

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**LNF Corporation d/b/a Masconomet Healthcare Center
and Tops Associates Limited Partnership**

Opinion

We have audited the accompanying consolidated financial statements of LNF Corporation d/b/a Masconomet Healthcare Center and Tops Associates Limited Partnership, which comprise the consolidated balance sheets as of December 31, 2022, and the related consolidated statements of operations, changes in deficit, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LNF Corporation d/b/a Masconomet Healthcare Center and Tops Associates Limited Partnership as of December 31, 2022, and the results of their operations and their 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LNF Corporation d/b/a Masconomet Healthcare Center and Tops Associates Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LNF Corporation d/b/a Masconomet Healthcare Center and Tops Associates Limited Partnership's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 consolidated 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 LNF Corporation d/b/a Masconomet Healthcare Center and Tops Associates Limited Partnership'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 LNF Corporation d/b/a Masconomet Healthcare Center and Tops Associates Limited Partnership'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.

Marcum LLP

Hartford, CT
June 27, 2023

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 1,041,888	\$ 2,680,377
Investments held by affiliates	1,300,000	--
Accounts receivable, patients	2,007,600	1,152,663
Prepaid expenses	230,099	197,783
Other receivable	6,158	87,244
Total Current Assets	<u>4,585,745</u>	<u>4,118,067</u>
Funded Reserves		
Escrow deposits	53,816	50,720
Replacement reserves	662,988	807,719
Total Funded Reserves	<u>716,804</u>	<u>858,439</u>
Property and Equipment, net		
Land	551,759	551,759
Building	8,246,613	8,246,613
Improvements	880,776	810,942
Equipment	1,411,912	1,400,823
Construction in progress	23,820	--
	11,114,880	11,010,137
Less accumulated depreciation	<u>6,406,828</u>	<u>6,086,291</u>
Total Property and Equipment, net	<u>4,708,052</u>	<u>4,923,846</u>
Due from Related Parties	<u>421,231</u>	<u>428,030</u>
Other Assets		
Software	--	1,177
Insurance claims receivable	--	50,000
Total Other Assets	<u>--</u>	<u>51,177</u>
Total Assets	<u><u>\$ 10,431,832</u></u>	<u><u>\$ 10,379,559</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2022 AND 2021

	2022	2021
Liabilities and Equity (Deficit)		
Current Liabilities		
Loan payable - current portion	\$ 275,962	\$ 265,159
Accounts payable	630,446	706,041
Accrued expenses	314,077	262,327
Accrued payroll and related costs	278,801	245,133
Deferred revenue	50,442	269,262
Due to third-party payors	391,477	468,539
Total Current Liabilities	<u>1,941,205</u>	<u>2,216,461</u>
Litigation Obligations	--	50,000
Long-Term Debt, net	6,192,746	6,466,082
Due to Related Parties	<u>5,069,738</u>	<u>4,951,002</u>
Total Liabilities	<u>13,203,689</u>	<u>13,683,545</u>
Equity (Deficit)		
Capital stock	32	32
Additional paid-in capital	365,299	365,299
Retained earnings/partnership interest	(890,331)	(1,370,543)
Noncontrolling interest in partnership	<u>(2,246,857)</u>	<u>(2,298,774)</u>
Total Deficit	<u>(2,771,857)</u>	<u>(3,303,986)</u>
Total Liabilities and Deficit	<u><u>\$ 10,431,832</u></u>	<u><u>\$ 10,379,559</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenue		
Private patients	\$ 3,744,938	\$ 4,286,454
Medicare patients, net of sequester	4,139,335	3,782,131
Publicly-aided patients	5,908,363	4,362,942
Ancillary income, net of sequester	181,647	187,189
Federal stimulus revenue	268,212	585,202
State stimulus revenue	267,353	--
Interest income	14,930	5,267
Other income	60,604	58,495
Prior year revenue adjustments	53,128	(342,807)
Total Revenue	<u>14,638,510</u>	<u>12,924,873</u>
Operating Expenses		
Administrative and general	1,790,872	2,479,475
Employee benefits	862,061	824,644
Property expenses	706,531	705,760
Plant operations	585,353	486,035
Nursing	5,826,998	5,175,533
Medical services	177,592	162,514
Ancillary	1,068,529	1,124,166
Dietary	1,064,556	864,234
Laundry and linen	186,013	176,394
Housekeeping	469,142	452,769
Social services	242,093	210,291
Recreation	123,522	120,237
Consultants	101,178	104,840
Total Operating Expenses	<u>13,204,440</u>	<u>12,886,892</u>
Income Before Other Items	<u>1,434,070</u>	<u>37,981</u>
Other Items		
Management fees	(880,941)	(768,267)
Total Other Items	<u>(880,941)</u>	<u>(768,267)</u>
Income (Loss) Before Provision for Income Taxes	553,129	(730,286)
Provision for Income Taxes	<u>(21,000)</u>	<u>--</u>
Net Income (Loss)	532,129	(730,286)
Noncontrolling Interest in Partnership	<u>(51,917)</u>	<u>(40,411)</u>
LNF Corporation Net Income (Loss)	<u>\$ 480,212</u>	<u>\$ (770,697)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
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CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	LNF Corporation				Non-Controlling	
	Capital Stock	Additional Paid-In Capital	Corporation Accumulated (Deficit) Equity	General Partner 1% Interest in Partnership	Interest in Partnership	Total (Deficit) Equity
Balance - December 31, 2020	\$ 32	\$ 365,299	\$ (601,571)	\$ 1,725	\$ (2,339,185)	\$ (2,573,700)
Net income (loss)	--	--	(771,105)	408	40,411	(730,286)
Balance - December 31, 2021	32	365,299	(1,372,676)	2,133	(2,298,774)	(3,303,986)
Net income	--	--	479,688	524	51,917	532,129
Balance - December 31, 2022	<u>\$ 32</u>	<u>\$ 365,299</u>	<u>\$ (892,988)</u>	<u>\$ 2,657</u>	<u>\$ (2,246,857)</u>	<u>\$ (2,771,857)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Net income (loss)	\$ 480,212	\$ (770,697)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	321,714	306,426
Amortization of debt issuance costs	2,626	2,729
Noncontrolling interest in partnership	51,917	40,411
Bad debts	(128,643)	591,183
Changes in operating assets and liabilities:		
Accounts receivable	(726,294)	(20,202)
Prepaid expenses	(32,316)	(29,470)
Other receivables	81,086	10,794
Accounts payable	(75,596)	154,591
Accrued expenses	51,750	(194,554)
Accrued payroll and related costs	33,668	(36,057)
Deferred revenue	(218,820)	(318,040)
Due to third-party payors	(77,062)	350,456
Net Cash Provided by (Used in) Operating Activities	<u>(235,758)</u>	<u>87,570</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(104,742)	(249,934)
Net Cash Used in Investing Activities	<u>(104,742)</u>	<u>(249,934)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	(265,159)	(254,779)
Net change in amounts due related parties	125,535	84,455
Net Cash Used in Financing Activities	<u>(139,624)</u>	<u>(170,324)</u>
Net Change in Cash and Restricted Cash	(480,124)	(332,688)
Cash and Restricted Cash - Beginning	<u>3,538,816</u>	<u>3,871,504</u>
Cash and Restricted Cash - Ending	<u>\$ 3,058,692</u>	<u>\$ 3,538,816</u>

The accompanying notes are an integral part of these consolidated financial statements.

**LNF CORPORATION
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AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 265,495</u>	<u>\$ 275,874</u>
Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the Period		
Cash	\$ 1,041,888	\$ 2,680,377
Investment held by affiliates	1,300,000	--
Restricted Cash		
Escrow deposits	53,816	50,720
Replacement reserves	<u>662,988</u>	<u>807,719</u>
	<u>\$ 3,058,692</u>	<u>\$ 3,538,816</u>

The accompanying notes are an integral part of these consolidated financial statements.

**LNF CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The consolidated financial statements include the accounts of LNF Corporation d/b/a Masconomet Healthcare Center (the Corporation), a Subchapter S corporation, which operates a 123-bed nursing home in Topsfield, Massachusetts and Tops Associates Limited Partnership (the Partnership), a realty holding company, which owns and leases its fixed assets to LNF Corporation. The Corporation and the Partnership (collectively the Companies) are related through common ownership. The Corporation is the general partner of the Partnership with a 1% general partnership interest, and as such, exercises control over the Partnership as its general partner.

A summary of the Companies' significant accounting policies follows:

BASIS OF CONSOLIDATION

The accompanying consolidated financial statements present the consolidated financial position, results of operations, changes in equity (deficit), and cash flows of the Corporation and Partnership. All material inter-company balances and transactions have been eliminated in the consolidated financial statements. The equity of the noncontrolling ownership interest in the Partnership is separately reported in the consolidated balance sheet within equity (deficit); and the noncontrolling ownership interest in the net income of the Partnership is classified as Noncontrolling Interest in Partnership.

BASIS OF PRESENTATION

The accounting and reporting policies of the Companies conform to accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements of the Companies are prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when the liability for goods and services is incurred, regardless of timing of the related cash flows.

CASH AND CASH EQUIVALENTS

The Companies consider all short-term debt securities purchased with an original maturity of three months or less when purchased to be cash equivalents.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

INVESTMENTS HELD BY AFFILIATES

During the year ended December 31, 2022, the Corporation entered into an agreement with Greenleaf VI II Inc. (a related party through common ownership), whereby Greenleaf VI II Inc. invests in an international short term fixed income fund on behalf of the Corporation and other related affiliates. The Corporation has included the international short term fixed income fund as a cash equivalent on the consolidated statement of cash flows. Quarterly interest from the investments is paid to the Corporation. The Corporation has access to the funds on demand. At December 31, 2022, the Corporation has \$1,300,000 which is included on the accompanying consolidated balance sheet as investments held by affiliates.

PATIENT SERVICE REVENUE

Private patient service revenue is reported at the estimated net realizable amounts. Third-party payer revenue is recorded as indicated in Note 2.

PRIOR YEARS' REVENUE ADJUSTMENT

Prior years' items are comprised of retroactive third-party payer settlements and adjustments of prior year patient revenue not previously reflected.

FEDERAL AND STATE STIMULUS REVENUE

Federal Stimulus – The Corporation received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services (HHS). During the years ended December 31, 2022 and 2021, the Corporation satisfied the necessary requirements to recognize the \$268,212 and \$585,202, respectively, of income, which is also included in federal stimulus revenue on the accompanying statement of operations.

The PRF payments have terms and conditions that the Corporation is required to follow and these funds are subject to reporting requirements and audit. The PRF payments are subject to potential recoupment by HHS if it is determined that the funds were not spent in accordance with the terms and conditions. Management believes the amounts that have been determined to be income are appropriately classified as of December 31, 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

FEDERAL AND STATE STIMULUS REVENUE (CONTINUED)

State Other COVID-19 Testing Reimbursements - During the years ended December 31, 2022 and 2021, the Corporation has recognized \$348,408 and \$345,737 in expense reimbursements from the Commonwealth of Massachusetts Executive Office of Health and Human Services (EOHHS). The amounts are included as a reduction in nursing expense on the consolidated statement of operations for the years ended December 31, 2022 and 2021, respectively. At December 31, 2021, the Corporation recorded \$74,280 in other receivables on the consolidated balance sheet, which was collected subsequent to the year then ended. There were no other receivables related to this activity at December 31, 2022. Management believes the amounts have been recognized appropriately as of and for the years ended December 31, 2022 and 2021.

State Workforce Appropriation –The Corporation received payments from EOHHS based on Medicaid days for the months of April through September 2021 at \$6.47 per day. The facility received workforce appropriation payments to support workforce retention and recruitment efforts during the COVID-19 pandemic in the amount of \$59,475 and recognized those payments as revenues during fiscal year 2022. The revenues recognized are included in the state stimulus revenue on the consolidated statements of operations. The Corporation is not aware of, nor have they been notified of, any conditions or restrictions on how or when these payments are to be spent. Management believes the amounts have been recognized appropriately as of December 31, 2022.

State Workforce Appropriation Supplemental Adjustment – The Corporation received payments from EOHHS which amounted to approximately 10% of Medicaid patient service revenue and is based on Medicaid days for the months of April through September 2021 at \$2.43 per day. The facility received workforce appropriation adjustment payments for the COVID-19 workforce supplemental monthly funding program in the amount of \$22,409 and recognized those payments as revenues during fiscal year 2022. The revenues recognized are included in state stimulus revenue on the consolidated statements of operations. The Corporation is not aware of, nor have they been notified of, any conditions or restrictions on how or when these payments are to be spent. Management believes the amounts have been recognized appropriately as of December 31, 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

FEDERAL AND STATE STIMULUS REVENUE (CONTINUED)

State 10% Supplemental Payment – The Corporation received payments from EOHHS based on Medicaid days for the months of April through September 2021 a \$7.57 per day. The facility received supplemental payments to offset increased costs of providing care in the amount of \$185,468 and recognized those payments as revenues during fiscal year 2022. The revenues recognized are included in state stimulus revenue on the consolidated statements of operations. The Corporation is not aware of, nor have they been notified of, any conditions or restrictions on how or when these payments are to be spent. Management believes the amounts have been recognized appropriately as of December 31, 2022.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding accounts. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

The allowance is estimated based on length of time the receivable is outstanding and the source of the receivable. The allowance includes receivables that management considers overdue. No interest is charged on overdue receivables. Accounts that are unpaid after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Assets with an estimated useful life of more than two years and a historical cost in excess of \$1,000 are capitalized. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

The useful lives of property and equipment for purposes of computing depreciation are:

Building	40 years
Improvements	10 – 20 years
Equipment	5 – 10 years

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense charged to operations was \$320,537 and \$304,071 for the years ended December 31, 2022 and 2021, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operations to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, the long-lived assets of the operation are written down to fair value. Fair value is determined based on the discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2022 and 2021, there were no impairment losses recognized for long-lived assets.

SOFTWARE

Software with a historical cost of \$51,294 at December 31, 2022 and 2021, respectively, is amortized over a period of three to five years using the straight-line method. Accumulated amortization amounted to \$51,294 and \$50,117 as of December 31, 2022 and 2021, respectively. Annual amortization charged to operations amounted to \$1,177 and \$2,355 for 2022 and 2021, respectively. The software was fully amortized during the year ended December 31, 2022.

RELATED PARTY LOANS RECEIVABLE

The Companies' loan portfolio is comprised of unsecured related party loans receivable from affiliates and officers that bear no interest, and have no fixed repayment terms, as detailed in Note 4, and are considered a single portfolio class. Loans receivable are recorded net of an allowance for expected loan losses. The Companies establish an allowance as an estimate of inherent risk in the Companies' loan portfolio. Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. The allowance is established through a provision for loan losses that is charged to expense. Loan losses are charged off against the allowance when the Companies determine the loan balance to be uncollectible.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

RELATED PARTY LOANS RECEIVABLE (CONTINUED)

Proceeds received on previously charged off amounts are recorded as a recovery in the year of receipt. The Companies determined that all related party loans receivable are fully collectible as of December 31, 2022.

The Companies review the adequacy of the allowance, including consideration of the relevant risks in the loan portfolio, current economic conditions and other factors periodically. The Companies internally monitor related party borrowers to assess the risk of nonperformance. If the Companies determine that changes are warranted based on those reviews, the allowance is adjusted.

DEBT ISSUANCE COSTS

Debt issuance costs are bank fees and other costs incurred in obtaining financing that are amortized using the effective interest method, over the term of the related debt. Debt issuance costs are presented as a direct deduction of the carrying amount of the debt. Amortization of debt issuance costs is included in interest expense.

INCOME TAXES

The Corporation has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Corporation does not pay federal taxes on its taxable income. Instead, the stockholders are liable for income taxes on their respective share of the Corporation's federal taxable income. The Corporation has been classified as part of a consolidated group for state income tax purposes and as such is responsible for state income taxes on its share of the group's taxable income. Historically, the Corporation's state income taxes have not been material and have been paid by another party within the consolidated group.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

INCOME TAXES (CONTINUED)

The Corporation's provision for income taxes is based on net income reported for financial reporting purposes. Deferred income taxes arise from differences in financial and income tax accounting methods, principally arising from depreciation accounting and bad debt recognition. Tax credits are treated as a reduction of the provision for income taxes in the year in which the credits arise. The Partnership is not a taxpaying entity for purposes of federal and state income taxes. Partners are liable for income taxes on their respective share of the Partnership's taxable income. The Company's tax returns are subject to examination by federal and state taxing authorities. There are currently no examinations pending or in progress.

Management has concluded that there are no material uncertain tax positions that would require recognition in the financial statements. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analysis of tax laws, regulations and interpretations thereof as well as other factors.

MALPRACTICE INSURANCE

The Company's medical malpractice coverage is on an occurrence basis whereby incidents occurring during the insured year will be covered regardless of when the claim is asserted (see Note 14).

PROMOTIONAL ADVERTISING

Promotional advertising costs are expensed as incurred. Promotional advertising costs charged to operations amounted to \$16,939 and \$15,849 for 2022 and 2021, respectively.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

RECLASSIFICATIONS

Certain amounts in the 2021 financial statements have been reclassified to conform with the current year financial statement presentation. There was no effect on 2021 equity or results of operations.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 2022, the Companies adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, Leases (ASC 842). The Companies determine if an arrangement contains a lease at inception based on whether the Companies have the right to control the asset during the contract period and other facts and circumstances. The Companies elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The Companies generally does not have access to the rate implicit in the lease, and therefore the Companies utilized their incremental borrowing rate as the discount rate.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets, net of prepaid lease payments and lease incentives, of \$1,379,724 and operating lease liabilities of \$1,379,724 as of January 1, 2022, which are eliminated in consolidation. Results for the periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Companies' results of operations and cash flows. See Note 8.

SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Companies have evaluated events and transactions for potential recognition or disclosure through June 27, 2023, the date the consolidated financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.

**LNF CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – PATIENT SERVICE REVENUE

Patient service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payers (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services. The Corporation measures the performance obligations from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services.

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Corporation's policy and/or implicit price concessions provided to residents. The Corporation determine estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Corporation determines its estimate of implicit price concessions on a case by case basis.

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicaid

The Corporation receives reimbursement from the Commonwealth of Massachusetts under a standard rate of reimbursement payment system 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 and quality measures 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – PATIENT SERVICE REVENUE (CONTINUED)

Medicare

The Corporation receives reimbursement for patients covered by Medicare under a patient driven payment model (PDPM). The PDPM payment system assigns standard rates of payment for each patient's specific needs during the period of stay. PDPM uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM utilizes variable adjustment factors that change reimbursement rates during the resident's length of stay.

The Corporation is normally subject to a 2% sequestration for services provided through the Medicare program. Beginning May 1, 2020, the 2% sequestration provision was suspended through April 1, 2022 when a 1% sequester cut was in effect, with the full 2% sequestration resuming July 1, 2022.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Corporation compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Corporation. In addition, the contracts the Corporation has with commercial payers also provide for retroactive audit and review of claims.

OTHER THIRD-PARTY PAYORS

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – PATIENT SERVICE REVENUE (CONTINUED)

OTHER THIRD-PARTY PAYORS (CONTINUED)

Settlements with third-party payers for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Companies' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2022 and 2021.

Generally, residents who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Corporation estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2022 and 2021. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

The Corporation has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care
- Method of reimbursement
- The Corporation's line of business that provided the service

For the years ended December 31, 2022 and 2021, the Corporation recognized revenue of \$14,027,411 and \$12,275,909, respectively, for services provided to patients over time. Additionally, for the year ended December 31, 2022 and 2021, the Corporation recognized \$60,604 and \$58,495, respectively, of other revenue.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Private and insurance patients	\$ 713,094	\$ 450,549
Medicare patients	609,771	357,411
Publicly-aided patient	<u>823,735</u>	<u>532,945</u>
	2,146,600	1,340,905
Allowance for uncollectible	<u>(139,000)</u>	<u>(188,242)</u>
Accounts receivable, net	<u>\$ 2,007,600</u>	<u>\$ 1,152,663</u>

Bad debt (recovery) expense reflected in operations amounted to \$(128,643) and \$591,183 for 2022 and 2021, respectively. Bad debt expense includes changes in allowance for uncollectable accounts as well as actual bad debts written off, net of recoveries.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Companies have entered into the following transactions with related parties:

MANAGEMENT FEES

The Corporation recorded management fees to Greenleaf, V.I. II Incorporated of \$880,941 and \$768,267 for the years ended December 31, 2022 and 2021, respectively.

CENTRAL OFFICE REIMBURSEMENT EXPENSE

The Corporation recorded central office reimbursement expenses to Whittier Healthcare Holdings, II, Inc. in the annual amount of \$61,883 for 2022 and 2021. The central office reimbursement expense includes shared miscellaneous operating expenses for the Whittier Health Network and is allocated to each facility by net revenue and is included under the caption Administrative and General expense in the accompanying statements of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

OPERATING EXPENSES

Various personnel are shared by members of affiliated companies. Each affiliate is reimbursed for the cost of labor and related benefits provided to or by the related companies.

RENT

The Corporation leases land, building, and equipment from the Partnership. Rent expense amounted to \$642,653 and \$647,089 for 2022 and 2021, respectively and has been eliminated in consolidation. See Note 8 for additional lease information.

REPLACEMENT RESERVE EXCHANGE

Replacement reserve deposits are recorded as an exchange liability on the records of the Partnership, with the deposit being recorded as an exchange asset on the books of the Corporation. Any remaining balance in the replacement reserve exchange may only be returned to the lessee under certain circumstances. At December 31, 2022 and 2021, the replacement reserve exchange totaled \$426,028 and \$569,513 and has been eliminated in consolidation.

RELATED PARTY LOANS

Related party loans, which bear no interest and have no fixed repayment terms, are as follows:

	<u>2022</u>	<u>2021</u>
Due from related parties		
Affiliates	\$ 421,231	\$ 428,030
Total Due from Related Parties	<u>\$ 421,231</u>	<u>\$ 428,030</u>
Due to related parties		
Affiliates	\$ 2,255,798	\$ 2,137,062
Officers and partners	<u>2,813,940</u>	<u>2,813,940</u>
Total Due to Related Parties	<u>\$ 5,069,738</u>	<u>\$ 4,951,002</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 – LONG-TERM DEBT

The Partnership was obligated under long-term debt at December 31 as follows:

	<u>2022</u>	<u>2021</u>
4.00% mortgage note payable to Walker & Dunlop, LLC secured by substantially all assets and insured by the Department of Housing and Urban Development (HUD), payable in monthly installments of \$44,221, due October 1, 2039.	\$ 6,492,843	\$ 6,758,002
Less unamortized debt issuance costs	<u>24,135</u>	<u>26,761</u>
	6,468,708	6,731,241
Less current maturities	<u>275,962</u>	<u>265,159</u>
Total Long-Term Debt	<u><u>\$ 6,192,746</u></u>	<u><u>\$ 6,466,082</u></u>

Current maturities of long-term debt for the ensuing five years are as follows:

Year ending December 31,

2023	\$ 275,962
2024	287,205
2024	298,906
2026	311,085
2027	323,758
Thereafter	<u>4,995,927</u>
	<u><u>\$ 6,492,843</u></u>

Interest incurred amounted to \$267,236 and \$277,684 for 2022 and 2021, respectively. Amortization of debt issuance costs included in interest above was \$2,626 and \$2,729 for 2022 and 2021, respectively.

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NOTE 6 – FUNDED RESERVES

Under the terms of the HUD Regulatory Agreement, the Partnership is required to make monthly payments to an escrow account to cover FHA mortgage insurance, property insurance and real estate taxes. In addition, the Partnership must make monthly payments of \$5,125 (\$5,746 effective June 2023) to a reserve for replacements, which may be used for capital expenditures and major repairs. Withdrawals from the reserve for replacements are subject to approval by HUD. The balance in the escrow accounts and the replacement reserves were \$53,816 and \$662,988 at December 31, 2022 and \$50,720 and \$807,719 at December 31, 2021.

NOTE 7 – INCOME TAXES

An entity recognizes deferred tax assets and liabilities for future tax consequences of events that have already been recognized in the Corporation's financial statements or tax returns. Valuation allowances are established, if necessary, to reduce deferred tax asset accounts to the amounts that will more than likely not be realized. The provision for income tax expense is the current tax payable for the period, plus or minus the net change in the deferred tax asset or liability accounts.

The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. The deferred state liability and asset was calculated using a tax rate of 3.00% for 2022 and 2021, respectively. For both 2022 and 2021, the Corporation will be included as part of the Whittier Healthcare Holdings II, Inc.'s consolidated tax return.

Provision for income tax expense consists of the following components:

	2022	
	Due Currently	Deferred
State income tax	\$ 21,000	\$ --

There was no provision for income taxes for the year ended December 31, 2021.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 – INCOME TAXES (CONTINUED)

Total deferred tax assets are calculated to affect future deductible temporary differences caused by allowance for bad debts, fixed asset expenditures, and a net operating loss carryforward. Total deferred tax liability is calculated to reflect future taxable temporary differences caused by the use of different depreciation methods and lives for financial statement and income tax purposes. For both 2022 and 2021, deferred tax assets have been determined to not be material.

NOTE 8 – LEASES

As discussed in Note 1, the Corporation adopted the provisions of ASC 842.

The Corporation entered into a lease agreement with Tops Associates Limited Partnership (Lessor), a related party, as amended January 1, 2009, including minimum annual rents equal to 100% of the Partnership's debt service and related charges. The lease agreement contained three additional five-year extensions. The third five-year extension has been exercised extending the lease through September 2024.

The agreement includes a base rent of \$44,221 per month. In addition, the Corporation is responsible for other variable payments under the lease, including real estate taxes and insurance. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreement does not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the consolidated balance sheet which include amounts for operating leases as of December 31, 2022:

The maturities of operating lease liabilities as of December 31, 2022, were as follows:

For the Years ending December 31,

2023	\$ 530,653
2024	<u>397,990</u>
	<u>\$ 928,643</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of the following:

CASH AND CASH EQUIVALENTS

The Companies maintain cash balances in one federally insured financial institution. The cash and cash equivalents exceeding federally insured limits totaled approximately \$587 thousand as of December 31, 2022. The Companies have not suffered any losses in connection with their banking activity.

ACCOUNTS RECEIVABLE - PATIENTS

The Corporation extends unsecured credit to its private patients and patients covered under third-party payer arrangements. Accounts receivable from private patients and third-party payers totaled \$2,007,600 and \$1,152,663, at December 31, 2022 and 2021, respectively. See Notes 2 and 3 for details of third party payer arrangements and receivable balances, respectively.

DUE FROM RELATED PARTIES

The Companies extend unsecured credit to its affiliates and owners. The balance due from related parties totaled \$421,231 and \$428,030 at December 31, 2022 and 2021, respectively. See Note 4 for further details.

OTHER RECEIVABLE

Other receivables from non-related parties totaled \$0 and \$74,280 for State COVID-19 testing grants and \$6,158 and \$12,964 for other transactions made in the normal course of business for the year ended December 31, 2022 and 2021, respectively.

FUNDED RESERVES

The Partnership maintains escrow funds and a replacement reserve in federally insured financial institutions. There may be times throughout the year that cash exceeds federally insured limits.

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NOTE 10 – CONTINGENCIES

Pursuant to the Commonwealth of Massachusetts Medical Assistance Program regulations, the Corporation is a member of a group of related nursing homes (the Group) which is considered to be under common ownership. Consequently all members of the Group are contingently liable for the recoupments of liabilities of other members of the Group.

A significant portion of the Corporation's net revenues and accounts receivable are derived from services reimbursable under the Medicaid and Medicare program. There are numerous healthcare reform proposals being considered on the federal and state levels. The Corporation cannot predict at this time whether any of these proposals will be adopted or, if adopted and implemented, what effect such proposals would have on the Corporation.

A significant portion of the Corporation's revenues are derived from services reimbursable under the Medicaid program (see Note 2) in which rates are determined based on all cost reports filed for Massachusetts long-term care facilities. The base year costs utilized in calculating the Medicaid prospective rates are subject to audit which could result in a retroactive rate adjustment for all years in which that base year's costs are utilized in calculating the prospective rate. It is not possible at this time to determine whether the industry will be audited or if a retroactive rate adjustment would result.

A portion of the Corporation's revenues are derived from services under the Medicare program (see Note 2) in which rates are determined based PDPM categories. Under the program, cost reports are subject to audit for a period of three years from the date of issuance of a Notification of Provider Reimbursement by the fiscal intermediary. Audits may be performed on bad debt reports and/or utilization review. It is not possible at this time to determine whether the industry will be audited or if a retroactive rate adjustment would result.

The Corporation is subject to review as necessary by state, local and federal agencies and regulatory bodies which are tasked with oversight for their compliance with applicable laws and regulations. The Corporation believes that it is in substantial compliance with all legal and regulatory obligations governing their operations.

The Corporation's Medicaid rate includes a Direct Care Cost Quotient (DCCQ) component as a regulatory requirement. The Corporation filed its final report covering the period from October 1, 2021 through June 30, 2022, and in March 2023, filed an interim report covering the period from July 1, 2022 through December 31, 2022. Management believes the Corporation has met and exceeded all requirements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11– CAPITAL STOCK

Common stock - authorized, 15,000 shares, no par value, issued and outstanding 100 shares.

NOTE 12 – PENSION PLAN

The Corporation participates in the Whittier Employee Resources, Inc. 401(k) Plan. The plan is a section 401(k) retirement plan covering substantially all of its qualified employees. To qualify, an employee must have completed 30 days of service and have attained age 21. The Corporation has chosen not to match any employee contributions.

NOTE 13 – SELF INSURANCE

Effective November 1, 2012, the Corporation has adopted an Open Access Plus Medical Plan Qualified High Deductible Health Plan 2000/4000 for its Employee Health and Dental Benefits Plan whereby health coverage is provided for eligible employees. The plan calls for the health costs of enrolled employees to be paid through company contributions and biweekly employee contributions to the Plan. The Corporation is responsible up to a maximum of \$300,000 per medical occurrence, after which a stop-loss health insurance policy with United Healthcare Services Inc. covers costs in excess of the stated limits. Employer costs including Stop Loss and Administrative costs of the plan are shared by all plan participants based upon relative employer enrollment of employees and amounted to \$294,609 and \$242,282 for the years ended December 31, 2022 and 2021, respectively. The plan is administered by United Healthcare Services, Inc., a third-party administrator. Management has reviewed documentation provided by United Healthcare Services, Inc. and determined that no adjustment to expense is required for estimated costs for "high cost claimants" at December 31, 2022 and 2021. As a result, no adjustments for such expenses have been reflected in the consolidated financial statements as of each of December 31, 2022 and 2021.

NOTE 14 – PROFESSIONAL AND GENERAL LIABILITY PROGRAM

LNF Corporation and its affiliates are members of the Whittier Healthcare Holdings Risk Management Program for professional and general liability coverage. Universal Re-Insurance Company, Limited, has established a Custodial Account into which LNF Corporation and its affiliates' contributions, net of administration fees, state premium taxes, if any and federal taxes, will be deposited. The Custodial Account funds shall not be commingled with other funds of Universal Re-Insurance Company, Limited.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 14 – PROFESSIONAL AND GENERAL LIABILITY PROGRAM (CONTINUED)

The program provides general and professional liability coverage with per location limits of \$1,000,000 per claim diminished by defense costs, and \$3,000,000 aggregate per policy year for most affiliated facilities. Additionally, the program provides employment practices liability and directors and officers liability at limits of \$10,000,000 each claim diminished by defense costs, and \$10,000,000 aggregate per policy year.

All coverage provided by the program is ultimately limited by the funds available in the custodial account. The Corporation estimates insured liability claims amounting to \$50,000 at December 31, 2021. A receivable in the amount of \$50,000 has also been recorded for 2021 as this is the amount that would be funded to the Corporation and should the claim be settled against it. There are currently no claims pending against the Corporation as of December 31, 2022. The professional and general liability expense charged to operations was \$269,955 and \$312,735 for 2022 and 2021, respectively.

NOTE 15 – WORKERS' COMPENSATION

The Corporation has adopted an incurred loss retrospective based workers' compensation insurance program managed by Pennsylvania Manufacturers' Association Insurance. The Corporation is responsible up to a maximum of \$350,000 stop loss per occurrence, after which there is a \$2.101 million aggregate loss limit which covers all the plan participants.

NOTE 16 – LITIGATION

The Companies are subject to asserted and unasserted claims encountered in the normal course of business. The Companies' management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Companies or unasserted claims that may result in such proceedings, the Companies' legal counsel evaluates the merits of any legal proceedings or unasserted claims as well as the merits of the amount of relief sought or expected to be sought therein. The Corporation has been named in a lawsuit which is still pending. Thus, the likelihood of a favorable or unfavorable outcome cannot be determined at this time. Accordingly, no provision has been recorded in the consolidated financial statements. The Company has determined that any potential settlement will be paid by the Corporation's parent company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17 – COVID-19 IMPACT

In 2020, the World Health Organization declared the spread of Coronavirus (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. In response to the pandemic and in an effort to supplement lost revenues and support increased costs incurred to secure personal protective equipment, the federal and state governments issued stimulus payments to healthcare organizations. See Note 1 for information on funding received by the Corporation in 2022 and 2021.

As a result of COVID-19, the payment of the Medicare 2% sequestration was suspended beginning May 1, 2020 through April 1, 2022 at which time it was adjusted to 1% and was fully restored on July 1, 2022 to the full 2%. CMS also waived the requirement for three-day prior hospitalization for coverage of a skilled nursing facility stay. This waiver will expire when the COVID-19 Public Health Emergency ends on May 11, 2023.

COVID-19 may also impact various parts of the Corporation's 2023 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes that the Corporation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2022.

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors

**LNF Corporation d/b/a Masconomet Healthcare Center
and Tops Associates Limited Partnership**

We have audited the consolidated financial statements of LNF Corporation d/b/a Masconomet Healthcare Center and Tops Associates Limited Partnership as of and for the years ended December 31, 2022 and 2021 and have issued our report dated June 27, 2023, which appears on pages 1 and 2 and contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheets, statements of operations and cash flows, schedules of bed days and schedules of operating expenses are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Marcum LLP

Hartford, CT
June 27, 2023

**LNF CORPORATION
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CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2022

	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash	\$ 414,538	\$ 627,350	\$ --	\$ 1,041,888
Investment held by affiliates	1,300,000	--	--	1,300,000
Accounts receivable	2,007,600	--	--	2,007,600
Prepaid expenses	210,168	19,931	--	230,099
Other receivable	6,158	--	--	6,158
Total Current Assets	<u>3,938,464</u>	<u>647,281</u>	<u>--</u>	<u>4,585,745</u>
Funded Reserves				
Escrow deposits	--	53,816	--	53,816
Replacement reserves	--	662,988	--	662,988
Total Funded Reserves	<u>--</u>	<u>716,804</u>	<u>--</u>	<u>716,804</u>
Property and Equipment				
Land	--	551,759	--	551,759
Building	--	8,246,613	--	8,246,613
Improvements	855,967	24,809	--	880,776
Equipment	674,894	737,018	--	1,411,912
Construction in progress	23,820	--	--	23,820
	1,554,681	9,560,199	--	11,114,880
Less accumulated depreciation	<u>788,853</u>	<u>5,617,975</u>	<u>--</u>	<u>6,406,828</u>
Total Property and Equipment, net	<u>765,828</u>	<u>3,942,224</u>	<u>--</u>	<u>4,708,052</u>
Due from Related Parties	<u>938,802</u>	<u>--</u>	<u>(517,571)</u>	<u>421,231</u>
Other Assets				
Operating lease right of use asset	895,446	--	(895,446)	--
Total Other Assets	<u>895,446</u>	<u>--</u>	<u>(895,446)</u>	<u>--</u>
Total Assets	<u>\$ 6,538,540</u>	<u>\$ 5,306,309</u>	<u>\$ (1,413,017)</u>	<u>\$ 10,431,832</u>

See independent auditors' report on supplementary information.

**LNF CORPORATION
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CONSOLIDATING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2022

	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total
Liabilities and Equity				
Current Liabilities				
Loan payable - current portion	\$ --	\$ 275,962	\$ --	\$ 275,962
Accounts payable	630,446	--	--	630,446
Accrued expenses	282,714	31,363	--	314,077
Accrued payroll and related costs	278,801	--	--	278,801
Deferred revenue	50,442	--	--	50,442
Due third-party payors	391,477	--	--	391,477
Operating lease liability - current portion	<u>504,009</u>	<u>--</u>	<u>(504,009)</u>	<u>--</u>
Total Current Liabilities	2,137,889	307,325	(504,009)	1,941,205
Long-Term Debt, net	--	6,192,746	--	6,192,746
Due to Related Parties	4,536,871	1,050,438	(517,571)	5,069,738
Operating Lease Liability, net	<u>391,437</u>	<u>--</u>	<u>(391,437)</u>	<u>--</u>
Total Liabilities	<u>7,066,197</u>	<u>7,550,509</u>	<u>(1,413,017)</u>	<u>13,203,689</u>
Equity (Deficit)				
Capital stock	32	--	--	32
Additional Paid-In Capital	365,299	--	--	365,299
Retained earnings/partnership interest	<u>(892,988)</u>	<u>2,657</u>	<u>--</u>	<u>(890,331)</u>
Total deficit of LNF Corporation	(527,657)	2,657	--	(525,000)
Noncontrolling interest in partnership	<u>--</u>	<u>(2,246,857)</u>	<u>--</u>	<u>(2,246,857)</u>
Total Equity (Deficit)	<u>(527,657)</u>	<u>(2,244,200)</u>	<u>--</u>	<u>(2,771,857)</u>
Total Liabilities and Equity (Deficit)	<u>\$ 6,538,540</u>	<u>\$ 5,306,309</u>	<u>\$ (1,413,017)</u>	<u>\$ 10,431,832</u>

See independent auditors' report on supplementary information.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2021

	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash	\$ 2,049,501	\$ 630,876	\$ --	\$ 2,680,377
Accounts receivable	1,152,663	--	--	1,152,663
Prepaid expenses	177,338	20,445	--	197,783
Other receivable	87,244	--	--	87,244
Total Current Assets	<u>3,466,746</u>	<u>651,321</u>	<u>--</u>	<u>4,118,067</u>
Funded Reserves				
Escrow deposits	--	50,720	--	50,720
Replacement reserves	--	807,719	--	807,719
Total Funded Reserves	<u>--</u>	<u>858,439</u>	<u>--</u>	<u>858,439</u>
Property and Equipment				
Land	--	551,759	--	551,759
Building	--	8,246,613	--	8,246,613
Improvements	786,133	24,809	--	810,942
Equipment	663,805	737,018	--	1,400,823
	1,449,938	9,560,199	--	11,010,137
Less accumulated depreciation	<u>675,722</u>	<u>5,410,569</u>	<u>--</u>	<u>6,086,291</u>
Total Property and Equipment, net	<u>774,216</u>	<u>4,149,630</u>	<u>--</u>	<u>4,923,846</u>
Due from Related Parties	<u>1,089,086</u>	<u>--</u>	<u>(661,056)</u>	<u>428,030</u>
Other Assets				
Software	1,177	--	--	1,177
Insurance claims receivable	50,000	--	--	50,000
Total Other Assets	<u>51,177</u>	<u>--</u>	<u>--</u>	<u>51,177</u>
Total Assets	<u>\$ 5,381,225</u>	<u>\$ 5,659,390</u>	<u>\$ (661,056)</u>	<u>\$ 10,379,559</u>

See independent auditors' report on supplementary information.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2021

	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total
Liabilities and Equity (Deficit)				
Current Liabilities				
Loan payable - current portion	\$ --	\$ 265,159	\$ --	\$ 265,159
Accounts payable	706,041	--	--	706,041
Accrued expenses	231,460	30,867	--	262,327
Accrued payroll and related costs	245,133	--	--	245,133
Deferred revenue	269,262	--	--	269,262
Due third-party payors	<u>468,539</u>	<u>--</u>	<u>--</u>	<u>468,539</u>
Total Current Liabilities	1,920,435	296,026	--	2,216,461
Litigation Obligations	50,000	--	--	50,000
Long-Term Debt, net	--	6,466,082	--	6,466,082
Due to Related Parties	<u>4,418,135</u>	<u>1,193,923</u>	<u>(661,056)</u>	<u>4,951,002</u>
Total Liabilities	<u>6,388,570</u>	<u>7,956,031</u>	<u>(661,056)</u>	<u>13,683,545</u>
Equity (Deficit)				
Capital stock	32	--	--	32
Additional Paid-In Capital	365,299	--	--	365,299
Retained earnings/partnership interest	<u>(1,372,676)</u>	<u>2,133</u>	<u>--</u>	<u>(1,370,543)</u>
Total Deficit of LNF Corporation	<u>(1,007,345)</u>	<u>2,133</u>	<u>--</u>	<u>(1,005,212)</u>
Noncontrolling interest in partnership	<u>--</u>	<u>(2,298,774)</u>	<u>--</u>	<u>(2,298,774)</u>
Total Equity (Deficit)	<u>(1,007,345)</u>	<u>(2,296,641)</u>	<u>--</u>	<u>(3,303,986)</u>
Total Liabilities and Equity (Deficit)	<u>\$ 5,381,225</u>	<u>\$ 5,659,390</u>	<u>\$ (661,056)</u>	<u>\$ 10,379,559</u>

See independent auditors' report on supplementary information.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total
Revenue				
Private patients	\$ 3,744,938	\$ --	\$ --	\$ 3,744,938
Medicare patients, net of sequester	4,139,335	--	--	4,139,335
Publicly-aided patients	5,908,363	--	--	5,908,363
Ancillary income, net of sequester	181,647	--	--	181,647
Federal stimulus revenue	268,212	--	--	268,212
State stimulus revenue	267,353	--	--	267,353
Interest income	4,520	10,410	--	14,930
Rental income	--	642,653	(642,653)	--
Other income	60,604	--	--	60,604
Prior year revenue adjustments	53,128	--	--	53,128
Total Revenue	<u>14,628,100</u>	<u>653,063</u>	<u>(642,653)</u>	<u>14,638,510</u>
Operating Expenses				
Administrative and general	1,774,310	16,562	--	1,790,872
Employee benefits	862,061	--	--	862,061
Property expense	765,124	584,060	(642,653)	706,531
Plant operations	585,353	--	--	585,353
Nursing	5,826,998	--	--	5,826,998
Medical services	177,592	--	--	177,592
Ancillary	1,068,529	--	--	1,068,529
Dietary	1,064,556	--	--	1,064,556
Laundry and linen	186,013	--	--	186,013
Housekeeping	469,142	--	--	469,142
Social services	242,093	--	--	242,093
Recreation	123,522	--	--	123,522
Consultants	101,178	--	--	101,178
Total Operating Expenses	<u>13,246,471</u>	<u>600,622</u>	<u>(642,653)</u>	<u>13,204,440</u>
Income Before Other Items	<u>1,381,629</u>	<u>52,441</u>	<u>--</u>	<u>1,434,070</u>
Other Items				
Management fees	(880,941)	--	--	(880,941)
Total Other Items	<u>(880,941)</u>	<u>--</u>	<u>--</u>	<u>(880,941)</u>
Income Before Provision for Income Taxes	500,688	52,441	--	553,129
Provision for Income Taxes	(21,000)	--	--	(21,000)
Net Income	479,688	52,441	--	532,129
Noncontrolling Interest in Partnership	--	--	(51,917)	(51,917)
LNF Corporation Net Income	<u>\$ 479,688</u>	<u>\$ 52,441</u>	<u>\$ (51,917)</u>	<u>\$ 480,212</u>

See independent auditors' report on supplementary information.

LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total
Revenue				
Private patients	\$ 4,286,454	\$ --	\$ --	\$ 4,286,454
Medicare patients, net of sequester	3,782,131	--	--	3,782,131
Publicly-aided patients	4,362,942	--	--	4,362,942
Ancillary income, net of sequester	187,189	--	--	187,189
Federal stimulus revenue	585,202	--	--	585,202
Interest income	3,139	2,128	--	5,267
Rental income	--	647,089	(647,089)	--
Other income	58,495	--	--	58,495
Prior year revenue adjustments	(342,807)	--	--	(342,807)
Total Revenue	<u>12,922,745</u>	<u>649,217</u>	<u>(647,089)</u>	<u>12,924,873</u>
Operating Expenses				
Administrative and general	2,470,855	8,620	--	2,479,475
Employee benefits	824,644	--	--	824,644
Property expense	753,071	599,778	(647,089)	705,760
Plant operations	486,035	--	--	486,035
Nursing	5,175,533	--	--	5,175,533
Medical services	162,514	--	--	162,514
Ancillary	1,124,166	--	--	1,124,166
Dietary	864,234	--	--	864,234
Laundry and linen	176,394	--	--	176,394
Housekeeping	452,769	--	--	452,769
Social services	210,291	--	--	210,291
Recreation	120,237	--	--	120,237
Consultants	104,840	--	--	104,840
Total Operating Expenses	<u>12,925,583</u>	<u>608,398</u>	<u>(647,089)</u>	<u>12,886,892</u>
Income Before Other Items	<u>(2,838)</u>	<u>40,819</u>	<u>--</u>	<u>37,981</u>
Other Items				
Management fees	(768,267)	--	--	(768,267)
Total Other Items	<u>(768,267)</u>	<u>--</u>	<u>--</u>	<u>(768,267)</u>
Net (Loss) Income	(771,105)	40,819	--	(730,286)
Noncontrolling Interest in Partnership	--	--	(40,411)	(40,411)
LNF Corporation Net (Loss) Income	<u>\$ (771,105)</u>	<u>\$ 40,819</u>	<u>\$ (40,411)</u>	<u>\$ (770,697)</u>

See independent auditors' report on supplementary information.

LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total
Cash Flows from Operating Activities				
Net income (loss)	\$ 479,688	\$ 52,441	\$ (51,917)	\$ 480,212
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	114,308	207,406	--	321,714
Amortization of debt issuance costs	--	2,626	--	2,626
Noncontrolling interest in partnership	--	--	51,917	51,917
Bad debts	(128,643)	--	--	(128,643)
Changes in operating assets and liabilities:				
Accounts receivable	(726,294)	--	--	(726,294)
Prepaid expenses	(32,830)	514	--	(32,316)
Other receivable	81,086	--	--	81,086
Accounts payable	(75,596)	--	--	(75,596)
Accrued expenses	51,254	496	--	51,750
Accrued payroll and related costs	33,668	--	--	33,668
Deferred revenue	(218,820)	--	--	(218,820)
Due to third-party payors	(77,062)	--	--	(77,062)
Net Cash (Used in) Provided by Operating Activities	<u>(499,241)</u>	<u>263,483</u>	<u>--</u>	<u>(235,758)</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	<u>(104,742)</u>	<u>--</u>	<u>--</u>	<u>(104,742)</u>
Net Cash Used in Investing Activities	<u>(104,742)</u>	<u>--</u>	<u>--</u>	<u>(104,742)</u>
Cash Flows from Financing Activities				
Principal payments on long-term debt	--	(265,159)	--	(265,159)
Change in amounts due related parties, net	<u>269,020</u>	<u>(143,485)</u>	<u>--</u>	<u>125,535</u>
Net Cash Provided by (Used in) Financing Activities	<u>269,020</u>	<u>(408,644)</u>	<u>--</u>	<u>(139,624)</u>
Net Change in Cash and Restricted Cash	(334,963)	(145,161)	--	(480,124)
Cash and Restricted Cash - Beginning	<u>2,049,501</u>	<u>1,489,315</u>	<u>--</u>	<u>3,538,816</u>
Cash and Restricted Cash - End	<u><u>\$ 1,714,538</u></u>	<u><u>\$ 1,344,154</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 3,058,692</u></u>
Supplemental Disclosure of Cash Flow Information	<u><u>\$ --</u></u>	<u><u>\$ 265,495</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 265,495</u></u>
Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the Period				
Cash	\$ 414,538	\$ 627,350	\$ --	\$ 1,041,888
Investments held by affiliates	1,300,000	--	--	1,300,000
Restricted Cash				
Escrow deposits	--	53,816	--	53,816
Replacement reserves	--	662,988	--	662,988
	<u><u>\$ 1,714,538</u></u>	<u><u>\$ 1,344,154</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 3,058,692</u></u>

See independent auditors' report on supplementary information.

LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total
Cash Flows from Operating Activities				
Net (loss) income	\$ (771,105)	\$ 40,819	\$ (40,411)	\$ (770,697)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:				
Depreciation and amortization	99,021	207,405	--	306,426
Amortization of debt issuance costs	--	2,729	--	2,729
Noncontrolling interest in partnership	--	--	40,411	40,411
Bad debts	591,183	--	--	591,183
Changes in operating assets and liabilities:				
Accounts receivable	(20,202)	--	--	(20,202)
Prepaid expenses	(29,973)	503	--	(29,470)
Other receivable	10,794	--	--	10,794
Accounts payable	154,591	--	--	154,591
Accrued expenses	(194,101)	(453)	--	(194,554)
Accrued payroll and related costs	(36,057)	--	--	(36,057)
Deferred revenue	(318,040)	--	--	(318,040)
Due to third-party payors	350,456	--	--	350,456
Net Cash (Used in) Provided by Operating Activities	<u>(163,433)</u>	<u>251,003</u>	<u>--</u>	<u>87,570</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(249,934)	--	--	(249,934)
Net Cash Used in Investing Activities	<u>(249,934)</u>	<u>--</u>	<u>--</u>	<u>(249,934)</u>
Cash Flows from Financing Activities				
Principal payments on long-term debt	--	(254,779)	--	(254,779)
Change in amounts due related parties, net	22,955	61,500	--	84,455
Net Cash Provided by (Used in) Financing Activities	<u>22,955</u>	<u>(193,279)</u>	<u>--</u>	<u>(170,324)</u>
Net Change in Cash and Restricted Cash	(390,412)	57,724	--	(332,688)
Cash and Restricted Cash - Beginning	<u>2,439,913</u>	<u>1,431,591</u>	<u>--</u>	<u>3,871,504</u>
Cash and Restricted Cash - End	<u>\$ 2,049,501</u>	<u>\$ 1,489,315</u>	<u>\$ --</u>	<u>\$ 3,538,816</u>
Supplemental Disclosure of Cash Flow Information	<u>\$ --</u>	<u>\$ 275,874</u>	<u>\$ --</u>	<u>\$ 275,874</u>
Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the Period				
Cash	\$ 2,049,501	\$ 630,876	\$ --	\$ 2,680,377
Restricted Cash				
Escrow deposits	--	50,720	--	50,720
Replacement reserves	--	807,719	--	807,719
	<u>\$ 2,049,501</u>	<u>\$ 1,489,315</u>	<u>\$ --</u>	<u>\$ 3,538,816</u>

See independent auditors' report on supplementary information.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

SCHEDULES OF BED DAYS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	Bed Days	Percent	Bed Days	Percent
Occupancy				
Private	9,854	25.89%	10,877	31.56%
Medicare	6,384	16.78%	5,692	16.51%
Publicly-aided	<u>21,817</u>	<u>57.33%</u>	<u>17,898</u>	<u>51.93%</u>
	<u>38,055</u>	<u>100.00%</u>	<u>34,467</u>	<u>100.00%</u>
Bed Days Available	<u>44,895</u>		<u>44,895</u>	
Percentage of Occupancy	<u>84.76%</u>		<u>76.77%</u>	

See independent auditors' report on supplementary information.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total	Per Diem	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total	Per Diem
Administrative and General										
Salaries - Administration	\$ 162,390	\$ --	\$ --	\$ 162,390	\$ 4.27	\$ 161,682	\$ --	\$ --	\$ 161,682	\$ 4.69
Salaries - Clerical	401,306	--	--	401,306	10.55	366,732	--	--	366,732	10.64
User fee assessment	692,248	--	--	692,248	18.19	601,603	--	--	601,603	17.45
Insurance - other	269,955	--	--	269,955	7.09	312,735	--	--	312,735	9.07
Legal	61,110	--	--	61,110	1.61	99,723	--	--	99,723	2.89
Accounting	35,348	11,445	--	46,793	1.23	34,214	7,875	--	42,089	1.22
Data processing fees	127,775	--	--	127,775	3.36	120,065	--	--	120,065	3.48
Office supplies and expense	44,778	--	--	44,778	1.18	39,804	--	--	39,804	1.15
Central office expense	61,883	--	--	61,883	1.63	61,883	--	--	61,883	1.80
Telephone	9,827	--	--	9,827	0.26	10,932	--	--	10,932	0.32
Advertising	16,939	--	--	16,939	0.45	15,849	--	--	15,849	0.46
Travel and meetings	11,621	--	--	11,621	0.31	7,720	--	--	7,720	0.22
Licenses and dues	13,108	--	--	13,108	0.34	19,022	--	--	19,022	0.55
Tuition and education	2,467	--	--	2,467	0.06	5,997	--	--	5,997	0.17
Recruiting	27,964	--	--	27,964	0.73	45	--	--	45	0.00
Taxes	3,371	--	--	3,371	0.09	3,512	--	--	3,512	0.10
Fines and penalties	9,750	--	--	9,750	0.26	9,750	--	--	9,750	0.28
Miscellaneous expenses	(50,064)	5,117	--	(44,947)	(1.18)	6,049	745	--	6,794	0.20
Amortization of software	1,177	--	--	1,177	0.03	2,355	--	--	2,355	0.07
Bad debts	(128,643)	--	--	(128,643)	(3.38)	591,183	--	--	591,183	17.15
	<u>\$ 1,774,310</u>	<u>\$ 16,562</u>	<u>\$ --</u>	<u>\$ 1,790,872</u>	<u>\$ 47.06</u>	<u>\$ 2,470,855</u>	<u>\$ 8,620</u>	<u>\$ --</u>	<u>\$ 2,479,475</u>	<u>\$ 71.94</u>
Employee Benefits										
Group insurance	\$ 238,866	\$ --	\$ --	\$ 238,866	\$ 6.28	\$ 204,871	\$ --	\$ --	\$ 204,871	\$ 5.94
Payroll taxes	548,841	--	--	548,841	14.42	518,312	--	--	518,312	15.04
Workers compensation	48,043	--	--	48,043	1.26	72,388	--	--	72,388	2.10
Employee benefits	26,311	--	--	26,311	0.69	29,073	--	--	29,073	0.84
	<u>\$ 862,061</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 862,061</u>	<u>\$ 22.65</u>	<u>\$ 824,644</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 824,644</u>	<u>\$ 23.92</u>

See independent auditors' report on supplementary information.

**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total	Per Diem	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total	Per Diem
Property Expenses										
Rent	\$ 642,653	\$ --	\$ (642,653)	\$ --	\$ --	\$ 647,089	\$ --	\$ (647,089)	\$ --	\$ --
Interest expense	--	267,236	--	267,236	7.02	--	277,684	--	277,684	8.06
Real estate taxes	8,965	63,487	--	72,452	1.90	8,965	70,590	--	79,555	2.31
Property insurance	375	12,861	--	13,236	0.35	351	9,727	--	10,078	0.29
Mortgage insurance premium	--	33,070	--	33,070	0.87	--	34,372	--	34,372	1.00
Depreciation	113,131	207,406	--	320,537	8.42	96,666	207,405	--	304,071	8.82
	<u>\$ 765,124</u>	<u>\$ 584,060</u>	<u>\$ (642,653)</u>	<u>\$ 706,531</u>	<u>\$ 18.57</u>	<u>\$ 753,071</u>	<u>\$ 599,778</u>	<u>\$ (647,089)</u>	<u>\$ 705,760</u>	<u>\$ 20.48</u>
Plant Operations										
Salaries	\$ 87,706	\$ --	\$ --	\$ 87,706	\$ 2.30	\$ 93,897	\$ --	\$ --	\$ 93,897	\$ 2.72
Salaries - incentive pay	108	--	--	108	0.00	218	--	--	218	0.01
Purchased services	181,604	--	--	181,604	4.77	166,887	--	--	166,887	4.84
Supplies and expense	44,241	--	--	44,241	1.16	28,545	--	--	28,545	0.83
Utilities	271,694	--	--	271,694	7.14	196,488	--	--	196,488	5.70
	<u>\$ 585,353</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 585,353</u>	<u>\$ 15.38</u>	<u>\$ 486,035</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 486,035</u>	<u>\$ 14.10</u>
Nursing										
Salaries - Director of Nursing	\$ 125,837	\$ --	\$ --	\$ 125,837	\$ 3.31	\$ 114,451	\$ --	\$ --	\$ 114,451	\$ 3.32
Salaries - registered nurses	1,416,858	--	--	1,416,858	37.23	1,306,078	--	--	1,306,078	37.89
Salaries - L.P.N.	1,017,557	--	--	1,017,557	26.74	1,029,060	--	--	1,029,060	29.86
Salaries - nurses aides	1,739,635	--	--	1,739,635	45.71	1,588,020	--	--	1,588,020	46.07
Salaries - clinical nurse	259,985	--	--	259,985	6.83	182,914	--	--	182,914	5.31
Salaries - incentive pay	--	--	--	--	--	39,039	--	--	39,039	1.13
Purchased services	1,243,946	--	--	1,243,946	32.69	752,716	--	--	752,716	21.84
Supplies and expense	23,180	--	--	23,180	0.61	163,255	--	--	163,255	4.74
	<u>\$ 5,826,998</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,826,998</u>	<u>\$ 153.12</u>	<u>\$ 5,175,533</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,175,533</u>	<u>\$ 150.16</u>

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**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total	Per Diem	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total	Per Diem
Medical Services										
Salaries - Medical records	\$ 130,653	\$ --	\$ --	\$ 130,653	\$ 3.43	\$ 115,667	\$ --	\$ --	\$ 115,667	\$ 3.36
Salaries - Quality Assurance	33,962	--	--	33,962	0.89	37,335	--	--	37,335	1.08
Supplies and expense	12,977	--	--	12,977	0.34	9,512	--	--	9,512	0.28
	<u>\$ 177,592</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 177,592</u>	<u>\$ 4.67</u>	<u>\$ 162,514</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 162,514</u>	<u>\$ 4.72</u>
Ancillary										
Pharmacy	\$ 194,895	\$ --	\$ --	\$ 194,895	\$ 5.12	\$ 214,016	\$ --	\$ --	\$ 214,016	\$ 6.21
Physical therapy	352,408	--	--	352,408	9.26	294,940	--	--	294,940	8.56
Occupational therapy	326,312	--	--	326,312	8.57	334,384	--	--	334,384	9.70
Speech therapy	78,419	--	--	78,419	2.06	90,826	--	--	90,826	2.64
Ancillary - other	12,201	--	--	12,201	0.32	19,022	--	--	19,022	0.55
COVID Lab testing	16,425	--	--	16,425	0.43	81,700	--	--	81,700	2.37
Oxygen	15,816	--	--	15,816	0.42	13,641	--	--	13,641	0.40
IV therapy	12,022	--	--	12,022	0.32	24,765	--	--	24,765	0.72
Laboratory	23,063	--	--	23,063	0.61	26,010	--	--	26,010	0.75
Ambulance	26,108	--	--	26,108	0.69	17,461	--	--	17,461	0.51
X-ray	10,860	--	--	10,860	0.29	7,401	--	--	7,401	0.21
	<u>\$ 1,068,529</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,068,529</u>	<u>\$ 28.08</u>	<u>\$ 1,124,166</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,124,166</u>	<u>\$ 32.62</u>
Dietary										
Salaries	\$ 545,917	\$ --	\$ --	\$ 545,917	\$ 14.35	\$ 453,503	\$ --	\$ --	\$ 453,503	\$ 13.16
Food	400,952	--	--	400,952	10.54	308,100	--	--	308,100	8.94
Purchased services	55,025	--	--	55,025	1.45	54,685	--	--	54,685	1.59
Supplies and expense	62,662	--	--	62,662	1.65	47,946	--	--	47,946	1.39
	<u>\$ 1,064,556</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,064,556</u>	<u>\$ 27.97</u>	<u>\$ 864,234</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 864,234</u>	<u>\$ 25.08</u>

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**LNF CORPORATION
D/B/A MASCONOMET HEALTHCARE CENTER
AND TOPS ASSOCIATES LIMITED PARTNERSHIP**

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total	Per Diem	LNF Corporation	Tops Associates LP	Eliminations	Consolidated Total	Per Diem
Laundry and Linen										
Salaries	\$ 102,464	\$ --	\$ --	\$ 102,464	\$ 2.69	\$ 89,752	\$ --	\$ --	\$ 89,752	\$ 2.60
Purchased services	27,651	--	--	27,651	0.73	30,792	--	--	30,792	0.89
Linen and bedding	47,179	--	--	47,179	1.24	41,835	--	--	41,835	1.21
Supplies and expense	8,719	--	--	8,719	0.23	14,015	--	--	14,015	0.41
	<u>\$ 186,013</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 186,013</u>	<u>\$ 4.89</u>	<u>\$ 176,394</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 176,394</u>	<u>\$ 5.11</u>
Housekeeping										
Salaries	\$ 395,776	\$ --	\$ --	\$ 395,776	\$ 10.40	\$ 382,443	\$ --	\$ --	\$ 382,443	\$ 11.10
Supplies and expense	73,366	--	--	73,366	1.93	70,326	--	--	70,326	2.04
	<u>\$ 469,142</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 469,142</u>	<u>\$ 12.33</u>	<u>\$ 452,769</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 452,769</u>	<u>\$ 13.14</u>
Social Services										
Salaries	\$ 237,293	\$ --	\$ --	\$ 237,293	\$ 6.24	\$ 205,491	\$ --	\$ --	\$ 205,491	\$ 5.96
Consultant services	4,800	--	--	4,800	0.13	4,800	--	--	4,800	0.14
	<u>\$ 242,093</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 242,093</u>	<u>\$ 6.36</u>	<u>\$ 210,291</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 210,291</u>	<u>\$ 6.10</u>
Recreation										
Salaries	\$ 89,386	\$ --	\$ --	\$ 89,386	\$ 2.35	\$ 88,228	\$ --	\$ --	\$ 88,228	\$ 2.56
Purchased services	3,440	--	--	3,440	0.09	2,525	--	--	2,525	0.07
Supplies and expense	30,696	--	--	30,696	0.81	29,484	--	--	29,484	0.86
	<u>\$ 123,522</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 123,522</u>	<u>\$ 3.25</u>	<u>\$ 120,237</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 120,237</u>	<u>\$ 3.49</u>
Consultants										
Medical Director	\$ 94,000	\$ --	\$ --	\$ 94,000	\$ 2.47	\$ 98,000	\$ --	\$ --	\$ 98,000	\$ 2.84
Pharmacy	7,178	--	--	7,178	0.19	6,840	--	--	6,840	0.20
	<u>\$ 101,178</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 101,178</u>	<u>\$ 2.66</u>	<u>\$ 104,840</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 104,840</u>	<u>\$ 3.04</u>

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