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December 8, 2021

Maryland Department of Aging
301 W Preston Street
Suite 1007
Baltimore, MD 21201

To Whom It May Concern,

I am submitting this letter in connection with Creekside Center for Rehabilitation and Nursing, Creekside Manor, Creekside Village, Creekside Residences and The Residences at Creekside (collectively, the "Applicant")'s application for a Change in Effective Control of Creekside Center for Rehabilitation and Nursing, Creekside Manor, Creekside Village, Creekside Residences and The Residences at Creekside (the "Application").

In evaluating the Applicant's affiliated entities' financial condition, the EBITDAR and Cash flow show the Entity's ability to earn income from the Facilities, and the retained profits support the significant investment made in the facilities.

Additionally, the Applicants' affiliates have been in the nursing home and assisted living industry for many years and have never experienced any failures or defaults. The Applicants' affiliates also have the banking and industry relationships needed to ensure success.

Based on the financial evaluation of this facility and the history of the Applicants' principals and investors' successful operation of skilled nursing and assisted living facilities, I certify that in my professional opinion, the Applicants have the financial ability to consummate the purchase of and to safely operate Creekside Center for Rehabilitation and Nursing, Creekside Manor, Creekside Village, Creekside Residences and The Residences at Creekside.

Based upon the Applicants' financial plan, the proposed change in ownership is not likely to have an unreasonable adverse effect on the providers' ability to perform its obligations under its agreements.

Sincerely,



David Fistel, CPA
NYS CPA License #099601

**CREEKSIDE CENTER FOR REHABILITATION AND NURSING
CREEKSIDE MANOR
CREEKSIDE VILLAGE
CREEKSIDE RESIDENCES
AND
THE RESIDENCES AT CREEKSIDE**

CONSOLIDATED FORECASTED FINANCIAL STATEMENTS

**JANUARY 1, 2022
THROUGH
DECEMBER 31, 2031
(Compiled)**

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Creekside SNF Operating Company LLC
d/b/a Creekside Center for Rehabilitation and Nursing
Creekside AL Operating Company LLC
d/b/a Creekside Manor
Creekside IL Operating Company LLC
d/b/a Creekside Village
Creekside Residence IL Operating Company LLC
d/b/a Creekside Residences
and
Creekside Residence AL Operating Company LLC
d/b/a The Residences at Creekside

I have compiled the accompanying consolidated forecasted balance sheets, statements of operations and owners' equity, cash flows, and summaries of significant assumptions of Creekside Center for Rehabilitation and Nursing, Creekside Manor, Creekside Village, Creekside Residences and The Residences at Creekside as of January 1, 2022 through December 31, 2031 and for the years then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of a forecast information, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. I have not examined the consolidated forecasted financial statements, and accordingly, do not express an opinion or any other form of assurance on them. Furthermore, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. I have no responsibility to update this report for events and circumstances occurring after the date of this report.



David M. Fistel, CPA
December 9, 2021
Lawrence, New York

CREEKSIDE CENTER FOR REHABILITATION AND NURSING
CREEKSIDE MANOR
CREEKSIDE VILLAGE
CREEKSIDE RESIDENCES
AND
THE RESIDENCES AT CREEKSIDE
CONSOLIDATED FORECASTED BALANCE SHEETS
AS OF DECEMBER 31,

	ASSETS									
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Current Assets:										
Cash In Banks	\$ 241,349	\$ 711,908	\$ 918,979	\$ 963,290	\$ 795,588	\$ 666,632	\$ 577,198	\$ 528,077	\$ 520,074	\$ 554,010
Operating Reserves	312,709	631,672	957,014	1,288,863	1,627,349	1,972,605	2,324,766	2,683,970	3,050,358	3,424,074
Accounts Receivable	2,200,000	2,244,000	2,288,880	2,334,658	2,381,351	2,428,978	2,477,558	2,527,109	2,577,651	2,629,204
Other Current Assets	1,100,000	1,122,000	1,144,440	1,167,329	1,190,676	1,214,490	1,238,780	1,263,556	1,288,827	1,314,604
Total Current Assets	<u>3,854,058</u>	<u>4,709,580</u>	<u>5,309,313</u>	<u>5,754,140</u>	<u>5,994,964</u>	<u>6,282,705</u>	<u>6,618,302</u>	<u>7,002,712</u>	<u>7,436,910</u>	<u>7,921,892</u>
Property and Equipment:										
Land and Building	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000
Furniture, Fixtures and Equipment	800,000	860,000	920,000	980,000	1,040,000	1,100,000	1,160,000	1,220,000	1,280,000	1,340,000
	<u>16,300,000</u>	<u>16,360,000</u>	<u>16,420,000</u>	<u>16,480,000</u>	<u>16,540,000</u>	<u>16,600,000</u>	<u>16,660,000</u>	<u>16,720,000</u>	<u>16,780,000</u>	<u>16,840,000</u>
Less: Accumulated Depreciation	<u>(723,636)</u>	<u>(1,459,272)</u>	<u>(2,206,908)</u>	<u>(2,966,544)</u>	<u>(3,738,180)</u>	<u>(4,521,816)</u>	<u>(5,317,452)</u>	<u>(6,125,088)</u>	<u>(6,944,724)</u>	<u>(7,776,360)</u>
	<u>15,576,364</u>	<u>14,900,728</u>	<u>14,213,092</u>	<u>13,513,456</u>	<u>12,801,820</u>	<u>12,078,184</u>	<u>11,342,548</u>	<u>10,594,912</u>	<u>9,835,276</u>	<u>9,063,640</u>
Other Assets:										
Goodwill	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
Total Assets	<u>\$ 23,430,422</u>	<u>\$ 23,610,308</u>	<u>\$ 23,522,405</u>	<u>\$ 23,267,596</u>	<u>\$ 22,796,784</u>	<u>\$ 22,360,889</u>	<u>\$ 21,960,850</u>	<u>\$ 21,597,624</u>	<u>\$ 21,272,186</u>	<u>\$ 20,985,532</u>
	LIABILITIES AND OWNERS' EQUITY									
Current Liabilities:										
Accounts Payable and Accrued Expenses	<u>\$ 1,800,000</u>	<u>\$ 1,836,000</u>	<u>\$ 1,872,720</u>	<u>\$ 1,910,174</u>	<u>\$ 1,948,377</u>	<u>\$ 1,987,345</u>	<u>\$ 2,027,092</u>	<u>\$ 2,067,634</u>	<u>\$ 2,108,987</u>	<u>\$ 2,151,167</u>
Total Current Liabilities	<u>1,800,000</u>	<u>1,836,000</u>	<u>1,872,720</u>	<u>1,910,174</u>	<u>1,948,377</u>	<u>1,987,345</u>	<u>2,027,092</u>	<u>2,067,634</u>	<u>2,108,987</u>	<u>2,151,167</u>
Deferred Income - Unamortized Entrance Fees	<u>40,200</u>	<u>70,555</u>	<u>91,065</u>	<u>101,730</u>	<u>102,550</u>	<u>102,550</u>	<u>102,550</u>	<u>102,550</u>	<u>102,550</u>	<u>102,550</u>
Long-Term Debt	<u>16,504,046</u>	<u>16,504,046</u>	<u>16,504,046</u>	<u>16,504,046</u>	<u>16,504,046</u>	<u>16,504,046</u>	<u>16,504,046</u>	<u>16,504,046</u>	<u>16,504,046</u>	<u>16,504,046</u>
Owners' Equity	<u>5,086,176</u>	<u>5,199,707</u>	<u>5,054,574</u>	<u>4,751,646</u>	<u>4,241,811</u>	<u>3,766,948</u>	<u>3,327,162</u>	<u>2,923,394</u>	<u>2,556,603</u>	<u>2,227,769</u>
Total Liabilities and Owners' Equity	<u>\$ 23,430,422</u>	<u>\$ 23,610,308</u>	<u>\$ 23,522,405</u>	<u>\$ 23,267,596</u>	<u>\$ 22,796,784</u>	<u>\$ 22,360,889</u>	<u>\$ 21,960,850</u>	<u>\$ 21,597,624</u>	<u>\$ 21,272,186</u>	<u>\$ 20,985,532</u>

See Accountant's Compilation Report.

**CREEKSIDE CENTER FOR REHABILITATION AND NURSING
CREEKSIDE MANOR
CREEKSIDE VILLAGE
CREEKSIDE RESIDENCES
AND
THE RESIDENCES AT CREEKSIDE
CONSOLIDATED FORECASTED STATEMENTS OF OPERATIONS AND OWNERS' EQUITY
FOR THE YEARS ENDING DECEMBER 31,**

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Resident Service Revenues:										
Net Service Revenues	\$ 14,640,242	\$ 14,933,047	\$ 15,231,708	\$ 15,536,342	\$ 15,847,069	\$ 16,164,010	\$ 16,487,290	\$ 16,817,036	\$ 17,153,377	\$ 17,496,445
Entrance Fee Amortization	122,926	119,645	129,490	139,335	149,180	150,000	150,000	150,000	150,000	150,000
	<u>14,763,168</u>	<u>15,052,692</u>	<u>15,361,198</u>	<u>15,675,677</u>	<u>15,996,249</u>	<u>16,314,010</u>	<u>16,637,290</u>	<u>16,967,036</u>	<u>17,303,377</u>	<u>17,646,445</u>
Operating Expenses:										
Salaries	5,020,402	5,120,810	5,223,226	5,327,691	5,434,245	5,542,930	5,653,789	5,766,865	5,882,202	5,999,846
Benefits	1,071,726	1,093,161	1,115,024	1,137,324	1,160,070	1,183,271	1,206,936	1,231,075	1,255,697	1,280,811
Staff Costs	56,438	57,567	58,718	59,892	61,090	62,312	63,558	64,829	66,126	67,449
Utilities	521,540	531,971	542,610	553,462	564,531	575,822	587,338	599,085	611,067	623,288
Maintenance and Repairs	667,633	680,986	694,606	708,498	722,668	737,121	751,863	766,900	782,238	797,883
Contracted Costs	3,227,438	3,291,987	3,357,827	3,424,984	3,493,484	3,563,354	3,634,621	3,707,313	3,781,459	3,857,088
Program Costs	552,377	563,425	574,694	586,188	597,912	609,870	622,067	634,508	647,198	660,142
Administration Costs	658,790	671,966	685,405	699,113	713,095	727,357	741,904	756,742	771,877	787,315
Management Fees	732,012	746,652	761,585	776,817	792,353	808,200	824,364	840,851	857,668	874,821
Depreciation and Amortization	723,636	735,636	747,636	759,636	771,636	783,636	795,636	807,636	819,636	831,636
Interest Expense	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000
	<u>14,031,992</u>	<u>14,294,161</u>	<u>14,561,331</u>	<u>14,833,605</u>	<u>15,111,084</u>	<u>15,393,873</u>	<u>15,682,076</u>	<u>15,975,804</u>	<u>16,275,168</u>	<u>16,580,279</u>
Income From Operations	731,176	758,531	799,867	842,072	885,165	920,137	955,214	991,232	1,028,209	1,066,166
Interest Income	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Net Income	736,176	763,531	804,867	847,072	890,165	925,137	960,214	996,232	1,033,209	1,071,166
Owners' Equity - Beginning of Year	5,000,000	5,086,176	5,199,707	5,054,574	4,751,646	4,241,811	3,766,948	3,327,162	2,923,394	2,556,603
Owners' Withdrawals	(650,000)	(650,000)	(950,000)	(1,150,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)
Owners' Equity - End of Year	<u>\$ 5,086,176</u>	<u>\$ 5,199,707</u>	<u>\$ 5,054,574</u>	<u>\$ 4,751,646</u>	<u>\$ 4,241,811</u>	<u>\$ 3,766,948</u>	<u>\$ 3,327,162</u>	<u>\$ 2,923,394</u>	<u>\$ 2,556,603</u>	<u>\$ 2,227,769</u>

**CREEKSIDE CENTER FOR REHABILITATION AND NURSING
CREEKSIDE MANOR
CREEKSIDE VILLAGE
CREEKSIDE RESIDENCES
AND
THE RESIDENCES AT CREEKSIDE
CONSOLIDATED FORECASTED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31,**

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Cash Flows from Operating Activities:										
Net Income	736,176	763,531	804,867	847,072	890,165	925,137	960,214	996,232	1,033,209	1,071,166
Adjustments:										
Depreciation and Amortization	723,636	735,636	747,636	759,636	771,636	783,636	795,636	807,636	819,636	831,636
Entrance Fee Amortization	(122,926)	(119,645)	(129,490)	(139,335)	(149,180)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
(Increase) Decrease in:										
Operating Reserves	(312,709)	(318,963)	(325,342)	(331,849)	(338,486)	(345,256)	(352,161)	(359,204)	(366,388)	(373,716)
Accounts Receivable	(2,175,571)	(44,000)	(44,880)	(45,778)	(46,693)	(47,627)	(48,580)	(49,551)	(50,542)	(51,553)
Other Current Assets	-	(22,000)	(22,440)	(22,889)	(23,347)	(23,814)	(24,290)	(24,776)	(25,271)	(25,777)
Increase (Decrease) in:										
Accounts Payable and Accrued Expenses	892,743	36,000	36,720	37,454	38,203	38,968	39,747	40,542	41,353	42,180
Net Cash Provided by (Used in) Operating Activities	<u>(258,651)</u>	<u>1,030,559</u>	<u>1,067,071</u>	<u>1,104,311</u>	<u>1,142,298</u>	<u>1,181,044</u>	<u>1,220,566</u>	<u>1,260,879</u>	<u>1,301,997</u>	<u>1,343,936</u>
Cash Flows from Investing Activities::										
Purchase of Furniture, Fixtures and Equipment	-	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
Net Cash Used in Investing Activities	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>
Cash Flows from Financing Activities:										
Entrance Fees Received	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Entrance Fees Refunded	-	-	-	-	-	-	-	-	-	-
Owners' Withdrawals	(650,000)	(650,000)	(950,000)	(1,150,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)
Net Cash Used in Financing Activities	<u>(500,000)</u>	<u>(500,000)</u>	<u>(800,000)</u>	<u>(1,000,000)</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>
Net Increase (Decrease) in Operating Cash	(758,651)	470,559	207,071	44,311	(167,702)	(128,956)	(89,434)	(49,121)	(8,003)	33,936
Cash and Cash Equivalents - Beginning of Year	1,000,000	241,349	711,908	918,979	963,290	795,588	666,632	577,198	528,077	520,074
Cash and Cash Equivalents - End of Year	<u>\$ 241,349</u>	<u>\$ 711,908</u>	<u>\$ 918,979</u>	<u>\$ 963,290</u>	<u>\$ 795,588</u>	<u>\$ 666,632</u>	<u>\$ 577,198</u>	<u>\$ 528,077</u>	<u>\$ 520,074</u>	<u>\$ 554,010</u>
Supplemental Disclosure, Interest Paid	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>

**CREEKSIDE CENTER FOR REHABILITATION AND NURSING
CREEKSIDE MANOR
CREEKSIDE VILLAGE
CREEKSIDE RESIDENCES
AND
THE RESIDENCES AT CREEKSIDE
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FORECASTED ASSUMPTIONS
DECEMBER 31, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030 AND 2031**

1. Nature of Business and Summary of Significant Accounting Policies:

Creekside Center for Rehabilitation and Nursing, Creekside Manor, Creekside Village, Creekside Residences and The Residences at Creekside (collectively “the Center”) operates a healthcare center with two campuses: “Ravenwood”, which consists of an 80-bed skilled nursing facility, 40 assisted living units and 46 independent living cottages, and “Robinwood”, which consists of 70 assisted living suites including a secure 12 bed unit dedicated to the needs of residents with memory-related illnesses and 23 independent living cottages. Both campuses are located in Hagerstown, Maryland within two miles of one another, and they are registered and operated as a single community.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent 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 Center operates as a limited liability company (LLC) and elects to be taxed as a partnership for income tax purposes and allocates all taxable income and losses to its owners.

Cash Equivalents — Cash equivalents include cash deposits and interest-bearing time deposits with original maturities of three months or less.

Accounts Receivable — Accounts receivable are reported at net realizable value. Accounts are charged to bad debt expense when deemed uncollectible based upon a periodic review by management. The allowance for doubtful accounts is estimated based upon periodic reviews of individual accounts.

Property and Equipment — Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

Net Resident Service Revenues — Net resident service revenue is reported at estimated net realizable amounts from residents, third-party payors and others, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are estimated and accrued in periods in which related services are performed, and as final settlements are made, these estimated accruals are adjusted accordingly. Consequently, the estimates are subject to material near-term changes.

The principal payment arrangements with third-party payors are as follows:

MEDICARE: Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospective-determined, per-diem rates. These rates vary accordingly to a patient classification system that is based on clinical, diagnostic, and other factors, and the reimbursement methodology is subject to various limitations and adjustments. Medicare Part B Therapy Services are reimbursed at the lesser of a published-fee schedule or actual charges.

MEDICAL ASSISTANCE: Nursing services provided to Medical Assistance Program beneficiaries are paid at prospectively-determined, per-diem rates. These rates vary accordingly to a patient-classification system that is based upon clinical, diagnostic and other factors, and the reimbursement methodology is subject to various limitations and adjustments.

Both Medicare Part A and Medical Assistance rates are based on clinical, diagnostic and other factors. Determinations of these rates are partially based on the Center's clinical assessments of its residents. The Centers is required to clinically assess its residents at pre-determined periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare and Medical Assistance Programs.

The Center has also entered into payment agreements with certain commercial insurance carriers, and certain health-maintenance and preferred-provider organizations. Bases for payments to the Center under these agreements include prospectively-determined, per-diem rates or discounts from established charges.

**CREEKSIDE CENTER FOR REHABILITATION AND NURSING
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THE RESIDENCES AT CREEKSIDE
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FORECASTED ASSUMPTIONS
DECEMBER 31, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030 AND 2031**

2. Forecast Assumptions:

The Center will apply for and receive a certificate of authority from the Maryland Department of Aging to operate as a Continuing Care Provider. The Center will comply with all the rules and regulations concerning continuing care providers including offering a continuing care option to residents. The option will include the furnishing of care at the Center together with medical services pursuant to an agreement effective for a period in excess of one year and in consideration of the payment of an entrance fee with other periodic charges.

Independent living residents will be charged a range of Entrance Fees based on the type of Independent Living Residence leased and the choice of one of three different Entrance Fee Plans:

- (1) A Classic Plan involves the payment of the lowest entrance fee starting at \$75,000 with the amount of the eligible refund declining each month over the first 49 months of occupancy until the Resident is entitled to 0% refund.
- (2) A Classic Plan Plus involves the payment of an entrance fee starting at \$112,500 with the amount of the eligible refund declining each month over the first 46 months of occupancy until the Resident is entitled to the remaining 50% of the entrance fee paid.
- (3) An Estate Preservation Plan involves the payment of an entrance fee starting at \$127,500 with the amount of the eligible refund declining each month over the first 15 months of occupancy until the Resident is entitled to the remaining 70% of the entrance fee paid.

Monthly Fees range from \$805 per month to \$1,235 depending on the kind of Independent Living Residence.

We assume that the Center will receive two entrance fee deposits of \$75,000 in each year, from 2022 through 2031.

Revenues and Expenses — Revenues and expenses are forecasted to increase by approximately two percent annually during the years ending December 31, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030 and 2031.