



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, 2023

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

Year Ended December 31, 2023

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS:	
Combining Balance Sheet	3
Combining Statement of Operations	4
Combining Statement of Members' Equity	5
Combining Statement of Cash Flows	6
Notes to the Financial Statements	7 - 13
AUDITOR'S LETTER	14
COMBINING SUPPLEMENTARY SCHEDULES:	
Revenue	15
Operating Expenses	16 - 17



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, 2023, 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, 2023, 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.



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 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

April 12, 2024

MRNC Operating, LLC
d/b/a Medford Rehabilitation & Nursing Center
MRNC Realty, LLC
Combining Balance Sheet
December 31, 2023

	Facility	Realty	Elimination	Combined
Assets				
Cash	\$ 1,639,478	\$ 107,732	\$ -	\$ 1,747,210
Accounts Receivable (Net)	2,575,546	-	-	2,575,546
Prepaid Expenses	91,553	-	-	91,553
Escrow Deposits	-	24,976	-	24,976
Exchanges	56,597	-	-	56,597
Total Current Assets	<u>4,363,174</u>	<u>132,708</u>	<u>-</u>	<u>4,495,882</u>
Land	-	2,248,260	-	2,248,260
Building	-	5,512,000	-	5,512,000
Leasehold Improvements	1,356,061	-	-	1,356,061
Furniture & Equipment	496,388	-	-	496,388
	<u>1,852,449</u>	<u>7,760,260</u>	<u>-</u>	<u>9,612,709</u>
Less: Accumulated				
Depreciation & Amortization	558,833	1,619,150	-	2,177,983
Total Fixed Assets	<u>1,293,616</u>	<u>6,141,110</u>	<u>-</u>	<u>7,434,726</u>
Right-of-Use Asset	3,661,324	-	(3,661,324)	-
Due from Realty	765,391	-	(765,391)	-
Security Deposits	32,000	-	-	32,000
Patients' Trust Fund	123,374	-	-	123,374
Total Other Assets	<u>4,582,089</u>	<u>-</u>	<u>(4,426,715)</u>	<u>155,374</u>
Total Assets	\$ <u>10,238,879</u>	\$ <u>6,273,818</u>	\$ <u>(4,426,715)</u>	\$ <u>12,085,982</u>
Liabilities & Equity				
Mortgage Payable	\$ -	\$ 284,527	\$ -	\$ 284,527
Note Payable	75,591	-	-	75,591
Accounts Payable	1,046,943	-	-	1,046,943
Lease Liabilities	363,213	-	(363,213)	-
Accrued Payroll	522,110	-	-	522,110
Accrued Expenses & Taxes	328,234	13,084	-	341,318
Due To Third Party Payors	56,528	-	-	56,528
Loans Payable - Related Parties	65,058	-	-	65,058
Total Current Liabilities	<u>2,457,677</u>	<u>297,611</u>	<u>(363,213)</u>	<u>2,392,075</u>
Mortgage Payable (Net)	-	3,595,626	-	3,595,626
Note Payable	562,728	-	-	562,728
Lease Liabilities	3,298,111	-	(3,298,111)	-
Due to Nursing Home	-	765,391	(765,391)	-
Loans Payable - Related Parties	-	609,570	-	609,570
Patients' Trust Fund Payable	123,374	-	-	123,374
Total Long Term Liabilities	<u>3,984,213</u>	<u>4,970,587</u>	<u>(4,063,502)</u>	<u>4,891,298</u>
Members' Equity	<u>3,796,989</u>	<u>1,005,620</u>	<u>-</u>	<u>4,802,609</u>
Total Liabilities & Members' Equity	\$ <u>10,238,879</u>	\$ <u>6,273,818</u>	\$ <u>(4,426,715)</u>	\$ <u>12,085,982</u>

MRNC Operating, LLC
d/b/a Medford Rehabilitation & Nursing Center
MRNC Realty, LLC
Combining Statement of Operations
For the year ended December 31, 2023

	Facility	Realty	Elimination	Combined
Total Revenue From Patients	\$ 14,830,243	\$ -	\$ -	\$ 14,830,243
Total Rental Revenue	-	1,592,444	(1,592,444)	-
Operating Expenses:				
Payroll	7,407,604	-	-	7,407,604
Employee Benefits	753,354	-	-	753,354
Professional Care	2,246,181	-	-	2,246,181
Dietary & Housekeeping	898,289	-	-	898,289
Plant & Maintenance	2,277,181	364,692	(1,592,444)	1,049,429
General & Administrative	<u>2,339,796</u>	<u>30,764</u>	<u>-</u>	<u>2,370,560</u>
Total Operating Expenses	<u>15,922,405</u>	<u>395,456</u>	<u>(1,592,444)</u>	<u>14,725,417</u>
Income (Loss) From Operations	(1,092,162)	1,196,988	-	104,826
Other Income	<u>780,987</u>	<u>3,459</u>	<u>-</u>	<u>784,446</u>
Income (Loss) Before Taxes	(311,175)	1,200,447	-	889,272
Less: Pass-Through Entity Taxes	<u>64,791</u>	<u>9,845</u>	<u>-</u>	<u>74,636</u>
Net Income (Loss)	\$ <u>(375,966)</u>	\$ <u>1,190,602</u>	\$ <u>-</u>	\$ <u>814,636</u>

MRNC Operating, LLC
d/b/a Medford Rehabilitation & Nursing Center
MRNC Realty, LLC
Combining Statement of Members' Equity
For the year ended December 31, 2023

	Facility	Realty	Combined
Members' Equity:			
Balance as of Beginning of Period	\$ 4,172,955	\$ 815,018	\$ 4,987,973
Net Income (Loss) for the Period	(375,966)	1,190,602	814,636
Members' Distributions	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total Members' Equity			
End of Period	\$ <u>3,796,989</u>	\$ <u>1,005,620</u>	\$ <u>4,802,609</u>

MRNC Operating, LLC
d/b/a Medford Rehabilitation & Nursing Center
MRNC Realty, LLC
Combining Statement of Cash Flows
For the year ended December 31, 2023

	Facility	Realty	Combined
Cash Flows From Operating Activities:			
Net Income (Loss)	\$ (375,966)	\$ 1,190,602	\$ 814,636
Adjustments to reconcile Net Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation & Amortization	171,576	137,800	309,376
Amortization of Debt Issuance Costs	-	6,258	6,258
Bad Debt Recovery	(185,000)	-	(185,000)
(Increase) Decrease In:			
Accounts Receivable	1,613,781	-	1,613,781
Prepaid Expenses	(20,851)	-	(20,851)
Escrow Deposits	-	1,476	1,476
Increase (Decrease) In:			
Accounts Payable	(221,797)	-	(221,797)
Accrued Payroll & Withholding Taxes	149,177	-	149,177
Accrued Expenses & Taxes	36,193	(827)	35,366
Due to Third Party Payors	56,528	-	56,528
Exchanges	1,192	-	1,192
Total Adjustments	<u>1,614,223</u>	<u>649</u>	<u>1,614,872</u>
Net Cash Provided By Operating Activities	1,224,833	1,335,309	2,560,142
Cash Flows From Investing Activities:			
Capital Expenditures	(135,511)	-	(135,511)
Other Assets	<u>24,834</u>	<u>-</u>	<u>24,834</u>
Net Cash Used In Investing Activities	(110,677)	-	(110,677)
Cash Flows From Financing Activities:			
Increase In Short Term Debt	3,387	9,637	13,024
Decrease In Long Term Debt	(75,241)	(284,516)	(359,757)
Other Liabilities	(24,834)	-	(24,834)
Loans Payable - Related Parties	(147,073)	-	(147,073)
Distributions	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net Cash Used In Financing Activities	<u>(243,761)</u>	<u>(1,274,879)</u>	<u>(1,518,640)</u>
Net Change In Cash	870,395	60,430	930,825
Cash - Beginning of Period	<u>769,083</u>	<u>47,302</u>	<u>816,385</u>
Cash - End of Period	<u>\$ 1,639,478</u>	<u>\$ 107,732</u>	<u>\$ 1,747,210</u>
Supplemental Disclosures:			
Interest Paid	\$ 31,885	\$ 159,990	\$ 191,875

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, 2020 and subsequent remain subject to examination by applicable taxing authorities.

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, 2023 was as follows:

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

3) Accounts Receivable (Continued):

	<u>Amount</u>	<u>Concentration Of Risk (%)</u>
Private Patients	\$ 260,443	9.22 %
Medicare Patients	449,233	15.90
Medicaid Patients	<u>2,115,870</u>	<u>74.88</u>
Total	2,825,546	<u>100.00 %</u>
Less: Allowance for Doubtful Accounts	<u>(250,000)</u>	
Net Accounts Receivable	<u>\$ 2,575,546</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.

The following are the balances as of December 31, 2023:

	<u>Brookline Bank</u>	<u>SBA</u>	<u>Combined</u>
Principal Balance:	\$ 2,620,733	\$ 1,294,489	\$ 3,915,222
Unamortized debt issuance costs:	<u>(5,869)</u>	<u>(29,200)</u>	<u>(35,069)</u>
	2,614,864	1,265,289	3,880,153
Less current portion:	<u>(144,166)</u>	<u>(140,361)</u>	<u>(284,527)</u>
Long-term debt	<u>\$ 2,470,698</u>	<u>\$ 1,124,928</u>	<u>\$ 3,595,626</u>

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 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 2024	\$ 144,166	\$ 140,361	\$ 284,527
For the year ending 2025	151,443	143,799	295,242
For the year ending 2026	2,325,124	147,321	2,472,445
For the year ending 2027	-0-	150,929	150,929
For the year ending 2028	-0-	154,625	154,625
For the years thereafter	<u>-0-</u>	<u>557,454</u>	<u>557,454</u>
Total	<u>\$ 2,620,733</u>	<u>\$ 1,294,489</u>	<u>\$ 3,915,222</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, 2023:

Principal Balance:	638,319
Unamortized debt issuance cost:	<u>(-0-)</u>
	638,319
Less current portion:	<u>75,591</u>
Long-term Debt	<u>\$ 562,728</u>

Principal payments for the next three years are as follows:

<u>Year</u>	<u>Amount</u>
For the year ending 2024	\$ 75,591
For the year ending 2025	79,308
For the year ending 2026	<u>483,420</u>
Total	<u>\$ 638,319</u>

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

6) Loans – Related Parties:

The Facility has loans to and from various related parties. As of December 31, 2023 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	\$ (65,058)	\$ -0-	\$ (65,058)
Personal Healthcare, LLC	-0-	(609,570)	(609,570)
Due From Realty / Due To Facility	<u>765,391</u>	<u>(765,391)</u>	<u>-0-</u>
Total Loans – Related Parties	<u>\$ 700,333</u>	<u>\$ (1,374,961)</u>	<u>\$ (674,628)</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, 2023 was \$1,592,444.

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, 2023. As of December 31, 2023, the Facility's operating lease liability and corresponding asset was \$3,661,324, of which \$363,213 of the liability was considered short term.

The Facility's future minimum lease payments for the next five years, as of December 31, 2023, were as follows:

2023	\$ 434,870
2024	434,870
2025	434,870
2026	434,870
2027	434,870
Thereafter	<u>1,848,196</u>
Total Future Payments:	<u>\$ 4,022,546</u>

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

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, 2023 was \$1,070,725.

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, 2023 was \$8,397.

11) Advertising:

Advertising costs are expensed as incurred and included in general and administrative expenses. Advertising expense amounted to \$34,485 for the year ended December 31, 2023.

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, 2023 was \$472,782.

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, 2023 there were no matching contributions.

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, 2023 the cost of the insurance to the facility was \$297,689.

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

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 2023 consisted of:	<u>Days</u>	<u>%</u>
Medicaid	41,729	84.20
Private	3,950	7.97
Medicare	<u>3,877</u>	<u>7.83</u>
Total Patient Days	<u>49,556</u>	<u>100.00%</u>
Occupancy %	95.61%	

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 2023, the net amount paid was \$74,636.

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.

19) Subsequent Events:

The entities have evaluated subsequent events through April 12, 2024, 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 2023 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

April 12, 2024

MRNC Operating, LLC
d/b/a Medford Rehabilitation & Nursing Center
MRNC Realty, LLC
Supplementary Schedules
For the year ended December 31, 2023

	Facility	Realty	Elimination	Combined
Revenue From Patients:				
Private	\$ 1,606,462	\$ -	\$ -	\$ 1,606,462
Medicaid	11,349,762	-	-	11,349,762
Medicare	3,290,514	-	-	3,290,514
Bad Debt Expense	(1,601,495)	-	-	(1,601,495)
Bad Debt Allowance	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
Total Revenue From Patients	14,830,243	\$ -	\$ -	\$ 14,830,243
Revenue From Rental	-	1,592,444	(1,592,444)	-
Other Income (Expenses):				
Prior Period Expense	(13,238)	-	-	(13,238)
Interest	6,862	-	-	6,862
Mass Health & Human Services Stimulus	783,904	-	-	783,904
Other	<u>3,459</u>	<u>3,459</u>	<u>-</u>	<u>6,918</u>
Total Other Income (Expenses)	<u>780,987</u>	<u>3,459</u>	<u>-</u>	<u>784,446</u>
Total Income	\$ <u>15,611,230</u>	\$ <u>1,595,903</u>	\$ <u>(1,592,444)</u>	\$ <u>15,614,689</u>

MRNC Operating, LLC
d/b/a Medford Rehabilitation & Nursing Center
MRNC Realty, LLC
Supplementary Schedules
For the year ended December 31, 2023

	Facility	Realty	Combined
Payroll:			
Administrative & Office	\$ 519,514	\$ -	\$ 519,514
Nursing	4,569,692	-	4,569,692
Therapies	1,079,445	-	1,079,445
Social Services	351,129	-	351,129
Recreation	275,416	-	275,416
Dietary	534,863	-	534,863
Maintenance	77,545	-	77,545
Total Payroll	<u>7,407,604</u>	<u>-</u>	<u>7,407,604</u>
Employee Benefits:			
Payroll Taxes	667,512	-	667,512
Workmen's Compensation	68,449	-	68,449
Employee Benefits	17,393	-	17,393
Total Employee Benefits	<u>753,354</u>	<u>-</u>	<u>753,354</u>
Professional Care:			
Prescription Drugs	242,709	-	242,709
Medical Supplies	191,454	-	191,454
Contracted Nursing Service	1,576,379	-	1,576,379
Fees & Expenses	235,639	-	235,639
Total Professional Care	<u>\$ 2,246,181</u>	<u>\$ -</u>	<u>\$ 2,246,181</u>

MRNC Operating, LLC
d/b/a Medford Rehabilitation & Nursing Center
MRNC Realty, LLC
Supplementary Schedules
For the year ended December 31, 2023

	Facility	Realty	Elimination	Combined
Dietary & Housekeeping:				
Food	\$ 340,429	\$ -	\$ -	\$ 340,429
Other Dietary Expenses	39,050	-	-	39,050
Laundry	19,934	-	-	19,934
Housekeeping	3,035	-	-	3,035
Contracted Laundry Services	196,345	-	-	196,345
Contracted Housekeeping Services	299,496	-	-	299,496
Total Dietary & Housekeeping	898,289	-	-	898,289
Plant & Maintenance:				
Rent	1,592,444	-	(1,592,444)	-
Mortgage Interest	-	165,421	-	165,421
Equipment Rentals	8,397	-	-	8,397
Real Estate Tax	2,934	61,471	-	64,405
Light, Heat & Power	297,421	-	-	297,421
Maintenance	98,369	-	-	98,369
Security	2,508	-	-	2,508
Water & Sewer Charges	103,532	-	-	103,532
Depreciation & Amortization	171,576	137,800	-	309,376
Total Plant & Maintenance	2,277,181	364,692	(1,592,444)	1,049,429
General & Administrative:				
Office	160,127	-	-	160,127
Contracted Office Services	194,350	-	-	194,350
Computer Services	260,094	-	-	260,094
Telephone	6,419	-	-	6,419
Dues & Subscriptions	10,008	-	-	10,008
Auto & Travel	47,685	-	-	47,685
Professional Fees	79,513	-	-	79,513
Insurance	405,869	-	-	405,869
Interest	31,885	-	-	31,885
Nursing Home User Fee	1,070,725	-	-	1,070,725
Advertising	34,485	-	-	34,485
Miscellaneous	38,636	30,764	-	69,400
Total General & Administrative	\$ 2,339,796	\$ 30,764	\$ -	\$ 2,370,560