, LLC**  
**d/b/a CAMBRIDGE REHABILITATION & NURSING CENTER**  
**CRNC REALTY, LLC**  
***Combining Financial Statements***

***Year Ended December 31, 2022***

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**

**Year Ended December 31, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Members,  
CRNC Operating, LLC  
d/b/a Cambridge Rehabilitation & Nursing Center  
CRNC Realty, LLC:

### Opinion

We have audited the accompanying combining financial statements of CRNC Operating, LLC d/b/a Cambridge Rehabilitation & Nursing Center and CRNC Realty, LLC, which comprise the combining balance sheets as of December 31, 2022, and the related combining statements of income, members' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of CRNC Operating, LLC d/b/a Cambridge Rehabilitation & Nursing Center and CRNC Realty, LLC as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CRNC Operating, LLC d/b/a Cambridge Rehabilitation & Nursing Center and CRNC Realty, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

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



MARTIN FRIEDMAN CPA PC  
CERTIFIED PUBLIC ACCOUNTANTS

*Independent Auditor's Report*

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CRNC Operating, LLC d/b/a Cambridge Rehabilitation & Nursing Center and CRNC Realty, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CRNC Operating, LLC d/b/a Cambridge Rehabilitation & Nursing Center and CRNC Realty, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Martin Friedman CPA, PC*

MARTIN FRIEDMAN, C.P.A. P.C.  
Certified Public Accountants

Brooklyn, NY

August 14, 2023

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Combining Balance Sheet**  
**December 31, 2022**

	Facility	Realty	Elimination	Combined
<b>Assets</b>				
Cash	\$ 220,104	\$ 190,595	\$ -	\$ 410,699
Accounts Receivable (Net)	1,907,077	-	-	1,907,077
Prepaid Expenses	48,115	-	-	48,115
Escrow Deposits	-	18,939	-	18,939
Total Current Assets	<u>2,175,296</u>	<u>209,534</u>	<u>-</u>	<u>2,384,830</u>
Land	-	1,000,000	-	1,000,000
Building	-	3,000,000	-	3,000,000
Leasehold Improvements	806,408	-	-	806,408
Furniture & Equipment	<u>244,794</u>	<u>-</u>	<u>-</u>	<u>244,794</u>
	1,051,202	4,000,000	-	5,051,202
Less: Accumulated Depreciation & Amortization	<u>395,199</u>	<u>915,000</u>	<u>-</u>	<u>1,310,199</u>
Total Fixed Assets	656,003	3,085,000	-	3,741,003
Due from Realty	1,648,948	-	(1,648,948)	-
Right-of-Use Asset	1,541,260	-	(1,541,260)	-
Loan Receivable - Related Party	450,000	-	-	450,000
Security Deposits	18,000	-	-	18,000
Goodwill (Net)	50,000	-	-	50,000
Patients' Trust Fund	<u>102,138</u>	<u>-</u>	<u>-</u>	<u>102,138</u>
Total Other Assets	<u>3,810,346</u>	<u>-</u>	<u>(3,190,208)</u>	<u>620,138</u>
<b>Total Assets</b>	<b>\$ <u>6,641,645</u></b>	<b>\$ <u>3,294,534</u></b>	<b>\$ <u>(3,190,208)</u></b>	<b>\$ <u>6,745,971</u></b>
<b>Liabilities &amp; Equity</b>				
Mortgage Payable	\$ -	\$ 161,585	\$ -	\$ 161,585
Note Payable	30,601	-	-	30,601
Accounts Payable	455,498	-	-	455,498
Lease Liabilities	162,489	-	(162,489)	-
Accrued Payroll	306,782	-	-	306,782
Accrued Expenses & Taxes	162,566	7,761	-	170,327
Exchanges	8,854	-	-	8,854
Due to Related Party	<u>38,225</u>	<u>-</u>	<u>-</u>	<u>38,225</u>
Total Current Liabilities	1,165,015	169,346	(162,489)	1,171,872
Mortgage Payable (Net)	-	1,983,469	-	1,983,469
Note Payable	266,940	-	-	266,940
Lease Liabilities	1,378,771	-	(1,378,771)	-
Due to Nursing Home	-	1,648,948	(1,648,948)	-
Patients' Trust Fund Payable	<u>102,138</u>	<u>-</u>	<u>-</u>	<u>102,138</u>
Total Long Term Liabilities	1,747,849	3,632,417	(3,027,719)	2,352,547
Members' Equity (Deficit)	<u>3,728,781</u>	<u>(507,229)</u>	<u>-</u>	<u>3,221,552</u>
<b>Total Liabilities &amp; Members' Equity (Deficit)</b>	<b>\$ <u>6,641,645</u></b>	<b>\$ <u>3,294,534</u></b>	<b>\$ <u>(3,190,208)</u></b>	<b>\$ <u>6,745,971</u></b>

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Combining Statement of Operations**  
**For the year ended December 31, 2022**

	Facility	Realty	Elimination	Combined
Total Revenue From Patients	\$ 7,797,718	\$ -	\$ -	\$ 7,797,718
Total Rental Revenue	-	397,500	(397,500)	-
Operating Expenses:				
Payroll	4,520,924	-	-	4,520,924
Employee Benefits	469,430	-	-	469,430
Professional Care	723,774	-	-	723,774
Dietary & Housekeeping	343,687	-	-	343,687
Plant & Maintenance	900,248	220,363	(397,500)	723,111
General & Administrative	<u>1,228,888</u>	<u>12,974</u>	<u>-</u>	<u>1,241,862</u>
Total Operating Expenses	<u>8,186,951</u>	<u>233,337</u>	<u>(397,500)</u>	<u>8,022,788</u>
Income (Loss) From Operations	(389,233)	164,163	-	(225,070)
Other Income	<u>603,384</u>	<u>-</u>	<u>-</u>	<u>603,384</u>
Income Before Taxes	214,151	164,163	-	378,314
Less: Pass-Through Entity Taxes	<u>62,519</u>	<u>84,729</u>	<u>-</u>	<u>147,248</u>
Net Income	<u>\$ 151,632</u>	<u>\$ 79,434</u>	<u>\$ -</u>	<u>\$ 231,066</u>

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Combining Statement of Members' Equity (Deficit)**  
**For the year ended December 31, 2022**

	Facility	Realty	Combined
Members' Equity (Deficit):			
Balance as of Beginning of Period	\$ 3,577,149	\$ (586,663)	\$ 2,990,486
Net Income for the Period	<u>151,632</u>	<u>79,434</u>	<u>231,066</u>
<b>Total Members' Equity (Deficit)</b>			
<b>End of Period</b>	<b>\$ <u>3,728,781</u></b>	<b>\$ <u>(507,229)</u></b>	<b>\$ <u>3,221,552</u></b>

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Combining Statement of Cash Flows**  
**For the year ended December 31, 2022**

	Facility	Realty	Combined
Cash Flows From Operating Activities:			
Net Income	\$ 151,632	\$ 79,434	\$ 231,066
Adjustments to reconcile Net Income to Net Cash Provided by (Used In) Operating Activities:			
Depreciation & Amortization	135,246	75,000	210,246
Amortization of Debt Issuance Costs	-	3,582	3,582
(Increase) Decrease In:			
Accounts Receivable	(527,484)	-	(527,484)
Prepaid Expenses	38,920	-	38,920
Escrow Deposits	-	2,369	2,369
Increase (Decrease) In:			
Accounts Payable	(190,363)	-	(190,363)
Accrued Payroll & Withholding Taxes	23,249	-	23,249
Accrued Expenses & Taxes	(9,420)	(526)	(9,946)
Exchanges	(8,678)	-	(8,678)
Total Adjustments	<u>(673,776)</u>	<u>1,843</u>	<u>(671,933)</u>
Net Cash Provided By (Used In) Operating Activities	(386,898)	159,859	(227,039)
Cash Flows From Investing Activities:			
Capital Expenditures	(46,576)	-	(46,576)
Loans Receivable - Related Parties	(450,000)	-	(450,000)
Other Assets	22,590	-	22,590
Net Cash Used In Investing Activities	(473,986)	-	(473,986)
Cash Flows From Financing Activities:			
Increase In Short Term Debt	1,403	6,337	7,740
Decrease In Long Term Debt	(30,598)	(161,579)	(192,177)
Other Liabilities	(22,590)	-	(22,590)
Due to Related Party	4,448	-	4,448
Net Cash Used In Financing Activities	(47,337)	(155,242)	(202,579)
Net Change In Cash	(908,221)	4,617	(903,604)
Cash - Beginning of Period	1,128,325	185,978	1,314,303
<b>Cash - End of Period</b>	<b><u>\$ 220,104</u></b>	<b><u>\$ 190,595</u></b>	<b><u>\$ 410,699</u></b>
Supplemental Disclosures:			
Interest Paid	\$ 14,748	\$ 95,218	\$ 109,966



**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Notes To The Combining Financial Statement**

**1) Organization:**

CRNC Operating, LLC d/b/a Cambridge Rehabilitation & Nursing Center (Facility), a limited liability company, is licensed by the Commonwealth of Massachusetts Department of Public Health to run and operate an 83 bed skilled nursing facility. The Facility began operations on September 23, 2010 and is located in Cambridge, Massachusetts.

CRNC Realty, LLC (Realty), a limited liability company, began operations on September 23, 2010 in conjunction with the purchase of the real property, and is operated by CRNC Operating, LLC. Both Facility and Realty have common ownership.

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

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

**Principles of Combination -**

The combining financial statements include the accounts of the Facility and Realty, which are related by virtue of common ownership. All inter-company balances and transactions have been eliminated in the combining financial statements.

**Method of Accounting -**

The entities maintain their books and prepare their financial statements on the accrual basis of accounting.

**Cash -**

For purposes of the statement of cash flows, the entities consider time deposits, certificates of deposits, and all highly liquid investments, with maturity of three months or less, to be cash. The entities maintain cash balances at financial institutions, which may periodically exceed the Federal Deposit Insurance Corporation limit during the year.

**Fixed Assets -**

Fixed Assets are stated at cost. Depreciation and amortization for assets are computed using the straight-line method over the estimated useful lives of the assets.

**Intangible Assets -**

Intangible assets subject to amortization are shown net of accumulated amortization based upon their estimated useful lives.

**Goodwill -**

The Facility has classified as goodwill the excess of the purchase price over the fair value of the assets acquired. The Facility has elected to adopt Accounting Standards Update (ASU) No. 2014-02, *Intangibles – Goodwill and Other*, that allows a private company to make an accounting policy election to apply the new provisions, which, among other things, allows for the amortization of goodwill on a straight-line basis, over a period of 10 years.

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Notes To The Combining Financial Statement**

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

**Resident Funds -**

The Facility, as trustee, holds resident funds in escrow accounts. These funds are expended at the direction of the residents for personal items.

**Patient Care Revenue -**

Major portions of the Facility's revenue are derived from Medicare and Medicaid programs. Medicare revenue is primarily a fixed rate by region adjusted for patient acuity. Eligibility and acuity levels are subject to audit.

Medicaid revenue under the current statewide pricing methodology is based on a blend of methodologies. The Facility receives reimbursement from the Commonwealth of Massachusetts under a standard rate of reimbursement payment systems 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.

**Accrued Payroll -**

Most employees earn credits during the current year for vacations to be taken in the following year. The expense for this liability is accrued during the year vacations are earned rather than in the year vacations are taken.

**Use of Estimates -**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes -**

The Facility and the Realty are treated as partnerships for income tax purposes, and as such the members are taxed separately on their distributive share of the entities' income whether or not that income is actually distributed.

**Uncertainty in Income Taxes –**

Management has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ended December 31, 2019 and subsequent remain subject to examination by applicable taxing authorities.

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Notes To The Combining Financial Statement**

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

**Change in Accounting Principles –**

The Facility adopted Accounting Standards Codification 842, Leases ("ASC 842") on January 1, 2022, using the modified retrospective approach. The adoption of ASC 842 had a material impact on the Facility's financial statements as the Facility recognized an operating lease liability and a corresponding right-of-use asset for all leases with a term of more than 12 months on the balance sheet as of January 1, 2022.

The Facility elected to use the package of practical expedients permitted under the transition guidance within ASC 842. As a result, the Facility did not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, and (iii) whether initial direct costs for any existing leases qualify for capitalization.

As of January 1, 2022, the Facility's operating lease liability and corresponding right-of-use asset were \$1,700,455.

**3) Accounts Receivable:**

The Facility grants credit, without collateral, to its patients, the majority of whom are insured under third-party payor agreements. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The amount of receivables from patients and third-party payors at December 31, 2022 was as follows:

	<u>Amount</u>	<u>Concentration Of Risk (%)</u>
Private Patients	\$ 372,467	19.03 %
Medicare Patients	178,029	9.10
Medicaid Patients	<u>1,406,581</u>	<u>71.87</u>
Total	1,957,077	<u>100.00 %</u>
Less: Allowance for Doubtful Accounts	<u>(50,000)</u>	
Net Accounts Receivable	<u>\$ 1,907,077</u>	

Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**4) Intangible Assets:**

The following is a schedule of the facility's intangible assets.

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Estimated Useful Life</u>
Goodwill	\$ 250,000	\$ 200,000	10 Years

The total amortization expense for the year ended December 31, 2022 was \$25,000.

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**

**Notes To The Combining Financial Statement**

**4) Intangible Assets (continued):**

The estimated amortization expense for the next two years is as follows:

For the year ending 2023	\$ 25,000
For the year ending 2024	25,000

**5) Mortgage Payable:**

In connection with the purchase of the property, the Realty obtained a mortgage note in the amount of \$2,125,000 from Brookline Bank. As of February 24, 2021 this note was amended to be amortized for the remaining balance of \$1,590,646 based on a 10 year amortization for a period of 5 years to mature on January 23, 2026 at 4.64% interest. This note contains a prepayment premium rider in the event that the loan is paid off before maturity. Prepayment is allowed, providing a premium is paid as a percentage of the amount owed. The premium has a sliding scale beginning at 5% and continues until it reduces to 0% at 90 days before the loan is due to mature. The note is secured by all assets of the Realty, and is guaranteed by the members and by the Facility.

In connection with the purchase of the property, the Realty and Facility obtained a mortgage note in the amount of \$1,500,000 from the U.S. Small Business Administration (SBA). The note is to be repaid over 20 years to mature on November 1, 2030 at 3.30% interest. The note is secured by all assets of the Realty and Facility.

The following are the balances as of December 31, 2022:

	<u>Brookline Bank</u>	<u>SBA</u>	<u>Combined</u>
Principal Balance:	\$ 1,451,380	\$ 712,727	\$ 2,164,107
Unamortized debt issuance costs:	<u>(6,015)</u>	<u>(13,038)</u>	<u>(19,053)</u>
	1,445,365	699,689	2,145,054
Less current portion:	<u>(81,489)</u>	<u>(80,096)</u>	<u>(161,585)</u>
Long-term debt	<u>\$ 1,363,876</u>	<u>\$ 619,593</u>	<u>\$ 1,983,469</u>

The following is an estimated summary of principal maturities of long-term debt during the next five years and on:

For the year ending 2023	\$ 81,489	\$ 80,096	\$ 161,585
For the year ending 2024	85,225	82,783	168,008
For the year ending 2025	89,504	85,560	175,064
For the year ending 2026	1,195,162	88,430	1,283,592
For the year ending 2027	-0-	91,396	91,396
For the years thereafter	<u>-0-</u>	<u>284,462</u>	<u>284,462</u>
Total	<u>\$ 1,451,380</u>	<u>\$ 712,727</u>	<u>\$ 2,164,107</u>

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Notes To The Combining Financial Statement**

**6) Note Payable:**

In connection with the purchase of the property, the Facility obtained a revolving line of credit up to \$350,000 from Brookline Bank. As of February 24, 2021 this note was amended to be amortized based on a 10 year amortization for a period of 5 years to mature on January 23, 2026 at 4.64% interest. This note contains a prepayment premium rider in the event that the loan is paid off before maturity. Prepayment is allowed, providing a premium is paid as a percentage of the amount owed. The premium has a sliding scale beginning at 5% and continues until it reduces to 0% at 90 days before the loan is due to mature. The note is secured by all corporate assets of the Facility, and is guaranteed by the members and by the Realty.

The following are the balances as of December 31, 2022:

Principal Balance:	\$ 297,541
Unamortized debt issuance cost:	<u>(-0-)</u>
	297,541
Less current portion:	<u>30,601</u>
Long-term Debt	<u>\$ 266,940</u>

Principal payments for the next four years are as follows:

<u>Year</u>	<u>Amount</u>
For the year ending 2023	\$ 30,601
For the year ending 2024	32,037
For the year ending 2025	33,612
For the year ending 2026	<u>201,291</u>
TOTAL	<u>\$ 297,541</u>

**7) Loans – Related Parties:**

The Facility has loans to and from various related parties. As of December 31, 2022 these accounts are considered long term as there are no set terms for payments at this time, except for the amounts due to Personal Healthcare Management, LLC by the Facility that are made on an ongoing. The Realty has loans with related parties that have no terms for repayment and are considered long term.

	<u>Facility</u>	<u>Realty</u>	<u>Combined Totals</u>
Personal Healthcare Management, LLC	\$ (38,225)	\$ -0-	\$ (38,225)
ERNC Operating, LLC	450,000	-0-	450,000
Due From Realty / Due To Facility	<u>1,648,948</u>	<u>(1,648,948)</u>	<u>-0-</u>
Total Loans – Related Parties	<u>\$ 2,060,723</u>	<u>\$ (1,648,948)</u>	<u>\$ 411,775</u>

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

The Facility's operating lease right-of-use assets and lease liabilities were for a building lease.

On September 23, 2010, the Facility and Realty entered into a 21 year lease agreement with net annual basic rent equal to the Realty's debt service payments. All payments to be made, in addition to basic rent, shall be deemed additional rent. In, addition, the Facility is required to make all payments for taxes and insurance.

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Notes To The Combining Financial Statement**

**8) Right-of-Use Asset and Lease Liability (Continued):**

The Facility recognizes lease expense for operating leases on a straight-line basis over the lease term. The expense for the year ended December 31, 2022 was \$397,500.

The Facility determines the present value of the remaining lease payments using the US Treasury risk-free rate at the time of adoption of the Standard, which was 2.05%. The Facility does not have any variable lease payments, residual value guarantees, or material lease incentives.

The Facility has not recognized any material impairments of its operating lease right-of-use asset as of December 31, 2022. As of December 31, 2022, the Facility's operating lease liability and corresponding asset was \$1,541,260, of which \$162,489 of the liability was considered short term.

The Facility's future minimum lease payments for the next five years, as of December 31, 2022, were as follows:

2023	\$ 192,564
2024	192,564
2025	192,564
2026	192,564
2027	192,564
Thereafter	<u>722,115</u>
Total Future Payments:	\$ <u>1,684,935</u>

**9) Health Insurance:**

The Facility pools portions of their health insurance for employees, together with other related nursing facilities, in a fund provided through Westchester Health and Welfare Fund. The fund, which began operations in January 2013, is an insurance trust, which is self insured, and is administered by a non related third party. Funds once contributed cannot be withdrawn for any other purpose. The trust also provides for reinsurance on catastrophic events.

**10) Nursing Home User Fee:**

All Massachusetts nursing facilities are currently assessed a quarterly user fee. The nursing home user fee for the year ended December 31, 2022 was \$516,598.

**11) Operating Leases:**

The Facility leases various equipment (nursing, office, and maintenance) under operating leases ranging from 12 months to 60 months. Rent expense for the year ended December 31, 2022 was \$14,937.

**12) Advertising:**

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense amounted to \$26,743 for the year ended December 31, 2022.

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Notes To The Combining Financial Statement**

**13) Related Party Transaction:**

The Facility utilizes an outside agency with common ownership for contracted services through Personal Healthcare Management, LLC. The cost of these services for the year ended December 31, 2022 was \$200,715.

**14) Captive Insurance:**

Facility carries additional liability insurance that provides for deductible coverage on its regular policies for general liability as well as coverage for various occurrences not covered by the regular insurance policies. The coverage is provided through Mineral Basin Risk Management, Inc., a captive insurance company. The facility is covered under a group policy whereby all members of the group are related parties. Each facility is responsible for its own individual facility premiums. Coverage is limited to one million dollars per occurrence on each of the covered services, and one million dollars in the annual aggregate of all coverage's for all facilities. For wrongful acts and professional liability deductible reimbursement the annual aggregate is three million dollars. For the year ended December 31, 2022 the cost of the insurance to the facility was \$165,299.

**15) Defined Contribution Pension Plan:**

The Facility sponsors a 401(k) defined contributions plan covering substantially all of its employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Facility may make discretionally matching contributions. During the year ended December 31, 2022 there were no matching contributions.

**16) Union:**

Approximately 30% of the Facility's employees are covered by a union with a collective bargaining agreement which expires on May 31, 2025.

**17) Patient Days:**

Patient days for 2022 consisted of:	<u>Days</u>	<u>%</u>
Medicaid	22,555	84.30
Private	2,150	8.04
Medicare	<u>2,052</u>	<u>7.66</u>
Total Patient Days	<u>26,757</u>	<u>100.00%</u>
Occupancy %	88.33%	

**18) Pass-Through Entity Tax:**

The Facility and Realty elected to pay an optional Pass-Through Entity Tax to the State of New York, and to the Commonwealth of Massachusetts. A pass-through entity such as a partnership or S-corporation can elect to pay the optional state tax, which is a valid deductible business expense for the entity, and the partners/shareholders are then be able to claim a refundable tax credit on their personal tax returns for the taxes paid by the entity. For the year 2022, the net amount paid was \$147,248.

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Notes To The Combining Financial Statement**

**19) Health and Human Services Stimulus Packages:**

The U.S. Department of Health and Human Services distributed relief funds to skilled nursing facilities to help them combat the devastating effects of the pandemic. The distribution methodology was based on both a fixed basis and variable basis. Nursing home recipients must attest that they will only use Pandemic Relief Fund payments for permissible purposes and agree to comply with future government audit and reporting requirements. The distributions do not need to be repaid to the U.S. government assuming providers comply with terms and conditions.

**20) Mass Health and Human Services Stimulus Packages:**

The Commonwealth of Massachusetts Office of Health and Human Services, which administers the Massachusetts Medicaid program, distributed relief funds to skilled nursing facilities to help them combat the devastating effects of the pandemic. The funds were to be used to cover expenses that are necessary expenditures incurred due to the public health emergency, provide for baseline and surveillance COVID-19 testing, providing isolation spaces in nursing facilities, and a workforce supplemental payment to support workforce retention and recruitment efforts during the COVID-19 pandemic. The distributions do not need to be repaid to the Commonwealth assuming providers comply with terms and conditions.

**21) Hiring and Training Employer Grant Program:**

The Commonwealth of Massachusetts provided eligible employers with funding to quickly hire and train new workers, enabling more people to get back to work and meet workforce needs. Employers meeting eligibility criteria were to receive a fixed rate of \$4,000 per employee with a maximum of \$400,000 awarded to each business. Funds were to be distributed on a first come, first serve basis until exhausted.

**22) Subsequent Events:**

The entities have evaluated subsequent events through August 14, 2023, the date which the financial statements were available to be issued. No significant subsequent events have been identified by management.





MARTIN FRIEDMAN CPA PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION

To the Members,  
CRNC Operating, LLC  
d/b/a Cambridge Rehabilitation & Nursing Center  
CRNC Realty, LLC:

Our report on our audit of the basic financial statements of CRNC Operating, LLC d/b/a Cambridge Rehabilitation & Nursing Center and CRNC Realty, LLC for 2022 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Martin Friedman CPA, PC*

MARTIN FRIEDMAN C.P.A. P.C.  
Certified Public Accountants

Brooklyn, NY

August 14, 2023

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Supplementary Schedules**  
**For the year ended December 31, 2022**

	Facility	Realty	Elimination	Combined
Revenue From Patients:				
Private	\$ 790,536	\$ -	\$ -	\$ 790,536
Medicaid	5,849,772	-	-	5,849,772
Medicare	1,326,375	-	-	1,326,375
Bad Debt Expense	<u>(168,965)</u>	<u>-</u>	<u>-</u>	<u>(168,965)</u>
Total Revenue From Patients	7,797,718	\$ -	\$ -	\$ 7,797,718
Revenue From Rental	-	397,500	(397,500)	-
Other Income (Expenses):				
Prior Period Expense	(18,063)	-	-	(18,063)
Interest	305	-	-	305
Health & Human Services Stimulus	137,397	-	-	137,397
Mass Health & Human Services Stimulus	479,624	-	-	479,624
Hiring and Training Employer Grant Program	8,000	-	-	8,000
Other	<u>(3,879)</u>	<u>-</u>	<u>-</u>	<u>(3,879)</u>
Total Other Income (Expenses)	<u>603,384</u>	<u>-</u>	<u>-</u>	<u>603,384</u>
<b>Total Income</b>	<b>\$ <u>8,401,102</u></b>	<b>\$ <u>397,500</u></b>	<b>\$ <u>(397,500)</u></b>	<b>\$ <u>8,401,102</u></b>

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Supplementary Schedules**  
**For the year ended December 31, 2022**

	Facility	Realty	Combined
<b>Payroll:</b>			
Administrative & Office	\$ 433,625	\$ -	\$ 433,625
Nursing	2,991,302	-	2,991,302
Therapies	280,337	-	280,337
Social Services	86,614	-	86,614
Recreation	69,709	-	69,709
Dietary	294,737	-	294,737
Housekeeping	254,410	-	254,410
Maintenance	110,190	-	110,190
<b>Total Payroll</b>	<b>4,520,924</b>	<b>-</b>	<b>4,520,924</b>
<b>Employee Benefits:</b>			
Payroll Taxes	393,385	-	393,385
Workmen's Compensation	60,512	-	60,512
Employee Benefits	15,533	-	15,533
<b>Total Employee Benefits</b>	<b>469,430</b>	<b>-</b>	<b>469,430</b>
<b>Professional Care:</b>			
Prescription Drugs	110,333	-	110,333
Medical Supplies	90,700	-	90,700
Contracted Nursing Service	289,967	-	289,967
Fees & Expenses	232,774	-	232,774
<b>Total Professional Care</b>	<b>\$ 723,774</b>	<b>\$ -</b>	<b>\$ 723,774</b>

**CRNC Operating, LLC**  
**d/b/a Cambridge Rehabilitation & Nursing Center**  
**CRNC Realty, LLC**  
**Supplementary Schedules**  
**For the year ended December 31, 2022**

	Facility	Realty	Elimination	Combined
<b>Dietary &amp; Housekeeping:</b>				
Food	\$ 191,034	\$ -	\$ -	\$ 191,034
Other Dietary Expenses	32,329	-	-	32,329
Laundry	40,732	-	-	40,732
Housekeeping	28,523	-	-	28,523
Contracted Dietary Services	31,899	-	-	31,899
Contracted Housekeeping Services	19,170	-	-	19,170
<b>Total Dietary &amp; Housekeeping</b>	<b>343,687</b>	<b>-</b>	<b>-</b>	<b>343,687</b>
<b>Plant &amp; Maintenance:</b>				
Rent	397,500	-	(397,500)	-
Mortgage Interest	-	98,276	-	98,276
Equipment Rentals	14,937	-	-	14,937
Real Estate Tax	1,545	47,087	-	48,632
Light, Heat & Power	91,951	-	-	91,951
Maintenance	97,895	-	-	97,895
Security	2,278	-	-	2,278
Water & Sewer Charges	158,896	-	-	158,896
Depreciation & Amortization	135,246	75,000	-	210,246
<b>Total Plant &amp; Maintenance</b>	<b>900,248</b>	<b>220,363</b>	<b>(397,500)</b>	<b>723,111</b>
<b>General &amp; Administrative:</b>				
Office	116,605	-	-	116,605
Contracted Office Services	94,133	-	-	94,133
Computer Services	90,232	-	-	90,232
Telephone	11,125	-	-	11,125
Dues & Subscriptions	6,214	-	-	6,214
Auto & Travel	32,724	-	-	32,724
Professional Fees	37,218	-	-	37,218
Insurance	237,435	-	-	237,435
Interest	14,748	-	-	14,748
Nursing Home User Fee	516,598	-	-	516,598
Advertising	26,743	-	-	26,743
Miscellaneous	45,113	12,974	-	58,087
<b>Total General &amp; Administrative</b>	<b>\$ 1,228,888</b>	<b>\$ 12,974</b>	<b>\$ -</b>	<b>\$ 1,241,862</b>