



MARTIN FRIEDMAN CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

**ERNC OPERATING, LLC
d/b/a THE REHABILITATION & NURSING CENTER AT
EVERETT
ERNC REALTY, LLC
*Combining Financial Statements***

Year Ended December 31, 2022

**ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC Realty, LLC**

Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members,
ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC Realty, LLC:

Opinion

We have audited the accompanying combining financial statements of ERNC Operating, LLC d/b/a The Rehabilitation & Nursing Center At Everett and ERNC 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 ERNC Operating, LLC d/b/a The Rehabilitation & Nursing Center At Everett and ERNC 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 ERNC Operating, LLC d/b/a The Rehabilitation & Nursing Center At Everett and ERNC 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 ERNC Operating, LLC d/b/a The Rehabilitation & Nursing Center At Everett and ERNC 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 ERNC Operating, LLC d/b/a The Rehabilitation & Nursing Center At Everett and ERNC 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 ERNC Operating, LLC d/b/a The Rehabilitation & Nursing Center At Everett and ERNC 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

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC Realty, LLC
Combining Balance Sheet
December 31, 2022

	Facility	Realty	Elimination	Combined
Assets				
Cash	\$ 380,190	\$ 98,472	\$ -	\$ 478,662
Accounts Receivable (Net)	3,201,080	-	-	3,201,080
Prepaid Expenses	75,599	-	-	75,599
Escrow Deposits	-	34,900	-	34,900
Exchanges	16,806	-	-	16,806
Total Current Assets	3,673,675	133,372	-	3,807,047
Land	-	680,000	-	680,000
Building	-	6,065,000	-	6,065,000
Leasehold Improvements	2,100,382	-	-	2,100,382
Furniture & Equipment	449,797	-	-	449,797
	2,550,179	6,745,000	-	9,295,179
Less: Accumulated				
Depreciation & Amortization	958,817	1,516,250	-	2,475,067
Total Fixed Assets	1,591,362	5,228,750	-	6,820,112
Right-of-Use Asset	3,850,636	-	(3,850,636)	-
Security Deposits	36,000	-	-	36,000
Loans Receivable - Related Parties	153,680	-	-	153,680
Patients' Trust Fund	156,157	-	-	156,157
Total Other Assets	4,196,473	-	(3,850,636)	345,837
Total Assets	\$ 9,461,510	\$ 5,362,122	\$ (3,850,636)	\$ 10,972,996
Liabilities & Equity				
Mortgage Payable	\$ -	\$ 215,707	\$ -	\$ 215,707
Note Payable	82,220	-	-	82,220
Accounts Payable	1,470,232	-	-	1,470,232
Lease Liabilities	315,320	-	(315,320)	-
Accrued Payroll	342,194	-	-	342,194
Accrued Expenses & Taxes	284,532	15,264	-	299,796
Loans Payable - Related Parties	68,416	-	-	68,416
Total Current Liabilities	2,562,914	230,971	(315,320)	2,478,565
Mortgage Payable (Net)	-	3,891,239	-	3,891,239
Note Payable	726,861	-	-	726,861
Lease Liabilities	3,535,316	-	(3,535,316)	-
Loans Payable - Related Parties	450,000	-	-	450,000
Patients' Trust Fund Payable	156,157	-	-	156,157
Total Long Term Liabilities	4,868,334	3,891,239	(3,535,316)	5,224,257
Members' Equity	2,030,262	1,239,912	-	3,270,174
Total Liabilities & Members' Equity	\$ 9,461,510	\$ 5,362,122	\$ (3,850,636)	\$ 10,972,996

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC Realty, LLC
Combining Statement of Operations
For the year ended December 31, 2022

	Facility	Realty	Elimination	Combined
Total Revenue From Patients	\$ 12,155,798	\$ -	\$ -	\$ 12,155,798
Total Rental Revenue	-	597,600	(597,600)	-
Operating Expenses:				
Payroll	5,746,285	-	-	5,746,285
Employee Benefits	611,015	-	-	611,015
Professional Care	1,536,125	-	-	1,536,125
Dietary & Housekeeping	968,934	-	-	968,934
Plant & Maintenance	1,392,728	416,179	(597,600)	1,211,307
General & Administrative	<u>2,168,407</u>	<u>15,851</u>	<u>-</u>	<u>2,184,258</u>
Total Operating Expenses	<u>12,423,494</u>	<u>432,030</u>	<u>(597,600)</u>	<u>12,257,924</u>
Income (Loss) From Operations	(267,696)	165,570	-	(102,126)
Other Income	<u>829,800</u>	<u>13,428</u>	<u>-</u>	<u>843,228</u>
Income Before Taxes	562,104	178,998	-	741,102
Less: Pass-Through Entity Taxes	<u>100,956</u>	<u>90,884</u>	<u>-</u>	<u>191,840</u>
Net Income	\$ <u>461,148</u>	\$ <u>88,114</u>	\$ <u>-</u>	\$ <u>549,262</u>

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC 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	\$ 1,569,114	\$ 1,451,798	\$ 3,020,912
Net Income for the Period	461,148	88,114	549,262
Members' Distributions	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
Total Members' Equity			
End of Period	\$ <u>2,030,262</u>	\$ <u>1,239,912</u>	\$ <u>3,270,174</u>

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC Realty, LLC
Combining Statement of Cash Flows
For the year ended December 31, 2022

	Facility	Realty	Combined
Cash Flows From Operating Activities:			
Net Income	\$ 461,148	\$ 88,114	\$ 549,262
Adjustments to reconcile Net Income to Net Cash Provided by (Used In) Operating Activities:			
Depreciation & Amortization	199,190	151,625	350,815
Amortization of Debt Issuance Costs	-	12,575	12,575
(Increase) Decrease In:			
Accounts Receivable	(1,642,892)	-	(1,642,892)
Prepaid Expenses	76,717	-	76,717
Escrow Deposits	-	11,711	11,711
Increase (Decrease) In:			
Accounts Payable	495,028	-	495,028
Accrued Payroll & Withholding Taxes	(46,248)	-	(46,248)
Accrued Expenses & Taxes	(15,226)	(719)	(15,945)
Exchanges	(47,127)	-	(47,127)
Total Adjustments	<u>(1,179,748)</u>	<u>10,992</u>	<u>(1,168,756)</u>
Net Cash Provided By (Used In) Operating Activities	(519,410)	263,306	(256,104)
Cash Flows From Investing Activities:			
Capital Expenditures	(323,374)	-	(323,374)
Loans Receivable - Related Parties	(150,540)	-	(150,540)
Other Assets	45,153	-	45,153
Net Cash Used In Investing Activities	(428,761)	-	(428,761)
Cash Flows From Financing Activities:			
Increase In Short Term Debt	3,771	8,676	12,447
Decrease In Long Term Debt	(82,215)	(215,697)	(297,912)
Other Liabilities	(45,153)	-	(45,153)
Loans Payable - Related Parties	461,933	-	461,933
Distributions	-	(300,000)	(300,000)
Net Cash Provided By (Used In) Financing Activities	<u>338,336</u>	<u>(507,021)</u>	<u>(168,685)</u>
Net Change In Cash	(609,835)	(243,715)	(853,550)
Cash - Beginning of Period	<u>990,025</u>	<u>342,187</u>	<u>1,332,212</u>
Cash - End of Period	<u>\$ 380,190</u>	<u>\$ 98,472</u>	<u>\$ 478,662</u>
Supplemental Disclosures:			
Interest Paid	\$ 40,078	\$ 184,581	\$ 224,659

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center at Everett
ERNC Realty, LLC
Notes To The Combining Financial Statement

1) Organization:

ERNC Operating, LLC d/b/a The Rehabilitation & Nursing Center at Everett (Facility), a limited liability company, is licensed by the Commonwealth of Massachusetts Department of Public Health to run and operate a 183 bed skilled nursing facility. The Facility began operations on January 1, 2013 and is located in Everett, Massachusetts.

ERNC Realty, LLC (Realty), a limited liability company, began operations on January 1, 2013 in conjunction with the purchase of the real property, and is operated by ERNC 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.

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center at Everett
ERNC 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.

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center at Everett
ERNC 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 \$4,159,564.

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	\$ 379,756	3.93 %
Medicare Patients	608,632	24.71
Medicaid Patients	<u>2,462,692</u>	<u>71.36</u>
Total	3,451,080	<u>100.00</u> %
Less: Allowance for Doubtful Accounts	<u>(250,000)</u>	
Net Accounts Receivable	<u>\$ 3,201,080</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 \$4,760,000 from Brookline Bank. As of March 24, 2021, this note was amended to be amortized for the remaining balance of \$3,843,763, 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 \$982,000 from the U.S. Small Business Administration (SBA). The note is to be repaid over 20 years to mature on April 1, 2033 at 2.12% interest. The note is secured by all assets of the Realty and Facility.

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center at Everett
ERNC 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:	\$ 3,573,611	\$ 558,415	\$ 4,132,026
Unamortized debt issuance costs:	<u>(10,218)</u>	<u>(14,862)</u>	<u>(25,080)</u>
	3,563,393	543,553	4,106,946
Less current portion:	<u>(166,844)</u>	<u>(48,863)</u>	<u>(215,707)</u>
Long-term debt	<u>\$ 3,396,549</u>	<u>\$ 494,690</u>	<u>\$ 3,891,239</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	\$ 166,844	\$ 48,863	\$ 215,707
For the year ending 2024	174,413	49,908	224,321
For the year ending 2025	183,249	50,975	234,224
For the year ending 2026	3,049,105	52,065	3,101,170
For the year ending 2027	-0-	53,178	53,178
For the years thereafter	<u>-0-</u>	<u>303,426</u>	<u>303,426</u>
Total	<u>\$ 3,573,611</u>	<u>\$ 558,415</u>	<u>\$ 4,132,026</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:	\$ 809,081
Unamortized debt issuance cost:	<u>(-0-)</u>
	809,081
Less current portion:	<u>82,220</u>
Long-term Debt	<u>\$ 726,861</u>

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center at Everett
ERNC 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	\$ 82,220
For the year ending 2024	86,077
For the year ending 2025	90,310
For the year ending 2026	<u>550,474</u>
Total	\$ <u>809,081</u>

6) **Loans – Related Parties:**

The Facility has loans to and from various related parties as indicated:

	<u>Facility</u>
<u>Current</u>	
Personal Healthcare Management, LLC	\$ (67,522)
Tarrytown Rehab & Nursing Center	(894)
<u>Long Term</u>	
Cambridge Rehab & Nursing Center	(450,000)
Personal Healthcare LLC	5,946
Medford Rehab & Nursing Center	<u>147,734</u>
Total Loans – Related Parties	\$ <u>(364,736)</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 December 27, 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 \$597,600.

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 \$3,850,636, of which \$315,320 of the liability was considered short term.

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center at Everett
ERNC 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	\$ 391,307
2024	391,307
2025	391,307
2026	391,307
2027	391,307
Thereafter	<u>2,347,840</u>
Total Future Payments:	\$ <u>4,304,375</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 \$946,962.

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 \$31,088.

11) Advertising:

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense amounted to \$25,966 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 \$366,881.

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.

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center at Everett
ERNC 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 \$338,565.

15) Patient Days:

Patient days for 2022 consisted of:	<u>Days</u>	<u>%</u>
Medicaid	40,603	88.43
Private	3,061	6.67
Medicare	<u>2,249</u>	<u>4.90</u>
Total Patient Days	<u>45,913</u>	<u>100.00%</u>
Occupancy %	66.90%	

16) 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 \$191,840.

17) 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.

18) 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,
ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC Realty, LLC:

Our report on our audit of the basic financial statements of ERNC Operating, LLC d/b/a The Rehabilitation & Nursing Center At Everett and ERNC 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 15 through 17 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

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC Realty, LLC
Supplementary Schedules
For the year ended December 31, 2022

	Facility	Realty	Elimination	Combined
Revenue From Patients:				
Private	\$ 1,022,556	\$ -	\$ -	\$ 1,022,556
Medicaid	10,288,493	-	-	10,288,493
Medicare	1,467,657	-	-	1,467,657
Bad Debt Expense	<u>(622,908)</u>	<u>-</u>	<u>-</u>	<u>(622,908)</u>
Total Revenue From Patients	12,155,798	\$ -	\$ -	\$ 12,155,798
Revenue From Rental	-	597,600	(597,600)	-
Other Income (Expenses):				
Prior Period Income (Expense)	(33,295)	13,428	-	(19,867)
Interest	420	-	-	420
Mass Health & Human Services Stimulus	865,572	-	-	865,572
Other	<u>(2,897)</u>	<u>-</u>	<u>-</u>	<u>(2,897)</u>
Total Other Income (Expenses)	<u>829,800</u>	<u>13,428</u>	<u>-</u>	<u>843,228</u>
Total Income	\$ <u>12,985,598</u>	\$ <u>611,028</u>	\$ <u>(597,600)</u>	\$ <u>12,999,026</u>

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC Realty, LLC
Supplementary Schedules
For the year ended December 31, 2022

	Facility	Realty	Combined
Payroll:			
Administrative & Office	\$ 399,889	\$ -	\$ 399,889
Nursing	4,145,878	-	4,145,878
Therapies	322,525	-	322,525
Social Services	209,995	-	209,995
Recreation	170,006	-	170,006
Dietary	421,199	-	421,199
Maintenance	76,793	-	76,793
Total Payroll	5,746,285	-	5,746,285
Employee Benefits:			
Payroll Taxes	511,994	-	511,994
Workmen's Compensation	76,803	-	76,803
Employee Benefits	22,218	-	22,218
Total Employee Benefits	611,015	-	611,015
Professional Care:			
Prescription Drugs	158,956	-	158,956
Medical Supplies	123,758	-	123,758
Contracted Nursing Service	976,186	-	976,186
Fees & Expenses	277,225	-	277,225
Total Professional Care	\$ 1,536,125	\$ -	\$ 1,536,125

ERNC Operating, LLC
d/b/a The Rehabilitation & Nursing Center At Everett
ERNC Realty, LLC
Supplementary Schedules
For the year ended December 31, 2022

	Facility	Realty	Elimination	Combined
Dietary & Housekeeping:				
Food	\$ 328,763	\$ -	\$ -	\$ 328,763
Other Dietary Expenses	44,109	-	-	44,109
Laundry	29,491	-	-	29,491
Housekeeping	7,478	-	-	7,478
Contracted Dietary Services	57,394	-	-	57,394
Contracted Laundry Services	194,036	-	-	194,036
Contracted Housekeeping Services	307,663	-	-	307,663
Total Dietary & Housekeeping	968,934	-	-	968,934
Plant & Maintenance:				
Rent	597,600	-	(597,600)	-
Mortgage Interest	-	196,436	-	196,436
Equipment Rentals	31,088	-	-	31,088
Real Estate Tax	2,762	68,118	-	70,880
Light, Heat & Power	282,575	-	-	282,575
Maintenance	163,991	-	-	163,991
Security	2,354	-	-	2,354
Water & Sewer Charges	113,168	-	-	113,168
Depreciation & Amortization	199,190	151,625	-	350,815
Total Plant & Maintenance	1,392,728	416,179	(597,600)	1,211,307
General & Administrative:				
Office	151,160	-	-	151,160
Contracted Office Services	183,541	-	-	183,541
Computer Services	148,564	-	-	148,564
Telephone	21,950	-	-	21,950
Auto & Travel	50,759	-	-	50,759
Professional Fees	54,732	-	-	54,732
Insurance	450,343	-	-	450,343
Interest	40,078	-	-	40,078
Nursing Home User Fee	946,962	-	-	946,962
Advertising	25,966	-	-	25,966
Miscellaneous	94,352	15,851	-	110,203
Total General & Administrative	\$ 2,168,407	\$ 15,851	\$ -	\$ 2,184,258