

STATE OF NEW YORK
PUBLIC HEALTH AND HEALTH PLANNING COUNCIL

SPECIAL ESTABLISHMENT AND PROJECT REVIEW COMMITTEE

AGENDA

October 11, 2017

*Immediately following the Committee on Codes, Regulations and Legislation
(scheduled to begin at 10:15 a.m.)*

- *MAIN MEETING SITE: Empire State Plaza, Concourse Level, Meeting Room 6, Albany*
- *VIDEO CONFERENCE SITE: 90 Church Street 4th Floor, Room 4A & 4B, New York City*

I. COMMITTEE ON ESTABLISHMENT AND PROJECT REVIEW

Gary Kalkut, M.D., Vice, Chair

A. Applications for Establishment and Construction of Health Care Facilities/Agencies

Residential Health Care Facilities - Establish/Construct

<u>Number</u>	<u>Applicant/Facility</u>
1. 171186 E	Prospect Acquisition I, LLC d/b/a Center for Nursing & Rehabilitation (Kings County)



**Project # 171186-E
Prospect Acquisition I, LLC d/b/a
Center for Nursing & Rehabilitation**

Program: Residential Health Care Facility
Purpose: Establishment

County: Kings
Acknowledged: March 24, 2017

Executive Summary

Description

Prospect Acquisition I, LLC d/b/a Center for Nursing & Rehabilitation, a New York limited liability company, requests approval to be established as the new operator of Center for Nursing & Rehabilitation, Inc., a 320-bed, voluntary not-for-profit, Article 28 residential health care facility (RHCF) located at 520 Prospect Place, Brooklyn (Kings County). Center for Nursing & Rehabilitation, Inc. is the current RHCF operator and real property owner. A separate entity, Prospect Acquisition II, LLC, will acquire the real property. There will be no change in beds or services provided.

On January 31, 2017, Center for Nursing & Rehabilitation, Inc. entered into an Asset Purchase Agreement (APA) with Prospect Acquisition I, LLC for the sale and acquisition of the RHCF operating interests for a purchase price of \$1,000,000. In conjunction with the APA, Center for Nursing & Rehabilitation, Inc. entered into a Purchase and Sale Agreement (PSA) with Prospect Acquisition II, LLC, for the sale and acquisition of the RHCF's real property for a purchase price \$64,000,000. The transaction contemplated by the APA and PSA will close simultaneously upon approval by the Public Health and Health Planning Council. The applicant will lease the premises from Prospect Acquisition II, LLC. There is a relationship between Prospect Acquisition I, LLC and Prospect Acquisition II, LLC in that the entities have identical members and ownership percentages.

The Seller has been experiencing a challenging environment due to competition from multiple for-profit operators whose skilled nursing facilities employ economies of scale, making it difficult to contain nursing home costs and sustain operations. A decision was made to sell the RHCF and the Seller undertook a bidding process that included solicitation of bids and proposed contracts from several prospective purchasers who are experienced nursing home operators in New York State. The Seller chose the applicant because of its experience, the likelihood of timely receiving required approvals, and because overall, the price and contract terms offered by the applicant were the most favorable to the Seller. The Seller is an affiliate of a not-for-profit health system controlled by CenterLight Health System, Inc. (CLHS). Another affiliate controlled by CLHS is CenterLight Health Care, Inc. ("CLHC"), which operates a Program of All-Inclusive Care for the Elderly (PACE), a Medicare and Medicaid program that helps the frail elderly meet their complex medical and social needs. Due to a variety of factors, CLHC's premiums have been insufficient over time to meet its expenses and as part of a recapitalization plan proposed to the Department of Health, CLHS has undertaken to sell the facility operated by the Seller in order to make the proceeds available to CLHC to support the PACE program. There are no restrictions on the property as to its use or ownership.

Ownership of the operations before and after the requested change is as follows:

<u>Current Operator</u> Center for Nursing and Rehabilitation, Inc. (Not-for-profit)
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<u>Proposed Operator</u> Prospect Acquisition I, LLC	
<u>Members</u>	
Pasquale DeBenedictis	27.34%
Alex Solovey	27.33%
Leopold Friedman	27.33%
Joseph Carillo II	10.00%
Solomon Rutenberg	8.00%

OPCHSM Recommendation
Contingent Approval

Need Summary

This change in ownership will have no impact on currently available beds and services.

Program Summary

No negative information has been received concerning the character and competence of the proposed applicants identified as new members. No changes in the program or physical environment are proposed in this application. No administrative services or consulting

agreements are proposed in this application. The applicants do not intend to utilize any staffing agencies upon their assumption of ownership.

Financial Summary

Prospect Acquisition I, LLC will acquire the RHC operations for \$1,000,000 funded via members' equity. Prospect Acquisition II, LLC will purchase the real estate for \$64,000,000 to be met with \$6,400,000 equity from the proposed realty members and a loan of \$57,600,000 at an interest rate of 3.25% above the one-month LIBOR rate (approximately 1.24% as of August 23, 2017) for a ten-year term with a 25-year amortization period. Bank of America has provided a letter of interest at the stated terms.

The projected budget is as follows:

	<u>Year One</u>
Revenues	\$42,977,500
Expenses	<u>40,490,245</u>
Net Income	\$1,587,255

Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

Approval contingent upon:

1. Submission of an executed loan commitment, acceptable to the Department of Health. (BFA)
2. Submission of an executed lease rental agreement, acceptable to the Department of Health. (BFA)
3. Submission of a commitment signed by the applicant which indicates that, within two years from the date of the council approval, the percentage of all admissions who are Medicaid and Medicare/Medicaid eligible at the time of admission will be at least 75 percent of the planning area average of all Medicaid and Medicare/Medicaid admissions, subject to possible adjustment based on factors such as the number of Medicaid patient days, the facility's case mix, the length of time before private paying patients became Medicaid eligible, and the financial impact on the facility due to an increase in Medicaid admissions. (RNR)
4. Submission of a plan to continue to enhance access to Medicaid residents. At a minimum, the plan should include, but not necessarily be limited to, ways in which the facility will:
 - a. Reach out to hospital discharge planners to make them aware of the facility's Medicaid Access Program;
 - b. Communicate with local hospital discharge planners on a regular basis regarding bed availability at the nursing facility; and
 - c. Identify community resources that serve the low-income and frail elderly population who may eventually use the nursing facility, and inform them about the facility's Medicaid Access policy. (RNR)
5. Submission of a commitment, signed by the applicant, to submit annual reports to the DOH, for at least two years, demonstrating substantial progress with the implementation of the plan. These reports should include, but not be limited to:
 - a. Describing how the applicant reached out to hospital discharge planners to make them aware of the facility's Medicaid Access Program;
 - b. Indicating that the applicant communicated with local hospital discharge planners on a regular basis regarding bed availability at the nursing facility;
 - c. Identifying the community resources that serve the low-income and frail elderly population that have used, or may eventually use, the nursing facility, and confirming they were informed about the facility's Medicaid Access policy.
 - d. Documentation pertaining to the number of referrals and the number of Medicaid admissions; and
 - e. Other factors as determined by the applicant to be pertinent. (RNR)
6. Submission of a photocopy of the lease between Prospect Acquisition I, LLC and Prospect Acquisition II, LLC, which is acceptable to the Department. [CSL]
7. Submission of a photocopy of the Certificate of Amendment of the Articles of Organization of Prospect Acquisition I, LLC, which is acceptable to the Department. [CSL]
8. Submission of a photocopy of the Amended and Restated Operating Agreement of Prospect Acquisition I, LLC, which is acceptable to the Department. [CSL]
9. Submission of a photocopy of the Prospect Acquisition I, LLC Certificate of Assumed Name, which is acceptable to the Department. [CSL]
10. Submission of a photocopy of the Consulting Agreement between Prospect Acquisition I, LLC and Cassena Care, LLC, which is acceptable to the Department. [CSL]
11. Submission of an Attestation for Service Agreements, which is acceptable to the Department.

Approval conditional upon:

1. The project must be completed within three years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. Within two years from the date of council approval, the percentage of all admissions who are Medicaid and Medicare/Medicaid eligible at the time of admission will be at least 75 percent of the planning area average as prescribed by the related contingency. Once the Medicaid patient admissions standard is reached, the facility shall not reduce its proportion of Medicaid patient admissions below the 75 percent standard unless and until the applicant, in writing, requests the approval of the Department to adjust the 75 percent standard and the Department's written approval is obtained. (RNR)
3. Submission of annual reports to the Department for at least two years demonstrating substantial progress with the implementation of the facility's Medicaid Access Plan as prescribed by the related contingency. Reports will be due within 30 days of the conclusion of each year of operation as identified by the Effective Date on the Operating Certificate issued at project completion. For example, if the Operating Certificate Effective Date is June 15, 2017, the first report is due to the Department no later than July 15, 2018. The Department reserves the right to require continued reporting beyond the two-year period. (RNR)

Council Action Date

October 11, 2017

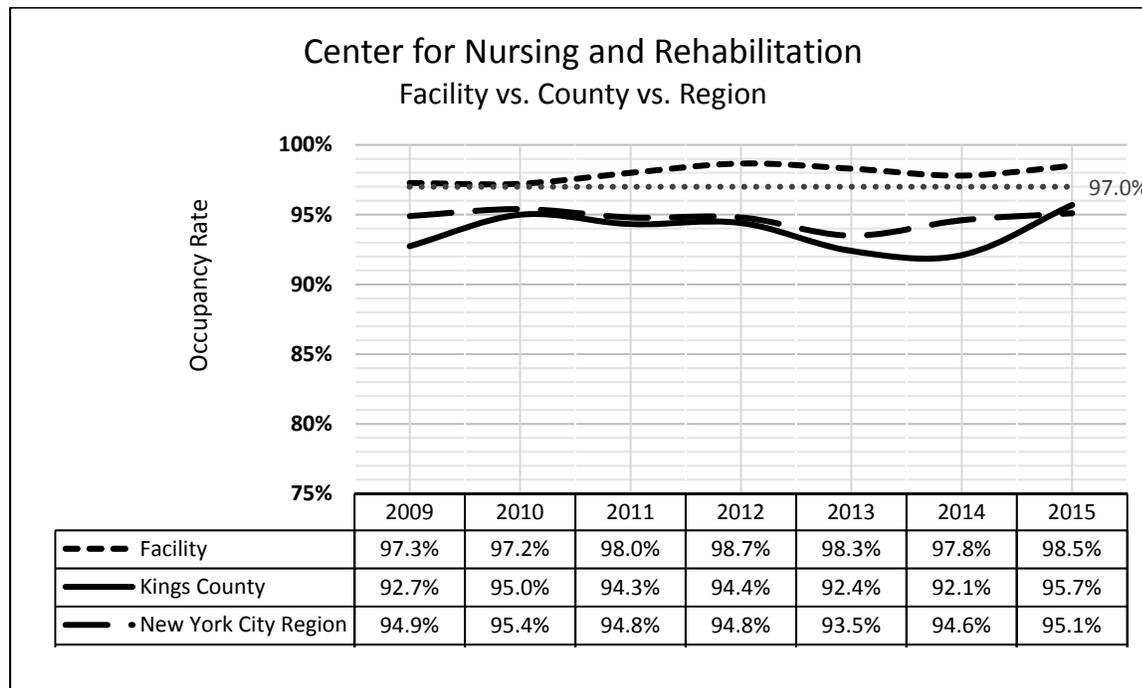
Need Analysis

Background

The current need methodology shows a need of 9,818 additional beds in the New York City Region. This project is a change in ownership and will not result in a change in the number of RHCN beds in the region.

RHCF Need – New York City

2016 Projected Need	51,071
Current Beds	41,296
Beds Under Construction	-43
Total Resources	41,253
Unmet Need	9,818



Occupancy at the facility has consistently exceed occupancy planning thresholds.

Access

Regulations indicate that the Medicaid patient admissions standard shall be 75% of the annual percentage of all Medicaid admissions for the long-term care planning area in which the applicant facility is located. Such planning area percentage shall not include residential health care facilities that have an average length of stay 30 days or fewer. If there are four or fewer residential health care facilities in the planning area, the applicable standard for a planning area shall be 75% of the planning area percentage of Medicaid admissions, or of the Health Systems Agency area Medicaid admissions percentage, whichever is less. In calculating such percentages, the Department will use the most current data which have been received and analyzed by the Department. An applicant will be required to make appropriate adjustments in its admission policies and practices so that the proportion of its own annual Medicaid patient's admissions is at least 75% of the planning area percentage or the Health Systems Agency percentage, whichever is applicable.

The Center for Nursing and Rehabilitation's Medicaid admissions rate has not exceeded the threshold of 75% of the Kings County rate, as demonstrated in the table below. Therefore, the applicant will be required to improve access to care for Medicaid residents, as well as commit to meeting the County threshold within two years of approval, as outlined in the contingencies and conditions below.

Percent of New RHCFA Admissions that are Medicaid	2013	2014	2015
Kings County 75% Threshold	24.8%	22.2%	20.9%
Center for Nursing & Rehabilitation Inc	20.7%	15.4%	14.1%

Conclusion

There will be no change to beds and services. The facility has maintained high occupancy and a continuation of its services benefits the residents of the county and planning region.

Recommendation

From a need perspective, contingent approval is recommended.

Program Analysis

Facility Information

	Existing	Proposed
Facility Name	Center for Nursing & Rehabilitation, Inc.	Center for Nursing and Rehabilitation
Address	520 Prospect Place Brooklyn, NY 11238	Same
RHCF Capacity	320	Same
ADHC Program Capacity	N/A	Same
Type of Operator	Not for Profit Corporation	Limited Liability Company
Class of Operator	Voluntary	Proprietary
Operator	Center for Nursing & Rehabilitation, Inc.	Prospect Acquisition 1, LLC. Members Pasquale DeBenedictis* 27.34% Alex Solovey* 27.33% Leo Friedman* 27.33% Joseph F. Carillo 10.00% Soloman Rutenberg 8.00% *managing members

Character and Competence - Background

Facilities Reviewed

Nursing Homes

Barnwell Nursing and Rehabilitation Center	10/2003 to present
Beach Gardens Rehab and Nursing Center	11/2014 to present
Bronx Gardens Rehabilitation and Nursing Center	11/2016 to present
Brooklyn Gardens Nursing and Rehabilitation Center	09/2014 to present
Carillon Nursing and Rehabilitation Center	01/1999 to present
East Neck Nursing and Rehabilitation Center	02/2005 to present
Fordham Nursing and Rehabilitation Center	08/2016 to present
Hudson Pointe at Riverdale Center for Nursing & Rehabilitation	06/2016 to present
Long Beach Nursing and Rehabilitation Center	08/2016 to present
Mills Pond Nursing and Rehabilitation Center	10/2010 to present
Morningside Nursing and Rehabilitation Center	07/2014 to present
Peninsula Nursing and Rehabilitation Center	08/2014 to present

Ross Center for Nursing and Rehabilitation (5%)	06/2016 to present
Sayville Nursing and Rehabilitation Center	12/2012 to present
Sea Crest Nursing and Rehabilitation	07/2015 to present
Shore View Nursing and Rehabilitation Center	06/2014 to present
The Citadel Rehab and Nursing Center at Kingsbridge	02/2015 to present
The Plaza Rehab and Nursing Center	09/2016 to present
Upper East Side Rehabilitation and Nursing Center	06/2015 to present
Workmen's Circle Multicare Center	07/2013 to present
Cassena Care at New Britain (CT)	02/2016 to present
Cassena Care of Norwalk (CT)	07/2013 to present
Cassena Care at Stamford (CT)	02/2016 to present

Dialysis Centers

Cassena Care Dialysis at Peninsula	11/2016 to present
East Neck Dialysis Center	09/2015 to present
Workmen's Circle Dialysis Center	08/2015 to present

Individual Background Review

Pasquale DeBenedictis is currently employed as the Chief Financial Officer at Center for Nursing & Rehabilitation, the subject nursing home, and also the Controller at Hillside Manor Certified Home Health Agency, since July, 2016. Mr. DeBenedictis has a Bachelor's degree from SUNY Plattsburgh and holds a CPA license, currently inactive. Mr. DeBenedictis discloses ownership interests in the following health care facilities.

Barnwell Nursing and Rehabilitation Center (33.30%)	10/2003 to present
East Neck Nursing and Rehabilitation Center (26.68%)	02/2005 to present
Fordham Nursing and Rehabilitation Center (25.25%)	08/2016 to present
Long Beach Nursing and Rehabilitation Center (25.00%)	08/2016 to present
Mills Pond Nursing and Rehabilitation Center (29.00%)	10/2010 to present
Morningside Nursing and Rehabilitation Center (35.00%)	07/2014 to present
Peninsula Nursing and Rehabilitation Center (25.05%)	08/2014 to present
Sayville Nursing and Rehabilitation Center (29.00%)	12/2012 to present
Sea Crest Nursing and Rehabilitation (32.50%)	07/2015 to present
Shore View Nursing and Rehabilitation Center (32.50%)	06/2014 to present
Upper East Side Rehabilitation and Nursing Center	06/2015 to present
Workmen's Circle Multicare Center (25.00%)	07/2013 to present
Cassena Care Dialysis at Peninsula (23.75%)	11/2016 to present
East Neck Dialysis Center (33.33%)	09/2015 to present
Workmen's Circle Dialysis Center (25.00%)	08/2015 to present
Cassena Care at New Britain (CT) (35.00%)	02/2016 to present
Cassena Care of Norwalk (CT) (35.00%)	07/2013 to present
Cassena Care at Stamford (CT) (35.00%)	02/2016 to present

Mr. DeBenedictis is approved to become the owner of Morningside Adult Home/ALP and Morningside LHCSA.

Alex Solovey is a New York State licensed physical therapist employed as the Director of Rehabilitation at Theradynamics Physical Therapy Rehabilitation P.C., since 1999. Mr. Solovey is also Director of Operations at Hillside Manor Certified Home Health Agency, since July 2016, and Chief Operating Officer of Center for Nursing and Rehabilitation, since February 2017. discloses ownership interests in the following residential health care facilities:

Barnwell Nursing and Rehabilitation Center (33.33%)	10/2003 to present
East Neck Nursing and Rehabilitation Center (15.00%)	02/2005 to present
Fordham Nursing and Rehabilitation Center (25.25%)	08/2016 to present
Long Beach Nursing and Rehabilitation Center (25.00%)	08/2016 to present
Mills Pond Nursing and Rehabilitation Center (29.00%)	10/2010 to present
Morningside Nursing and Rehabilitation Center (35.00%)	07/2014 to present

Peninsula Nursing and Rehabilitation Center (25.05%)	08/2014 to present
Sayville Nursing and Rehabilitation Center (33.33%)	12/2012 to present
Sea Crest Nursing and Rehabilitation (32.50%)	07/2015 to present
Shore View Nursing and Rehabilitation Center (32.50%)	06/2014 to present
Upper East Side Rehabilitation and Nursing Center (34.50%)	06/2015 to present
Workmen's Circle Multicare Center (25.00%)	07/2013 to present
Cassena Care Dialysis at Peninsula (23.75%)	11/2016 to present
East Neck Dialysis Center (33.33%)	09/2015 to present
Workmen's Circle Dialysis Center (25.00%)	08/2015 to present
Cassena Care at New Britain (CT) (35.00%)	02/2016 to present
Cassena Care of Norwalk (CT) (35.00%)	07/2013 to present
Cassena Care at Stamford (CT) (35.00%)	02/2016 to present

Mr. Solovey is approved to become the owner of Sea Crest Dialysis Center, Morningside Adult Home/ALP, Morningside LHCSA and Hillside Manor Certified Home Health Agency.

Leopold Friedman is the Chief Executive Officer of Advanced Care Staffing, Inc., a healthcare staffing agency, since 2006. Mr. Friedman discloses the following ownership interests.

Beach Gardens Rehab and Nursing Center (20%)	11/2014 to present
Bronx Gardens Rehabilitation and Nursing Center (50%)	11/2016 to present
Hudson Pointe at Riverdale Center for Nursing & Rehab (50%)	06/2016 to present
Long Beach Nursing and Rehabilitation Center (25%)	08/2016 to present
Peninsula Nursing and Rehabilitation Center (25%)	01/2013 to present
Ross Center for Nursing and Rehabilitation (5%)	06/2016 to present
The Citadel Rehab and Nursing Center at Kingsbridge (50%)	02/2015 to present
The Plaza Rehab and Nursing Center (25%)	09/2016 to present
Upper East Side Rehabilitation and Nursing Center (3%)	06/2015 to present
Cassena Care Dialysis at Peninsula (23.75%)	11/2016 to present
Ultimate Care, Inc. (33%)	02/2010 to present

Mr. Friedman is approved to be the owner of Brooklyn Gardens Dialysis Center, LLC.

Mr. Friedman is also a board member for the following voluntary nursing home:

Brooklyn Gardens Nursing & Rehabilitation Center	07/2014 to present
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Mr. Friedman has received Public Health and Health Planning Council approval to operate Brooklyn Gardens Dialysis Center (D&TC), Highland View Care Center (receiver since 02/03/2015), and Cassena Care Dialysis at Peninsula (D&TC). The applicant has not closed on these purchases.

Joseph F. Carillo is a licensed nursing home administrator with license in good standing and serves as the administrator of record at Carillon Nursing Home. Mr. Carillo holds an MBA from Adelphi University and discloses the following ownership interests.

Barnwell Nursing and Rehabilitation Center (33.33%)	10/2003 to present
Carillon Nursing and Rehabilitation Center (11.12%)	01/1999 to present
East Neck Nursing and Rehabilitation Center (15.00%)	02/2005 to present
Morningside Nursing and Rehabilitation Center (10.00%)	07/2014 to present
Sayville Nursing and Rehabilitation Center (33.33%)	12/2012 to present
Upper East Side Rehabilitation and Nursing Center (10.50%)	06/2015 to present
Workmen's Circle Multicare Center (25.00%)	07/2013 to present
Workmen's Circle Dialysis Center (25.00%)	08/2015 to present
Carillon Dialysis Center (11.11%)	01/1999 to present

Mr. Carillo is approved to become an owner of Morningside Dialysis Center, Morningside Adult Home/ALP and Morningside LHCSA.

Soloman Rutenberg is currently employed as the CEO of Workmen's Circle Multicare Center, since 2006. Mr. Rutenberg has a Masters in Engineering degree from Latvia Technical University and discloses ownership interests in the following health care facilities.

Fordham Nursing and Rehabilitation Center (32.25%)	08/2016 to present
Long Beach Nursing and Rehabilitation Center (9%)	08/2016 to present
Mills Pond Nursing and Rehabilitation Center (9%)	10/2010 to present
Morningside Nursing and Rehabilitation Center (20%)	07/2014 to present
Sea Crest Nursing and Rehabilitation (5%)	07/2015 to present
Shore View Nursing and Rehabilitation Center (5%)	06/2014 to present
Upper East Side Rehabilitation and Nursing Center (4.25%)	06/2015 to present
Workmen's Circle Multicare Center (25.01%)	07/2013 to present
Workmen's Circle Dialysis Center (25.00%)	08/2015 to present
Cassena Care at New Britain (CT) (15.00%)	02/2016 to present
Cassena Care of Norwalk (CT) (15.00%)	07/2013 to present
Cassena Care at Stamford (CT) (15.00%)	02/2016 to present

Mr. Rutenberg has been approved to become an owner of Morningside Adult Home/ALP, Morningside LHCSA, Morningside Dialysis Center and Seacrest Dialysis Center.

Character and Competence - Analysis

A review of Barnwell Nursing and Rehabilitation Center for the period identified above reveals the following:

- The facility was fined \$2,000 pursuant to Stipulation and Order NH-15-001 issued January 12, 2014 for surveillance findings on March 13, 2012. Deficiencies were found under 10 NYCRR 415.12(h)(1) – Quality of Care: Accidents/Supervision.
- The facility was fined \$10,000 pursuant to Stipulation and Order NH-15-038 for surveillance findings on February 1, 2013. Deficiencies were found under 10NYCRR 415.12(m)(2) Quality of Care Significant Medication Errors; 10NYCRR 415.26 Administration; and 10NYCRR 415.27 Quality Assurance.
- The facility was fined \$8,000 pursuant to Stipulation and Order NH-15-038 for surveillance findings on September 26, 2013. Deficiencies were found under 10NYCRR 415.4(b)(1)(2)(3) Free from Mistreatment Neglect and Misappropriation of Property; and 10NYCRR 415.12 Quality of Care Highest Practicable Potential.
- The nursing home paid a CMP of \$3,250 for Immediate Jeopardy on 3/13/12.
- The nursing home paid a CMP of \$5,000 for Immediate Jeopardy on 2/1/13.
- The nursing home paid a CMP of \$8,000 for Immediate Jeopardy on 9/26/13.

An assessment of the underlying causes of the above enforcements determined that they were not recurrent in nature and the operator investigated the circumstances surrounding the violation, and took steps which a reasonably prudent operator would take to prevent the recurrence of the violation.

A review of East Neck Nursing and Rehabilitation Center for the period identified above reveals the following:

- The facility was fined \$6,000 pursuant to Stipulation and Order NH-15-039 issued November 3, 2015 for surveillance findings on March 21, 2014. Deficiencies were found under 10NYCRR 415.3(e)(1)(ii) Residents Rights to Accept/Refuse Treatment- Right to Formulate Advance Directives, 10NYCRR 415.26 Administration and 10NYCRR 415.27(a-c) Administration Quality Assessment and Assurance.

A review of Mills Pond Nursing and Rehabilitation Center for the period identified above reveals the following:

- The facility was fined \$10,000 pursuant to Stipulation and Order NH-17-050 issued September 18, 2017 for surveillance findings on July 12, 2017. Deficiencies were found under 10NYCRR 415.12(m)(2) Quality of Care: Medication Errors.

A review of operations for The Citadel Rehab and Nursing Center at Kingsbridge for the period identified above reveals the following:

- The facility was fined \$4,000 pursuant to Stipulation and Order NH-16-205 issued November 29, 2016 for surveillance findings on August 1, 2016. Deficiencies were found under 10NYCRR 415.12(h)(1) Quality of Care Accident Free Environment and 10NYCRR 415.26 Administration.
- The nursing home paid a CMP of \$20,737.60 for the survey dated August 1, 2016.

A review of operations for Cassena Care at New Britain for the period identified above reveals the following:

- The facility was fined \$1,750 by the State of Connecticut for a survey on September 15, 2016 for F tag 309-Quality of Care.
- The facility incurred a Civil Money Penalty of \$17,821.05 for survey findings on September 15, 2016.

A review of operations for Cassena Care at Norwalk for the period identified above reveals that the facility was fined by the state of Connecticut for the following:

- The facility was fined \$1,020 for the survey on September 5, 2013 for F Tag 309- Provide necessary care and services to maintain highest well-being of each resident and F Tag 323 -Free of Accidents: Hazards/supervision/devices.
- The facility was fined \$360 for the survey on October 17, 2013 for Tag F 323- Free from accident hazards and risks, supervision to prevent avoidable accidents.
- The facility was fined \$1,160 for the survey on December 23, 2017 for Tag F 323- Free from accident -Fall in shower.
- The facility was fined \$1,370 for the survey on February 28, 2014 for Tag F F309G- Provide care/services for highest well-being, F314 G- Treatment/services to prevent/heal pressure sores.
- The facility was fined \$3,000 for the survey on January 26, 2016 for Tag F223- Protect resident from all abuse, physical punishment, and being separated from others.
- The facility was fined \$2,370 and \$3,000 for the survey on March 31, 2016 for Tag F224 Prohibit mistreatment/neglect/misappropriation.
- The facility was fined \$2,530 for the survey on July 13, 2017 Free of Accident Hazards/Supervision/Devices.

The facility incurred the following Civil Money Penalties for the period identified above:

- \$\$7,850 for survey findings on September 5, 2013.
- \$13,650 for survey findings on February 28, 2014.
- \$6,500 for survey findings on January 26, 2016.
- \$8,750 for survey findings on March 31, 2016.
- \$2,315.95 for survey findings on September 15, 2016.

The applicant has signed an affidavit signed attesting that none of the above fines are repetitive.

A review of operations for Beach Gardens Rehab and Nursing Center, Bronx Gardens Rehabilitation and Nursing and Nursing Center, Brooklyn Gardens Nursing & Rehabilitation Center, Carillon Nursing & Rehabilitation Center, Fordham Nursing and Rehabilitation Center, Hudson Pointe at Riverdale Center for Nursing & Rehabilitation, Long Beach Nursing and Rehabilitation Center, Morningside Nursing and Rehabilitation Center, Ross Center for Nursing and Rehabilitation, Sayville Nursing and Rehabilitation Center, Peninsula Nursing and Rehabilitation Center, Sea Crest Nursing and Rehabilitation, Shore View Nursing and Rehabilitation Center, The Plaza Rehab and Nursing Center, Upper East Side Rehabilitation and Nursing Center, and Workmen's Circle Multicare Center for the periods identified above, results in a conclusion of substantially consistent high level of care since there were no enforcements.

The applicant has submitted an affidavit which attests that there have been no enforcement actions for Cassena Care at Stamford in the State of Connecticut for the periods identified above which results in a conclusion of substantially consistent high level of care.

A review of operations for Cassena Care Dialysis at Peninsula, East Neck Dialysis Center and Workmen's Circle Dialysis Center for the periods identified above, results in a conclusion of substantially consistent high level of care since there were no enforcements.

A review of Ultimate Care LLC (LHCSA) for the periods identified above, results in a conclusion of substantially consistent high level of care since there were no enforcements

Quality Review

Facility	Overall	Health Inspection	Quality Measures	Staffing	NYS Quintile
Barnwell Nursing and Rehabilitation Center	*	*	**	**	5
East Neck Nursing & Rehab Center	*****	****	*****	**	4
Mills Pond Nursing and Rehabilitation Center	**	***	****	*	4
Sayville Nursing and Rehabilitation Center	***	**	*****	**	5
Workmens Circle Multicare Center	*****	*****	*****	**	2
Shore View Nursing & Rehabilitation Center	*****	*****	*****	**	5
Morningside Nursing and Rehabilitation Center	*****	*****	*****	*	4
Peninsula Nursing and Rehabilitation Center	*	**	****	*	5
Upper East Side Rehabilitation and Nursing Center	*****	****	*****	**	Not Available
Sea Crest Nursing and Rehabilitation Center	*****	*****	*****	***	2
Fordham Nursing and Rehabilitation Center	****	****	*****	*	3
Long Beach Nursing and Rehabilitation Center	***	**	*****	**	Not Available
Carillon Nursing & Rehab Center	****	***	*****	**	3
Brooklyn Gardens Nursing & Rehabilitation Center	****	***	*****	Not Available	3
Beach Gardens Rehab and Nursing Center	****	***	*****	**	Not Available
The Citadel Rehab & Nursing Ctr at Kingsbridge	*	*	****	*	2
Hudson Pointe at Riverdale Ctr For Nrsg And Rehab	****	***	*****	**	4
Bronx Gardens Rehabilitation & Nursing Center	Not Available	**	*****	Not Available	Not Available
The Plaza Rehab and Nursing Center	*****	*****	*****	*	Not Available
Ross Center for Nursing and Rehabilitation	***	**	*****	***	3

CT

Cassena Care at New Britain	**	*	*****	****
Cassena Care at Norwalk	*	*	****	***
Cassena Care at Stamford	*****	***	*****	****

With regard to the nursing homes with a quality score of 1 or 2, the applicant has stated they have responded by replacing the Administrator and Director of Nursing. They have increased staff training and have implemented a continuing education program for staff. They are also working with the current unions to increase the number of RN's and in some cases, reduce the number of LPN's.

Project Review

No changes in the program or physical environment are proposed in this application. No administrative services or consulting agreements are proposed in this application. The applicants do not intend to utilize any staffing agencies upon their assumption of ownership. They will however, conduct a full review of existing staff levels. If a need is found in a particular discipline, a staffing agency may be used to immediately fill that staffing area.

Conclusion

No negative information has been received concerning the character and competence of the proposed applicants identified as new members.

Recommendation

From a programmatic perspective, approval is recommended.

Financial Analysis

Asset Purchase Agreement

The applicant has submitted an executed APA for the transfer of the operations, which is summarized below:

Date:	Entered into on January 31, 2017, effective as of February 1, 2017.
Premises:	The RHCF located at 520 Prospect Place, Brooklyn, New York
Seller:	Center for Nursing & Rehabilitation, Inc.
Buyer:	Prospect Acquisition I, LLC
Assets Acquired:	Non-fixed equipment, the assigned contracts, all cash, deposits, and cash equivalents in the new Accounts as of the Closing Date, all retroactive rate increases relating to services rendered by the Business on and after the Effective Date, all resident records and other records of those residents who are being treated in connection with the Business on and after the Effective Date, copies of all the business records related to an used solely by the Company in the operation of the Business, the Medicare and Medicaid provider numbers and Medicare and Medicaid provider agreements from the Business, to the extent assignable, any and all permits of the Company related solely to Business issued by a governmental entity, resident/patient prepayments for services rendered on and after the Effective Date, security deposits relating solely to the Business, any inventory in Stock at the Business at the time of Closing, all telephone numbers and for similar numbers used solely in the conduct of the Business, any right to receive or expectancy of the Company in Vital Access/Safety Net Provider Program grant funds to the extent that such grant funds were awarded to the Company prior to the Effective Date and related to dates of service on and after the Effective Date, all accounts receivable, billed and unbilled, of the Business for date of service prior to the Closing Date and all rights to proceeds of the Universal Settlement.
Excluded Assets:	All real estate, resident records, Company's corporate records, any personnel records that is required by Law to retain in its possession, credits, prepaid expenses prior to the Effective Date, the names "Center for Nursing & Rehabilitation" and "Center Light" and any and all rights to the Intellectual Property of the Company, all assets of the Employee Plans, any permits of the Company issued by a governmental entity that are not related solely to the Business and all tax credits,

	refunds, recoveries and similar benefits to the Company or in respect of any taxes paid by the Company.
Assumed Liabilities:	All claims, liabilities and obligations of any kind or nature (including accounts payable), all liabilities and obligations of the Company under the Assignee Contracts from and after the Effective Date, all vendor liability and trade accounts payable for the Business before the Effective Date and all liabilities under the Promissory Note. The assumed liabilities are estimated at \$1,986,000.
Purchase Price:	\$1,000,000
Deposit:	\$300,000 on Effective Date for immediate use by the Company in its sole discretion.
Additional Deposits:	\$500,000 if the Closing has not occurred within 18 months of Effective Date, Company or Buyer may extend Closing by additional six months (First Extended Outside Date).
Payment of Purchase Price:	On the Closing Date, Buyer shall deliver to the Company by wire transfer of the bank account designated by the Company an amount in cash equal to the Purchase Price (i) minus the Deposit and Additional Deposits, if any, and plus or minus all of the amounts due and owing under this Agreement, including the Pro-rations and the Closing Adjustment.

The applicant will meet the purchase price via equity.

The applicant has submitted an original affidavit, which is acceptable to the Department, in which the applicant agrees, notwithstanding any agreement, arrangement or understanding between the applicant and the transferor to the contrary, to be liable and responsible for any Medicaid overpayments made to the facility and/r surcharges, assessments or fees due from the transferor pursuant to Article 36 of the Public Health Law with respect to the period of time prior to the applicant acquiring its interest, without releasing the transferor of its liability and responsibility. Currently, the facility has no outstanding Medicaid audit liabilities.

Purchase and Sale Agreement for the Real Estate

The applicant has submitted an executed real estate PSA. The transaction will close simultaneously with the APA upon approval by the PHHPC. The terms are summarized below:

Date:	January 31, 2017
Premises:	The RHC located at 520 Prospect Place, Brooklyn, New York.
Seller:	Center for Nursing & Rehabilitation, Inc.
Purchaser:	Prospect Acquisition II, LLC
Purchase Price:	\$64,000,000
Payment of Purchase Price:	Payable by (i) the payment of the Down payment of \$3,700,000 in immediate funds and (ii) the balance in cash by wire transfer at the Closing as directed by Seller in writing at least two business days prior to the Closing.

The applicant's financing plan appears as follows:

Equity (members)	\$ 6,400,000
Bank Loan (interest at 3.25% above one-month LIBOR (approx. 1.24% as of 8/23/17), 10-year term, 25-year amortization period)	57,600,000

When the balloon payment becomes due after the tenth year, the assessment of the annual rent payments due the landlord over the ten-year term indicates that the payments will exceed the cumulative total annual debt service due on the loan by \$34,528,804. This excess will enable the landlord to establish a sinking fund to finance the balloon payment. Given the excess rent over debt service requirements, the profitability of the other nursing home operations of the proposed realty members, and the realty members current liquid assets per their personal net worth statements available to date, it appears that the realty entity will have sufficient funds for the balloon payment should acceptable financing terms not be available at the time of refinancing.

Lease Rental Agreement

The applicant has submitted a draft lease rental agreement for the site that they will occupy, which is summarized below:

Premises:	A 320-bed nursing home located at 520 Prospect Place, Brooklyn, New York
Lessor:	Prospect Acquisition II, LLC
Lessee:	Prospect Acquisition I, LLC
Term:	10 years
Rental:	Year One \$6,600,000 base rent with 2% increase annually
Provisions:	Lessee to pay utilities (electricity, telephone, oil, water, sewer) and real estate taxes

This lease agreement will be a non-arm's length lease arrangement since the lessor and lessee have identical ownership.

Operating Budget

The applicant has submitted an operating budget, in 2017 dollars, for the first year after the change in operator, as summarized below:

	<u>Current Year (2016)</u>		<u>Year One</u>	
	<u>Per Diem</u>	<u>Total</u>	<u>Per Diem</u>	<u>Total</u>
<u>Revenues</u>				
Medicaid FFS	\$309.54	\$24,798,983		0
Medicaid MC		0	\$307.20	\$28,980,400
Medicare FFS	\$596.45	2,246,218		0
Medicare MC		0	704.34	11,344,800
Commercial FFS	\$297.98	8,928,585	367.75	846,200
Private Pay	\$394.22	611,041	367.75	846,200
Other		723,428		59,900
Non-Operating Revenues		<u>3,424,675</u>		<u>0</u>
Total Revenues		\$40,732,930		\$42,077,500
<u>Expenses</u>				
Operating	\$338.07	\$39,011,453	\$289.13	\$33,263,500
Capital	<u>22.34</u>	<u>2,578,073</u>	<u>62.82</u>	<u>7,226,745</u>
Total Expenses	\$360.41	\$41,589,526	\$351.95	\$40,490,245
Net Income		<u>(\$856,596)</u>		<u>\$1,587,255</u>
Utilization (patient days)		115,396		115,047
Occupancy		98.80%		98.50%
Breakeven Occupancy				94.78%

The following is noted with respect to the operating budget:

- Employee benefit expenses are decreasing. The current operator receives benefits as allocated from a related entity, which include Deferred Compensation Plans. The projected budget utilizes the benefit package currently in effect for the buyer's other unionized skilled nursing home facilities.
- Other operating revenues in the current year consisted of Meals Revenue (\$519,697), Café Revenues (\$147,350) and Other Miscellaneous Items (\$56,381). In the projections, the applicant assumed the continuation of the other miscellaneous items but did not project the meals and café revenues.
- Non-operating revenues consisted of grant revenues, as well as services sold to related parties of the current operator. None of these revenues were projected going forward.
- Other direct expenses are decreasing by \$4,152,491 during the first year. Items included in this reduction are \$1,928,693 of Administrative Consulting Expense and an additional \$243,230 for Administrative Consultants. Additionally, \$1,150,000 of bad debts were grouped in other direct expenses in accordance with the RHC-4 reporting guidelines, but removed from the projections going forward. The remaining cost reductions are anticipated from a reduction in utility expenses,

repairs and maintenance expenses, and additional costs allocated from related parties to the current operator.

- The reason for the shift in utilization is that the prior operator included all Managed Care as part of Commercial Insurance. In the projected year one budget, these revenue sources are moved to their correct payor categories. Additional changes were made to bring utilization in line with the buyer's current operations.
- Commercial rates are increasing from the current year to the first year. The prior operator included Managed Care days and revenue as part of Commercial Insurance, which distorted the presentation. The applicant's projections moved these revenue source to their correct categories, resulting in a true presentation of the actual Commercial Insurance rates.
- The Medicare rate was based on a benchmark of the proposed operator's existing NYC Metro facilities, increased 2% per year to account for changes in the CMS promulgated PPS rates.
- The year one Medicaid and Medicare utilization was projected using benchmark data from the proposed buyers' other nursing home operations, as well as other freestanding proprietary nursing home operators in the region.
- The applicant indicated that they will be in compliance with 10NYCRR Section 670.3(c)(2) regarding Medicaid admissions going forward, and notes that the current operator has a high Medicaid occupancy percentage. The reporting anomaly with MLTC patients may have distorted the historical percentage of Medicaid admissions.
- Utilization broken down by payor source during the first year is as follows:

	<u>Current Year</u>	<u>Year One</u>
Medicaid FFS	69.43%	0%
Medicaid MC	0%	82.0%
Medicare FFS	3.26%	0%
Medicare MC	0%	14.0%
Commercial FFS*	25.97%	2.0%
Private Pay	1.34%	2.0%

* Overstated for current year as it incorrectly includes all managed care payor statistics.

Capability and Feasibility

The purchase price for the operations is \$1,000,000 and will be met via equity. The purchase for the real estate is \$64,000,000 and will be met as follows: Equity of \$6,400,000 via the members and a loan of \$57,600,000 at an interest rate of 3.25% above the one-month LIBOR rate (approximately 1.22889% as of 8/4/17) for a ten-year term and a 25-year amortization period. Bank of America has provided a letter of interest for the financing at the stated terms. As previously noted, the proposed realty members do not currently have sufficient liquid resources to fund the balloon payment, but assessment of the annual rent payments due the landlord over the ten-year term indicates that the payments will exceed the cumulative total annual debt service due on the loan by \$34,528,804. The excess would enable the landlord to establish a sinking fund to finance the balloon payment. Given the excess rent over debt service requirements, the profitability of the proposed realty members other nursing home operations, and the realty members current liquid assets per their personal net worth statements available to date, it appears that the realty entity will have sufficient funds for the balloon payment should acceptable financing terms not be available at the time of refinancing.

Working capital requirements are estimated at \$6,748,374, which is equivalent to two months of first year expenses. The applicant will provide equity via the proposed members personal net worth. Pasquale DeBenedictis and Alex Solovey have submitted affidavits indicating that they will provide equity that is disproportionate to their ownership interests. BFA Attachment A is the personal net worth statements of the proposed members of Prospect Acquisition I, LLC (operating entity) and Prospect Acquisition II, LLC (realty entity), which indicates the availability of sufficient funds for the equity contribution. BFA Attachment C is the pro forma balance sheet of Prospect Acquisition I, LLC as of the first day of operation, which indicates a positive net asset position of \$9,881,874. The submitted budget projects \$1,587,258 of net income in Year One after the change in ownership. Revenues are based on current reimbursement methodologies. The submitted budget appears reasonable.

BFA Attachment B is the financial summary of Center for Nursing & Rehabilitation, Inc. As shown, the entity had an average negative working capital position and an average positive net asset position from 2014 through 2016. Also, the entity had an average excess of revenues over expenses of (\$535,268) from 2014 through 2016. The applicant indicated that the reason for the negative working capital position is that the facility had \$1,718,665 due to related entities, which will not be assumed by the buyers, and \$4,722,841 as due to third parties. Liabilities of \$2.8 million were recouped as part of operations in 2015 and are not recurring liabilities going forward. The applicant indicated that the reason for the losses in 2014 and 2016 were the result of old existing contracts that have not been renegotiated in years, including managed care contracts, and a shift to changes in payments such as value based reimbursement.

The applicant implemented the following steps to improve operations: since February 2017, two of the proposed members of the new operator (Pasquale DeBenedictis and Alex Solovey) have been the Chief Financing Officer and Chief Operating Officer. This has helped with revenue cycle over the past four plus months to stabilize operations.

BFA Attachment D is a financial summary of the other nursing homes that the proposed members have ownership interests in. As shown, all nursing homes had an average positive working capital position except for Terrace Acquisition, LLC. All entities had an average positive net asset positions and achieved average net incomes during the period shown.

BFA Attachment F is the internal financial statement of Center of Nursing & Rehabilitation as of August 31, 2017. As shown, the entity had a positive working capital position and a positive net asset position. Also, the entity achieved an income from operations of \$3,128,183 through August 31, 2017.

Subject to the noted contingencies, the applicant has demonstrated the capability to proceed in a financially feasible manner.

Recommendation

From a financial perspective, contingent approval is recommended.

Attachments

BFA Attachment A	Personal net worth statement- Proposed members of Prospect Acquisition I, LLC
BFA Attachment B	Financial Summary - Center for Nursing & Rehabilitation, Inc.
BFA Attachment C	Pro Forma Balance Sheet
BFA Attachment D	Financial Summary- Other nursing homes that the proposed members own.
BFA Attachment E	Nursing Homes proposed members own with ownership interest.
BFA Attachment F	August 31, 2017 internal financial statements of Center of Nursing & Rehabilitation.

Center for Nursing

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$9,534,793	\$11,610,916	\$10,000,424
Fixed Assets	23,270,214	26,206,455	26,937,007
Current Liabilities	11,359,572	9,345,436	12,303,935
Long Term Liabilities	15,080,000	21,251,806	20,828,726
Net Assets	\$6,365,435	\$7,220,129	\$3,804,770
Revenues	\$39,538,193	\$41,478,505	\$35,570,682
Expenses	40,427,281	37,910,931	39,854,971
Net Income	(\$889,088)	\$3,567,574	(\$4,284,289)
Number of Beds	320	320	320
Occupancy	98.79%	98.55%	97.83%
Medicaid	83.37%	87.31%	85.92%
Medicare	13.08%	8.78%	8.94%
Private Pay	3.55%	3.91%	5.14%

Pro Forma Balance Sheet

ASSETS:

Cash	\$6,749,374
Accounts Receivable	4,600,000
Resident Funds	360,400
Fixed Assets	<u>1,660,000</u>
TOTAL ASSETS	\$13,369,774

LIABILITIES:

Accrued payroll and lease payable	\$1,986,000
Long Term Debt, current portion	197,591
Resident Funds	360,400
Long Term Debt, Net of current portion	<u>943,909</u>
TOTAL LIABILITIES	\$3,487,900

NET ASSETS	\$9,881,874
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<u>Morningside Nursing</u>	<u>11/30/2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$25,226,534	\$16,233,603	\$16,454,227
Fixed Assets	3,518,750	1,271,513	348,539
Total Assets	\$28,745,284	\$17,505,116	\$16,802,766
Current Liabilities	\$10,494,384	8,377,276	7,928,587
Long Term Liabilities	14,055,970	7,433,833	7,434,133
Total Liabilities	\$24,550,354	\$15,811,109	\$15,362,720
Working Capital Position	\$14,732,150	\$7,856,327	\$8,525,640
Net Asset Position	\$4,194,930	\$1,694,007	\$1,440,046
Revenues	\$35,348,108	\$37,580,647	\$19,421,169
Expenses	32,862,868	37,226,686	18,031,123
Net Income	\$2,485,240	\$353,961	\$1,390,046

<u>Barnwell Nursing</u>	<u>11/30/2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$6,659,873	5,219,001	\$4,486,841
Fixed Assets	2,728,354	2,649,504	2,777,321
Total Assets	\$9,388,227	\$7,868,505	\$7,264,162
Current Liabilities	4,464,788	2,042,893	2,400,751
Long Term Liabilities	282,722	3,705,846	2,925,959
Total Liabilities	4,747,510	5,748,739	5,326,710
Working Capital Position	\$2,195,085	\$3,176,108	\$2,086,090
Net Asset Position	\$4,640,717	\$2,119,766	\$1,937,452
Revenues	\$18,853,599	22,052,102	\$22,795,724
Expenses	16,678,392	21,494,442	22,331,718
Net Income	\$2,175,207	\$557,660	\$464,006

<u>Sayville Nursing</u>	<u>11/30/2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$8,007,550	\$5,784,373	\$4,878,610
Fixed Assets	865,453	531,681	388,127
Total Assets	\$8,873,003	\$6,316,054	\$5,266,737
Current Liabilities	2,774,039	1,891,194	3,231,067
Long Term Liabilities	3,241,679	3,694,891	1,775,013
Total Liabilities	6,015,718	5,586,085	5,006,080
Working Capital Position	\$5,233,511	\$3,893,179	\$1,647,543
Net Asset Position	\$2,857,285	\$729,969	\$260,657
Revenues	\$21,935,854	\$24,065,313	22,414,580
Expenses	19,521,334	23,596,001	22,075,069
Net Income	\$2,414,520	\$469,312	\$339,511

<u>Terrace Acquisition</u>	<u>4 months ending 11/30/2016</u>
Current Assets	6,004,405
Fixed Assets	4,029,915
Total Assets	10,034,320
Current Liabilities	6,940,943
Long Term Liabilities	2,516,874
Total Liabilities	9,457,817
Working Capital Position	(936,538)
Net Asset Position	576,503
Revenues	\$6,709,856
Expenses	6,313,384
Net Income	\$396,472

<u>Upper East Side</u>	<u>11/30/2016</u>
Current Assets	\$15,596,122
Fixed Assets	9,131,220
Total Assets	\$24,727,342
Current Liabilities	8,414,133
Long Term Liabilities	2,406,219
Total Liabilities	10,820,352
Working Capital Position	\$7,181,989
Net Asset Position	\$13,906,990
Revenues	\$64,214,634
Expenses	58,487,071
Net Income	\$5,727,563

<u>Peninsula Nursing</u>	<u>11/30/2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$11,626,096	\$7,231,737	\$6,735,973
Fixed Assets	1,417,016	3,939,089	3,183,427
Total Assets	\$13,043,112	\$11,170,826	\$9,919,400
Current Liabilities	8,799,033	8,309,924	8,047,570
Long Term Liabilities	1,842,011	1,768,473	1,365,950
Total Liabilities	10,641,044	10,078,397	9,413,520
Working Capital Position	\$2,827,063	(\$1,078,187)	(\$1,311,597)
Net Asset Position	\$2,402,068	\$1,092,429	\$505,880
Revenues	\$19,590,021	\$21,954,867	\$18,962,666
Expenses	17,839,781	21,342,945	18,946,858
Net Income	\$1,750,240	\$611,922	\$15,808

<u>Long Beach Nursing</u>	<u>11/30/2016</u>
Current Assets	\$6,201,603
Fixed Assets	2,983,053
Total Assets	\$9,184,656
Current Liabilities	4,350,560
Long Term Liabilities	158,353
Total Liabilities	4,508,913
Working Capital Position	\$1,851,043
Net Asset Position	\$4,675,743
Revenues	15,426,610
Expenses	10,820,797
Net Income	4,605,813

<u>East Neck Nursing</u>	<u>11/30/2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$14,581,002	\$9,866,651	\$6,711,282
Fixed Assets	10,786,677	10,525,152	10,442,285
Total Assets	\$25,367,679	\$20,391,803	\$17,153,567
Current Liabilities	2,279,188	2,803,546	2,862,410
Long Term Liabilities	6,845,163	9,064,586	6,557,235
Total Liabilities	9,124,351	11,868,132	9,419,645
Working Capital Position	\$12,301,814	\$7,063,105	\$3,848,872
Net Asset Position	\$16,243,328	\$8,523,671	\$7,733,922
Revenues	\$35,732,073	\$38,610,094	\$36,920,845
Expenses	27,531,993	37,719,939	36,096,170
Net Income	\$8,200,080	\$890,155	\$824,675

<u>Carillon Nursing</u>	<u>11/30/2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$12,996,401	\$11,356,161	\$10,347,987
Fixed Assets	5,607,137	6,210,605	6,191,482
Total Assets	\$18,603,538	\$17,566,766	\$16,539,469
Current Liabilities	2,771,981	3,219,473	3,307,022
Long Term Liabilities	8,673,537	10,418,950	9,188,986
Total Liabilities	11,445,518	13,638,423	12,496,008
Working Capital Position	\$10,224,420	\$8,136,688	\$7,040,965
Net Asset Position	\$7,158,020	\$3,928,343	\$4,043,461
Revenues	\$37,142,432	\$43,248,898	\$42,922,580
Expenses	33,680,395	42,585,937	42,320,338
Net Income	\$3,462,037	\$662,961	\$602,242

<u>Sea Crest</u>	<u>2016</u>	<u>2015 (184 days)</u>
Current Assets	8,015,996	\$5,106,958
Fixed Assets	6,489,561	5,553,319
Total Assets	14,505,557	10,660,277
Current Liabilities	3,371,240	6,993,267
Long Term Liabilities	10,596,226	2,758,965
Total Liabilities	13,967,466	9,752,232
Working Capital Position	4,644,756	(1,886,309)
Net Asset Position	538,091	908,045
Revenues	\$37,260,239	\$17,506,864
Expenses	37,099,563	16,694,336
Net Income	\$160,676	\$812,528

<u>Shoreview</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$12,239,913	\$10,477,562	\$10,289,794
Fixed Assets	2,801,379	2,634,359	2,723,480
Total Assets	\$15,041,292	\$13,111,921	\$13,013,274
Current Liabilities	3,046,376	4,228,602	7,350,229
Long Term Liabilities	10,713,826	7,565,706	5,139,998
Total Liabilities	13,760,202	11,794,308	12,490,227
Working Capital Position	\$9,193,537	\$6,248,960	\$2,939,565
Net Asset Position	\$1,281,090	\$1,317,613	\$523,047
Revenues	\$44,866,051	\$44,604,533	\$21,382,328
Expenses	44,507,838	43,809,967	20,213,799
Net Income	\$358,213	\$794,566	\$1,168,529

<u>Beach Garden Center</u>	<u>9/30/2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$3,252,658	\$5,182,511	\$6,561,508
Fixed Assets	2,232,593	10,092,871	8,765,265
Total Assets	\$5,485,251	\$15,275,382	\$15,326,773
Current Liabilities	5,485,251	2,183,268	2,439,069
Long Term Liabilities	0	12,720,209	12,868,706
Total Liabilities	5,485,251	14,903,477	15,307,775
Working Capital Position	(\$2,232,593)	\$2,999,243	\$4,122,439
Net Asset Position	\$0	\$371,905	\$18,998
Revenues	\$11,923,782	\$15,882,726	\$2,331,261
Expenses	11,577,311	14,729,818	2,312,282
Net Income	\$346,471	\$1,152,908	\$18,979

SCHEDULE OF OWNERSHIP

	Barnwell	East Neck	St. James / Mills Pond	Petite Fleur / Sayville	Workmens Circle Multi- Care Ctr	Shoreview	Morningside Nursing Home
P. DeBenedictis	33.33%	15.00%	29.00%	33.33%	25.00%	32.50%	35.00%
A. Solovey	33.33%	15.00%	29.00%	33.33%	25.00%	32.50%	35.00%
J. Carillo	33.33%	26.68%	29.00%	33.33%	25.00%	0.00%	10.00%
L. Friedman	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
S. Rutenberg	0.00%	0.00%	9.00%	0.00%	25.00%	5.00%	20.00%

SCHEDULE OF OWNERSHIP

	Peninsula Nursing Home	Upper East Side / DeWitt	Sea-Crest	Fordham / Terrace	Long Beach	Workmens Circle Dialysis	East Neck Dialysis
P. DeBenedictis	25.05%	34.50%	32.50%	25.25%	25.00%	25.00%	33.33%
A. Solovey	25.05%	34.50%	32.50%	25.25%	25.00%	25.00%	33.33%
J. Carillo	0.00%	10.00%	0.00%	0.00%	0.00%	25.00%	33.33%
L. Friedman	25.00%	3.00%	0.00%	0.00%	25.00%	0.00%	0.00%
S. Rutenberg	0.00%	4.25%	5.00%	25.25%	0.00%	25.00%	0.00%

SCHEDULE OF OWNERSHIP

	Peninsual Dialysis	Carillon NH	Brooklyn Gardens	Beach Gardens	Hudson Pointe	Ross	SBNH Acquisition
P. DeBenedictis	23.75%	0.00%	N/A	0.00%	0.00%	0.00%	0.00%
A. Solovey	23.75%	0.00%	N/A	0.00%	0.00%	0.00%	0.00%
J. Carillo	0.00%	11.11%	N/A	0.00%	0.00%	0.00%	0.00%
L. Friedman	23.75%	0.00%	Brd Member	20.00%	50.00%	5.00%	50.00%
S. Rutenberg	0.00%	0.00%	N/A	0.00%	0.00%	0.00%	0.00%

SCHEDULE OF OWNERSHIP

	The Plaza Rehab	Highland View Care Center - The Citadel
P. DeBenedictis	0.00%	0.00%
A. Solovey	0.00%	0.00%
J. Carillo	0.00%	0.00%
L. Friedman	25.00%	50.00%
S. Rutenberg	0.00%	0.00%

BALANCE SHEET

ASSETS

August 31, 2017

CURRENT ASSETS

Cash and Cash Equivalents	\$ 5,788,006
Patient Accounts Receivable (net of allowance for doubtful accounts)	9,687,931
Prepaid Expenses	15,424
Other Current Assets	452,344

TOTAL CURRENT ASSETS

\$ 15,943,705

Security Deposits	117,500
Fixed Assets (net of accumulated depreciation)	9,579,928
Patient Funds	333,975
Assets Limited as to use	12,020,880

TOTAL ASSETS

\$ 37,995,988

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 1,620,329
Accrued Payroll, Sick and Vacation	6,791,797
Accrued Payroll Taxes	401,509
Accrued Expenses	1,940,228

TOTAL CURRENT LIABILITIES

\$ 10,753,861

Due to Third Party Payors	1,604,193
Due to Related Parties	4,189,647
Patient Funds	333,974
Mortgage Payable	15,097,595

TOTAL LIABILITIES

\$ 31,979,270

NET ASSETS	6,016,718
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TOTAL LIABILITIES AND NET ASSETS

\$ 37,995,988

CENTER FOR NURSING & REHABILITATION INC.

STATEMENT OF INCOME AND NET ASSETS

	Eight Months Ended August 31, 2017	
	Amount	Per Day
OPERATING INCOME		
Patient Service Income	\$ 25,319,596	\$ 336.37
Other Income	542,441	7.21
TOTAL OPERATING INCOME	<u>\$ 25,862,037</u>	<u>\$ 343.58</u>
OPERATING EXPENSES		
Administrative Services	\$ 1,643,224	\$ 21.83
Fiscal Services	714,616	9.49
Plant, Operations and Maintenance Services	792,971	10.54
Patient Food Services	2,733,772	36.32
Housekeeping Services	1,273,429	16.92
Laundry Services	277,866	3.69
Nursing Administration Services	1,207,435	16.03
Medical Care Services	511,510	6.79
Leisure Time Services	415,793	5.53
Social Services & Admissions	438,683	5.82
Security Services	130,726	1.74
Reception Services	15,426	0.20
Ancillary Services	1,878,334	24.95
Program Services	9,992,408	132.74
Property Costs	707,663	9.40
TOTAL OPERATING EXPENSES	<u>\$ 22,733,854</u>	<u>\$ 301.99</u>
EBITDARM FROM OPERATIONS	\$ 3,128,183	41.59
NET OTHER OPERATING ACTIVITIES		
Medicaid Assessment Revenue	\$ 750,026	\$ 9.96
Medicaid Assessment Expense	(1,106,633)	(14.70)
EBITDARM	<u>\$ 2,771,576</u>	<u>\$ 36.85</u>
Interest - Mortgage	(1,120,602)	(14.89)
Depreciation	(1,087,998)	(14.45)
EBITDA	562,976	\$ 7.51
Lease-Parking Lots	\$ (64,306)	\$ (0.85)
NET INCOME	<u>\$ 498,670</u>	<u>\$ 6.66</u>
NET ASSETS BEGINNING OF YEAR		
Opening Equity	5,518,048	
NET ASSETS, END OF PERIOD	<u>\$ 6,016,718</u>	