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MARTIN FRIEDMAN CPA PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

**MRNC Operating, LLC  
d/b/a Medford Rehabilitation & Nursing Center  
MRNC Realty, LLC**

**Year Ended December 31, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying combining financial statements of MRNC Operating, LLC d/b/a Medford Rehabilitation & Nursing Center and MRNC Realty, LLC, which comprise the combining balance sheets as of December 31, 2022, and the related combining statements of income, members' equity, 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 MRNC Operating, LLC d/b/a Medford Rehabilitation & Nursing Center and MRNC 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 MRNC Operating, LLC d/b/a Medford Rehabilitation & Nursing Center and MRNC 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 MRNC Operating, LLC d/b/a Medford Rehabilitation & Nursing Center and MRNC 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.



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*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 MRNC Operating, LLC d/b/a Medford Rehabilitation & Nursing Center and MRNC 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 MRNC Operating, LLC d/b/a Medford Rehabilitation & Nursing Center and MRNC 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

July 10, 2023

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

	Facility	Realty	Elimination	Combined
<b>Assets</b>				
Cash	\$ 769,084	\$ 47,303	\$ -	\$ 816,387
Accounts Receivable (Net)	4,004,326	-	-	4,004,326
Prepaid Expenses	70,702	-	-	70,702
Escrow Deposits	-	26,452	-	26,452
Exchanges	57,790	-	-	57,790
Total Current Assets	4,901,902	73,755	-	4,975,657
Land	-	2,248,260	-	2,248,260
Building	-	5,512,000	-	5,512,000
Leasehold Improvements	1,288,599	-	-	1,288,599
Furniture & Equipment	479,005	189,740	-	668,745
	1,767,604	7,950,000	-	9,717,604
Less: Accumulated Depreciation & Amortization	437,923	1,671,090	-	2,109,013
Total Fixed Assets	1,329,681	6,278,910	-	7,608,591
Right-of-Use Asset	2,445,266	-	(2,445,266)	-
Due from Realty	765,391	-	(765,391)	-
Security Deposits	32,000	-	-	32,000
Patients' Trust Fund	148,208	-	-	148,208
Total Other Assets	3,390,865	-	(3,210,657)	180,208
<b>Total Assets</b>	<b>\$ 9,622,448</b>	<b>\$ 6,352,665</b>	<b>\$ (3,210,657)</b>	<b>\$ 12,764,456</b>
<b>Liabilities &amp; Equity</b>				
Mortgage Payable	\$ -	\$ 274,890	\$ -	\$ 274,890
Note Payable	72,204	-	-	72,204
Accounts Payable	1,268,740	-	-	1,268,740
Lease Liabilities	216,606	-	(216,606)	-
Accrued Payroll	372,933	-	-	372,933
Accrued Expenses & Taxes	292,041	13,912	-	305,953
Loans Payable - Related Parties	64,398	-	-	64,398
Total Current Liabilities	2,286,922	288,802	(216,606)	2,359,118
Mortgage Payable (Net)	-	3,873,884	-	3,873,884
Note Payable	637,969	-	-	637,969
Lease Liabilities	2,228,660	-	(2,228,660)	-
Due to Nursing Home	-	765,391	(765,391)	-
Loans Payable - Related Parties	147,734	609,570	-	757,304
Patients' Trust Fund Payable	148,208	-	-	148,208
Total Long Term Liabilities	3,162,571	5,248,845	(2,994,051)	5,417,365
Members' Equity	4,172,955	815,018	-	4,987,973
<b>Total Liabilities &amp; Members' Equity</b>	<b>\$ 9,622,448</b>	<b>\$ 6,352,665</b>	<b>\$ (3,210,657)</b>	<b>\$ 12,764,456</b>

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

	Facility	Realty	Elimination	Combined
Total Revenue From Patients	\$ 13,577,160	\$ -	\$ -	\$ 13,577,160
Total Rental Revenue	-	441,000	(441,000)	-
Operating Expenses:				
Payroll	6,095,344	-	-	6,095,344
Employee Benefits	638,555	-	-	638,555
Professional Care	1,686,768	-	-	1,686,768
Dietary & Housekeeping	898,215	-	-	898,215
Plant & Maintenance	1,157,593	393,129	(441,000)	1,109,722
General & Administrative	<u>2,140,608</u>	<u>36,100</u>	<u>-</u>	<u>2,176,708</u>
Total Operating Expenses	<u>12,617,083</u>	<u>429,229</u>	<u>(441,000)</u>	<u>12,605,312</u>
Income From Operations	960,077	11,771	-	971,848
Other Income	<u>783,790</u>	<u>-</u>	<u>-</u>	<u>783,790</u>
Income Before Taxes	1,743,867	11,771	-	1,755,638
Less: Pass-Through Entity Taxes	<u>154,318</u>	<u>46,883</u>	<u>-</u>	<u>201,201</u>
<b>Net Income (Loss)</b>	<b>\$ <u>1,589,549</u></b>	<b>\$ <u>(35,112)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,554,437</u></b>

**MRNC Operating, LLC**  
**d/b/a Medford Rehabilitation & Nursing Center**  
**MRNC Realty, LLC**  
**Combining Statement of Members' Equity**  
**For the year ended December 31, 2022**

	Facility	Realty	Combined
Members' Equity:			
Balance as of Beginning of Period	\$ 2,583,406	\$ 850,130	\$ 3,433,536
Net Income (Loss) for the Period	<u>1,589,549</u>	<u>(35,112)</u>	<u>1,554,437</u>
<b>Total Members' Equity</b>			
<b>End of Period</b>	<b><u>\$ 4,172,955</u></b>	<b><u>\$ 815,018</u></b>	<b><u>\$ 4,987,973</u></b>

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

	Facility	Realty	Combined
Cash Flows From Operating Activities:			
Net Income (Loss)	\$ 1,589,549	\$ (35,112)	\$ 1,554,437
Adjustments to reconcile Net Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation & Amortization	148,706	142,543	291,249
Amortization of Debt Issuance Costs	-	6,258	6,258
(Increase) Decrease In:			
Accounts Receivable	(1,154,962)	-	(1,154,962)
Prepaid Expenses	60,709	-	60,709
Escrow Deposits	-	(5,925)	(5,925)
Increase (Decrease) In:			
Accounts Payable	24,256	-	24,256
Accrued Payroll & Withholding Taxes	2,760	-	2,760
Accrued Expenses & Taxes	(47,281)	(794)	(48,075)
Exchanges	(173,820)	-	(173,820)
Total Adjustments	<u>(1,288,338)</u>	<u>(6,719)</u>	<u>(1,295,057)</u>
Net Cash Provided By Operating Activities	449,917	106,970	556,887
Cash Flows From Investing Activities:			
Capital Expenditures	(192,397)	-	(192,397)
Other Assets	(1,626)	-	(1,626)
Net Cash Used In Investing Activities	(194,023)	-	(194,023)
Cash Flows From Financing Activities:			
Increase In Short Term Debt	3,312	9,600	12,912
Decrease In Long Term Debt	(72,543)	(274,882)	(347,425)
Other Liabilities	1,626	-	1,626
Loans Payable - Related Parties	160,085	-	160,085
Net Cash Provided By (Used In) Financing Activities	<u>92,480</u>	<u>(265,282)</u>	<u>(172,802)</u>
Net Change In Cash	348,374	(158,312)	190,062
Cash - Beginning of Period	<u>420,710</u>	<u>205,615</u>	<u>626,325</u>
<b>Cash - End of Period</b>	<b><u>\$ 769,084</u></b>	<b><u>\$ 47,303</u></b>	<b><u>\$ 816,387</u></b>
Supplemental Disclosures:			
Interest Paid	\$ 34,851	\$ 169,588	\$ 204,439



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

**1) Organization:**

MRNC Operating, LLC d/b/a Medford Rehabilitation & Nursing Center (Facility), a limited liability company, is licensed by the Commonwealth of Massachusetts Department of Public Health to run and operate an 142 bed skilled nursing facility. The Facility began operations on January 1, 2012 and is located in Medford, Massachusetts.

MRNC Realty, LLC (Realty), a limited liability company, began operations on January 1, 2012 in conjunction with the purchase of the real property, and is operated by MRNC 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.

**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.

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

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

**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.

**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.

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

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

**Change in Accounting Principles (Continued) –**

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 \$2,657,482.

**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	\$ 657,991	14.82 %
Medicare Patients	1,013,951	22.84
Medicaid Patients	<u>2,767,384</u>	<u>62.34</u>
Total	4,439,326	<u>100.00 %</u>
Less: Allowance for Doubtful Accounts	<u>(435,000)</u>	
Net Accounts Receivable	<u>\$ 4,004,326</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) Mortgage Payable:**

In connection with the purchase of the property, the Realty obtained a mortgage note in the amount of \$3,750,000 from Brookline Bank. As of March 24, 2021 this note was amended to be amortized for the remaining balance of \$2,982,513 based on a 10 year amortization for a period of 5 years to mature on March 8, 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 \$2,698,000 from the U.S. Small Business Administration (SBA). The note is to be repaid over 20 years to mature on May 1, 2032 at 2.42% interest. The note is secured by all assets of the Realty and Facility.

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

**4) Mortgage Payable (Continued):**

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

	<u>Brookline Bank</u>	<u>SBA</u>	<u>Combined</u>
Principal Balance:	\$ 2,758,608	\$ 1,431,494	\$ 4,190,102
Unamortized debt issuance costs:	<u>(8,478)</u>	<u>(32,850)</u>	<u>(41,328)</u>
	2,750,130	1,398,644	4,148,774
Less current portion:	<u>(137,884)</u>	<u>(137,006)</u>	<u>(274,890)</u>
Long-term debt	<u>\$ 2,612,246</u>	<u>\$ 1,261,638</u>	<u>\$ 3,873,884</u>

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

	<u>Brookline Bank</u>	<u>SBA</u>	<u>Combined</u>
For the year ending 2023	\$ 137,884	\$ 137,006	\$ 274,890
For the year ending 2024	144,166	140,361	284,527
For the year ending 2025	151,443	143,799	295,242
For the year ending 2026	2,325,115	147,321	2,472,436
For the year ending 2027	-0-	150,929	150,929
For the years thereafter	<u>-0-</u>	<u>712,078</u>	<u>712,078</u>
Total	<u>\$ 2,758,608</u>	<u>\$ 1,431,494</u>	<u>\$ 4,190,102</u>

**5) Note Payable:**

In connection with the purchase of the property, the Facility obtained a revolving line of credit up to \$1,000,000 from Brookline Bank. As of March 24, 2021 this note was amended to be amortized based on a 10 year amortization for a period of 5 years to mature on March 8, 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:	\$ 710,173
Unamortized debt issuance cost:	<u>(-0-)</u>
	710,173
Less current portion:	<u>72,204</u>
Long-term Debt	<u>\$ 637,969</u>

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

**5) Note Payable (Continued):**

Principal payments for the next four years are as follows:

<u>Year</u>	<u>Amount</u>
For the year ending 2023	\$ 72,204
For the year ending 2024	75,591
For the year ending 2025	79,308
For the year ending 2026	<u>483,070</u>
Total	\$ <u>710,173</u>

**6) 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 basis. 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	\$ (64,398)	\$ -0-	\$ (64,398)
Personal Healthcare, LLC	-0-	(609,570)	(609,570)
ERNC Operating, LLC	(147,734)	-0-	(147,734)
Due From Realty / Due To Facility	<u>765,391</u>	<u>(765,391)</u>	<u>-0-</u>
Total Loans – Related Parties	\$ <u>553,259</u>	\$ <u>(1,374,961)</u>	\$ <u>(821,702)</u>

**7) 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 April 2, 2012, 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.

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 \$441,000.

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 \$2,445,266, of which \$216,606 of the liability was considered short term.

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

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

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

2023	\$ 264,707
2024	264,707
2025	264,707
2026	264,707
2027	264,707
Thereafter	<u>1,389,710</u>
Total Future Payments:	\$ <u>2,713,245</u>

**8) 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.

**9) 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 \$939,608.

**10) 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 \$15,951.

**11) Advertising:**

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense amounted to \$44,152 for the year ended December 31, 2022.

**12) 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 \$369,956.

**13) 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.

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

**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 \$282,801.

**15) Union:**

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

**16) Patient Days:**

Patient days for 2022 consisted of:	<u>Days</u>	<u>%</u>
Medicaid	39,122	81.14
Private	3,931	8.15
Medicare	<u>5,163</u>	<u>10.71</u>
Total Patient Days	<u>48,216</u>	<u>100.00%</u>
Occupancy %	93.03%	

**17) 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 \$201,201.

**18) 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.

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

**19) Subsequent Events:**

The entities have evaluated subsequent events through July 10, 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,  
MRNC Operating, LLC  
d/b/a Medford Rehabilitation & Nursing Center  
MRNC Realty, LLC:

Our report on our audit of the basic financial statements of MRNC Operating, LLC d/b/a Medford Rehabilitation & Nursing Center and MRNC 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

July 10, 2023

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

	Facility	Realty	Elimination	Combined
Revenue From Patients:				
Private	\$ 1,383,815	\$ -	\$ -	\$ 1,383,815
Medicaid	9,566,091	-	-	9,566,091
Medicare	3,545,261	-	-	3,545,261
Bad Debt Expense	<u>(918,007)</u>	<u>-</u>	<u>-</u>	<u>(918,007)</u>
Total Revenue From Patients	13,577,160	\$ -	\$ -	\$ 13,577,160
Revenue From Rental	-	441,000	(441,000)	-
Other Income:				
Prior Period Income	62,974	-	-	62,974
Interest	338	-	-	338
Mass Health & Human Services Stimulus	704,079	-	-	704,079
Other	<u>16,399</u>	<u>-</u>	<u>-</u>	<u>16,399</u>
Total Other Income	<u>783,790</u>	<u>-</u>	<u>-</u>	<u>783,790</u>
<b>Total Income</b>	<b>\$ <u>14,360,950</u></b>	<b>\$ <u>441,000</u></b>	<b>\$ <u>(441,000)</u></b>	<b>\$ <u>14,360,950</u></b>

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

	Facility	Realty	Combined
<b>Payroll:</b>			
Administrative & Office	\$ 463,906	\$ -	\$ 463,906
Nursing	3,752,133	-	3,752,133
Therapies	775,869	-	775,869
Social Services	259,745	-	259,745
Recreation	225,591	-	225,591
Dietary	517,140	-	517,140
Maintenance	100,960	-	100,960
<b>Total Payroll</b>	<b><u>6,095,344</u></b>	<b><u>-</u></b>	<b><u>6,095,344</u></b>
<b>Employee Benefits:</b>			
Payroll Taxes	555,055	-	555,055
Workmen's Compensation	80,200	-	80,200
Employee Benefits	3,300	-	3,300
<b>Total Employee Benefits</b>	<b><u>638,555</u></b>	<b><u>-</u></b>	<b><u>638,555</u></b>
<b>Professional Care:</b>			
Prescription Drugs	197,247	-	197,247
Medical Supplies	147,560	-	147,560
Contracted Nursing Service	1,030,633	-	1,030,633
Fees & Expenses	311,328	-	311,328
<b>Total Professional Care</b>	<b><u>\$ 1,686,768</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,686,768</u></b>

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

	Facility	Realty	Elimination	Combined
<b>Dietary &amp; Housekeeping:</b>				
Food	\$ 353,317	\$ -	\$ -	\$ 353,317
Other Dietary Expenses	35,695	-	-	35,695
Laundry	20,463	-	-	20,463
Housekeeping	11,349	-	-	11,349
Contracted Laundry Services	190,972	-	-	190,972
Contracted Housekeeping Services	286,419	-	-	286,419
<b>Total Dietary &amp; Housekeeping</b>	<b>898,215</b>	<b>-</b>	<b>-</b>	<b>898,215</b>
<b>Plant &amp; Maintenance:</b>				
Rent	441,000	-	(441,000)	-
Mortgage Interest	-	175,050	-	175,050
Equipment Rentals	15,951	-	-	15,951
Real Estate Tax	3,910	75,536	-	79,446
Light, Heat & Power	283,407	-	-	283,407
Maintenance	157,050	-	-	157,050
Security	4,165	-	-	4,165
Water & Sewer Charges	103,404	-	-	103,404
Depreciation & Amortization	148,706	142,543	-	291,249
<b>Total Plant &amp; Maintenance</b>	<b>1,157,593</b>	<b>393,129</b>	<b>(441,000)</b>	<b>1,109,722</b>
<b>General &amp; Administrative:</b>				
Office	150,477	-	-	150,477
Contracted Office Services	184,888	-	-	184,888
Computer Services	103,863	-	-	103,863
Telephone	10,103	-	-	10,103
Dues & Subscriptions	10,591	-	-	10,591
Auto & Travel	64,180	-	-	64,180
Professional Fees	61,664	-	-	61,664
Insurance	384,808	-	-	384,808
Interest	34,851	-	-	34,851
Nursing Home User Fee	939,608	-	-	939,608
Advertising	44,152	-	-	44,152
Miscellaneous	151,423	36,100	-	187,523
<b>Total General &amp; Administrative</b>	<b>\$ 2,140,608</b>	<b>\$ 36,100</b>	<b>\$ -</b>	<b>\$ 2,176,708</b>