

**INTEGRITUS HEALTHCARE, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021



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INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENTS OF ACTIVITIES	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	32
CONSOLIDATING STATEMENT OF ACTIVITIES	34
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	35



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Integritus Healthcare, Inc. and Subsidiaries
Pittsfield, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Integritus Healthcare, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, and cash flows for the years 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 consolidated financial position of Integritus Healthcare, Inc. and Subsidiaries as of December 31, 2022 and 2021, and the results of their operations, changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Integritus Healthcare, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2022 Integritus Healthcare, Inc. and Subsidiaries adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 Integritus Healthcare, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Integritus Healthcare, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Integritus Healthcare, Inc. and Subsidiaries' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities, and CEC Management Systems, Inc. and Subsidiaries consolidating statements of financial position and activities as of and for the year ended December 31, 2022 are presented for purposes of additional analysis and is 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 audits 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2023, on our consideration of Integritus Healthcare, Inc. and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Integritus Healthcare, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Integritus Healthcare, Inc. and Subsidiaries' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

West Hartford, Connecticut
May 30, 2023

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 36,543,490	\$ 55,598,078
Investments	52,551,640	57,828,087
Current Portion of Assets Whose Use is Limited	5,008,853	6,299,363
Accounts Receivable	34,951,440	31,588,902
Prepaid Expenses and Other Current Assets	4,933,993	5,040,942
Inventory	681,082	542,603
Due from Third-Party Payors, Net	1,153,390	130,178
Total Current Assets	<u>135,823,888</u>	<u>157,028,153</u>
LONG-TERM ASSETS		
Property, Plant, and Equipment, Net	196,163,370	124,939,781
Operating Right-Of-Use Assets	1,294,264	-
Assets Whose Use is Limited, Less Current Portion	6,457,976	7,737,833
Goodwill and Intangible Assets	10,703,370	2,389,016
Other Long-Term Assets	1,171,702	1,438,987
Total Long-Term Assets	<u>215,790,682</u>	<u>136,505,617</u>
Total Assets	<u><u>\$ 351,614,570</u></u>	<u><u>\$ 293,533,770</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 14,722,607	\$ 11,968,180
Accrued Expenses	10,472,811	10,681,141
Accrued Salaries and Related Withholdings	8,752,207	9,016,144
Other Current Liabilities	882,691	9,778,158
Due to Berkshire Health Systems, Inc.	184,116	1,258,212
Current Portion of Notes Payable - Berkshire Health Systems, Inc.	293,123	285,181
Current Lease Liability - Operating	266,879	-
Current Portion of Long-Term Obligations	5,870,252	4,514,001
Total Current Liabilities	<u>41,444,686</u>	<u>47,501,017</u>
LONG-TERM LIABILITIES		
Deferred Revenue, Refundable Entrance Fees, and Other	40,591,015	44,206,119
Notes Payable - Berkshire Health Systems, Inc., Less Current Portion	225,189	518,314
Long-Term Lease Liability - Operating	1,046,617	-
Long-Term Obligations, Less Current Portion	175,179,378	101,744,950
Total Long-Term Liabilities	<u>217,042,199</u>	<u>146,469,383</u>
Total Liabilities	258,486,885	193,970,400
NET ASSETS	<u>93,127,685</u>	<u>99,563,370</u>
Total Liabilities and Net Assets	<u><u>\$ 351,614,570</u></u>	<u><u>\$ 293,533,770</u></u>

See accompanying Notes to Consolidated Financial Statements.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Patient Service Revenue	\$ 218,571,568	\$ 211,788,320
Resident Services, Including Amortization of Entrance Fees of Approximately \$608,000 in 2022 and \$500,000 in 2021	21,417,271	21,609,218
Other Operating Revenue	<u>23,605,553</u>	<u>36,882,443</u>
Total Revenues	263,594,392	270,279,981
EXPENSES		
Salaries and Wages	119,487,275	104,245,989
Fringe Benefits	24,078,135	26,127,709
Other Expenses	104,374,090	106,942,732
Depreciation and Amortization	10,422,899	10,287,684
Interest	3,140,482	3,070,231
Provision for Uncollectible Accounts	<u>2,025,667</u>	<u>2,577,176</u>
Total Expenses	<u>263,528,548</u>	<u>253,251,521</u>
LOSS ON DISPOSAL OF ASSETS	(21,589)	(39,655)
INCOME FROM OPERATIONS	44,255	16,988,805
UNREALIZED GAINS (LOSSES) ON INVESTMENTS AND ASSETS WHOSE USE IS LIMITED	<u>(6,479,940)</u>	<u>2,147,333</u>
NET INCREASE (DECREASE) IN NET ASSETS	(6,435,685)	19,136,138
Net Assets - Beginning of Year	<u>99,563,370</u>	<u>80,427,232</u>
NET ASSETS - END OF YEAR	<u><u>\$ 93,127,685</u></u>	<u><u>\$ 99,563,370</u></u>

See accompanying Notes to Consolidated Financial Statements.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (6,435,685)	\$ 19,136,138
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	10,422,899	10,287,695
Amortization of Bond Discount (Premium) and Cost of Issuance	39,069	35,642
Amortization of Entrance Fees	(608,123)	(500,469)
Unrealized Gains (Losses) on Investments and Assets Whose Use is Limited	6,479,940	(2,147,333)
Loss on Disposal of Fixed Assets	21,589	39,655
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(3,362,538)	20,211
Prepaid Expenses and Other Current Assets	106,949	2,725,373
Inventory	(138,479)	(48,904)
Due from Third-Party Payors, Net	(1,023,212)	(10,005,615)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	2,754,427	35,240
Accrued Expenses	(208,330)	1,035,857
Accrued Salaries and Related Withholdings	(263,937)	(2,537,806)
Accrued Lease Costs	(1,948,365)	(606,337)
Deferred Revenue	(9,438,153)	6,046,115
Other Current Liabilities	296,772	(12,833,528)
Due to Berkshire Health Systems, Inc.	(1,074,096)	42,493
Net Cash Provided (Used) by Operating Activities	(4,379,273)	10,724,427
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	(81,668,077)	(9,461,004)
Purchase of Intangible Assets	(8,314,354)	-
Purchases of Investments	(11,278,675)	(16,131,092)
Sales and Maturities of Investments	10,075,182	10,481,231
Net Change in Assets Whose Use is Limited	2,570,367	(1,888,463)
Decrease in Other Long-Term Assets	633,637	495,860
Net Cash Used by Investing Activities	(87,981,920)	(16,503,468)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bonds and Notes Payable	(4,384,970)	(3,635,692)
Payments on Leases and Installment Notes Due	(133,021)	(127,735)
Proceeds from Issuance of Bonds	80,000,000	2,761,037
Payments on Cost of Bond Issuance	(730,399)	-
Payments to Berkshire Health Systems, Inc.	(285,183)	(277,455)
Refundable and Nonrefundable Fees Received, Net	(793,470)	1,836,315
Net Cash Provided by Financing Activities	73,672,957	556,470
DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(18,688,236)	(5,222,571)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	58,337,890	63,560,461
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 39,649,654</u>	<u>\$ 58,337,890</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 3,111,818	\$ 2,702,643
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Right-of-Use Asset	\$ (1,294,264)	\$ -

See accompanying Notes to Consolidated Financial Statements.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION

Integritus Healthcare, Inc. (Integritus) is a charitable corporation organized for the purpose of acquiring, owning, operating, leasing, and maintaining nursing facilities, retirement centers, extended care facilities and other subsidiaries.

The consolidated financial statements include the accounts of Integritus and its subsidiaries (collectively, the Company). The following is a summary of the organizations included in the consolidated financial statements:

Organization	Nature and Purpose
Integritus Healthcare, Inc. and Subsidiaries	The parent corporation, which holds certain investments in subsidiaries, has access to working capital for the benefit of its subsidiaries and provides development and other support for its subsidiaries. Integritus is a tax-exempt 501(c)(3) organization. Integritus controls each of its subsidiaries through its status as sole corporate member.
CEC Management Systems, Inc. (CECMS)	A corporation that, through its subsidiaries, owns nursing home property and provides skilled nursing services to its residents, primarily from Massachusetts. The corporation is a tax-exempt 501(c)(3) organization.
<ul style="list-style-type: none"> Greenfield Management Systems, Inc. (Charlene Manor) Northampton Management Systems, Inc. (Linda Manor and Linda Manor Assisted Living) New Bedford Management Systems, Inc. (Hathaway Manor) Bourne Management Systems, Inc. (Bourne Manor) 	Skilled nursing facilities organized for the delivery of skilled nursing service in a long-term care environment. Each of the corporations is a tax-exempt 501(c)(3) organization.
Willowood Extended Care Services, Inc. (WECS)	A corporation that owns nursing home property and provides skilled nursing services to its residents, primarily from western Massachusetts and New York. The corporation is a tax-exempt 501(c)(3) organization.
<ul style="list-style-type: none"> Willowood of Great Barrington, Inc. (Fairview Commons) Willowood of North Adams, Inc. (North Adams Commons) Willowood of Williamstown, Inc. (Williamstown Commons) Hillcrest Extended Care Services, Inc. (Hillcrest Commons) 	Skilled nursing facilities organized for the delivery of skilled nursing services in a long-term care environment. The corporations are tax-exempt 501(c)(3) organizations.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION (CONTINUED)

Organization	Nature and Purpose
Pittsfield Management Systems, Inc. (Mt. Greylock or PMS)	A skilled nursing facility, acquired in 2009, organized for the delivery of skilled nursing services in a long-term care environment. The corporation is a tax-exempt 501(c)(3) organization.
Berkshire Retirement Community, Inc.	A corporation organized to provide continuing care retirement services in residential accommodations (the Retirement Community) to residents from western Massachusetts, New York, and Connecticut. The corporation also operates a skilled nursing facility and an assisted living facility for its residents, as well as residents of the local Berkshire County community. The corporation is a tax-exempt 501(c)(3) organization.
Berkshire Extended Care Services, Inc. (dba: Kimball Farms Nursing Care Center at Sunset Avenue)	A skilled nursing facility organized to provide post-acute services to residents of Berkshire Retirement Community, Inc., as well as residents of the local Berkshire County community. The corporation is a tax-exempt 501(c)(3) organization.
HospiceCare in the Berkshires, Inc. (HCIB)	A corporation, acquired in 2009, organized to provide hospice and palliative care services to residents of the local Berkshire County community. The corporation is a tax-exempt 501(c)(3) organization.
Hospice of Franklin County, Inc. (HoFC)	A corporation, acquired in 2015, organized to provide hospice and palliative care services to residents of the Franklin County community. The corporation is a tax-exempt 501(c)(3) organization.
Integritus Management Services, Inc.	A corporation organized to own and operate skilled nursing and extended care facilities and provide related services. The corporation is a tax-exempt 501(c)(3) organization.
IntegriNurse, Inc. (IntegriNurse)	A corporation, acquired in 2007, organized to provide nursing staffing and related services to skilled nursing facilities. The corporation is a tax-exempt 501(c)(3) organization.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION (CONTINUED)

Organization	Nature and Purpose
IntegriScript, Inc. (IntegriScript)	A corporation organized in 2009 to provide pharmacy services to Integritus facilities. The corporation is a tax-exempt 501(c)(3) organization.
INTEGRITUS Management Company, Inc.	A corporation organized to provide management services to skilled nursing facilities. The corporation is a for-profit entity.
INTEGRITUS Segregated Portfolio	A segregated portfolio, organized in 2003, within Berkshire Indemnity Co. SPC, Ltd., a Cayman Islands Insurance Captive. Integritus owns 50% of Berkshire Indemnity Company SPC, Ltd. and 100% of Integritus Segregated Portfolio.
Holyoke Retirement Community, Inc. (dba: Day Brook Village Senior Living)	A corporation organized to provide continuing care retirement services in residential accommodations to residents from western Massachusetts. The corporation also operates a skilled nursing facility and an assisted living for its residents. The corporation is a tax-exempt 501(c)(3).
Fairview Extended Care Services, Inc. (FECS)	A corporation that owns nursing home property and, through its subsidiaries, provides skilled nursing services to its residents, primarily from Massachusetts. FECS is a tax-exempt 501(c)(3) organization.
<ul style="list-style-type: none"> • East Longmeadow Nursing Home (and East Longmeadow Memory Care Center) • Hunt Nursing and Retirement Home • Pilgrim Rehabilitation and Skilled Nursing Center • Windsor Skilled Nursing and Rehabilitation Center 	Skilled nursing facilities organized for the delivery of skilled nursing services within a long-term care environment. Each of the corporations is a tax-exempt 501(c)(3) organization.
CEC Management Systems, Inc., Willowood Extended Care Services, Inc., Fairview Extended Care Services, Inc., and Pittsfield Management Systems, Inc., collectively, are known as the Obligated Group.	

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements include the accounts of the above-named entities. All significant intercompany balances and transactions have been eliminated.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The Company has elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Company's ROU assets.

As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022 a lease liability of \$1,726,012, which represents the present value of the remaining operating lease payments of \$1,960,047, discounted using the Company's incremental borrowing rate of 4.71%, and a right-of-use asset of \$1,726,012.

The standard had a significant impact on the statements of financial position but did not have an impact on the statements of activities nor the statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Measure

The Company considers its change in net assets to be equivalent to its operating measure.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of 90 days or less, excluding amounts whose use is limited by Board designation, loan agreements or bond indentures. The Company maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments and Assets Whose Use is Limited

The Company classifies all investments as other than trading securities, in accordance with ASC 320, *Accounting for Certain Investments in Debt and Equity Securities*, based upon the Company's ability to utilize these securities to fund current operations. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Assets whose use is limited, either under terms of bond indentures, financing agreements or through Board designation for identified purposes, are invested primarily in government-secured obligations, corporate bonds, and money market accounts and are carried at fair value in the consolidated statements of financial position.

Investment Income

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in other operating revenue. Investment income consists of income generated on investments and invested cash and cash equivalents, as well as income generated on funds whose use is limited.

Accounts Receivable

Accounts receivable are considered delinquent and written off when all attempts to collect from individuals or other payor sources have been exhausted. Management maintains an allowance for doubtful accounts that is based on a review of significant balances and past experience. Accounts receivable are net of an allowance for doubtful accounts of approximately \$3,700,000 and \$3,616,000 as of December 31, 2022 and 2021, respectively.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost or, if received by gift or bequest, at fair value when received. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives conform to the guidelines established by the American Hospital Association, as follows:

Land Improvements	5 to 25 Years
Building and Improvements	5 to 40 Years
Furniture and Fixed Equipment	5 to 20 Years

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment (Continued)

Maintenance and repairs are charged to expense as incurred. Expenses in excess of \$500 individually or \$750 in aggregate and possess a useful life of more than one year are to be capitalized.

Leases

The Company leases several office facilities. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use asset, current lease liability – operating, and long-term lease liability – operating in the accompanying statements of financial position.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Company has elected to use 4.71% discount rate for computing the present value of all lease liabilities.

Goodwill and Intangible Assets

Goodwill recorded in connection with the acquisition of WECS and its subsidiaries represents the excess of purchase price over the fair value of net assets purchased. The carrying amount of goodwill was \$2,261,216 as of December 31, 2022 and 2021. No impairment losses were recognized during 2022 or 2021, and there are no accumulated impairment losses to date.

Intangible assets recorded in connection with the acquisition of CEC buildings, improvements, furnishings and equipment represent the nursing home licenses and trade names acquired. The carrying amount of intangible assets was \$8,314,354 as of December 31, 2022. No impairment losses were recognized during 2022 and there are no accumulated impairment losses to date.

Goodwill recorded in connection with the acquisition of IntegriNurse represents the excess of purchase price over the fair value of net assets purchased. The carrying amount of goodwill was \$127,800 as of December 31, 2022 and 2021. No impairment losses were recognized during 2022 and 2021, and there are no accumulated impairment losses to date.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Long-Term Assets

Other long-term assets consist of security deposits at Berkshire Retirement Community, Inc.

Deferred Revenue from Nonrefundable Fees

Entrance fees paid by Berkshire Retirement Community, Inc. and Holyoke Retirement Community, Inc., residents, net of the refundable portion, are recorded as deferred revenue and are amortized on a straight-line basis into income over the actuarially determined average life expectancy of the resident population.

Refundable Entrance Fees

Refundable entrance fees represent primarily the refundable portion of Berkshire Retirement Community, Inc., residents' fees, which amounts to 90% of the total fees paid, a portion of which is payable in part upon termination of the Residence and Care Agreement, with the remainder payable upon reoccupation of the vacated unit.

Refundable entrance fees represent primarily the refundable portion of Holyoke Retirement Community, Inc., residents' fees which amounts to either a 90% refundable contract or a declining balance contract. Applicable nonrefundable fees are amortized over the resident's life expectancy.

Net Assets

GAAP requires that net assets be categorized as net assets without donor restriction or net assets with donor restriction based on the existence and nature of donor-imposed restrictions. All of the Integritus net assets are without donor restriction and represent resources that may be expended at the discretion of the Board of Trustees.

Revenue Recognition

Resident services assisted living and patient revenue is reported at the amount that reflects the consideration the Company expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors. Performance obligations are determined based on the nature of the services provided. Resident services assisted living and patient revenue is recognized as performance obligations are satisfied. The Company recognizes revenue in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers* (ASC 606). See Note 3 for details.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis within Note 19. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and Wages	Direct
Fringes	% of Wages
Other Expenses	Direct
Nursing and Rehab Agency	Direct
Utilities	Square Footage
Food	Direct
Depreciation and Amortization	Square Footage
Interest	Direct
Provisions for Uncollectible Accounts	Direct

Income Taxes

Integritus and its subsidiaries (except for BHCS Segregated Portfolio of Berkshire Indemnity Company SPC, Ltd. (BICSPC) and BHCS Management Company, Inc.) are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income. BICSPC is a segregated cell of a captive insurance company in the Cayman Islands. Because it is not an insurance arrangement for federal tax purposes and is not subject to Cayman Islands taxation, no provision for income tax is required. BHCS Management Company, Inc., requires no provision for income tax as there was no activity at the entity during 2022.

Reclassifications

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

The Company evaluated the impact of subsequent events through May 30, 2023, the date at which the consolidated financial statements were available to be issued.

NOTE 3 REVENUES FROM CONTRACTS WITH CUSTOMERS

The Company's specific revenue recognition policies are as follows:

Resident Services

Under the Company's independent living agreements, the Company provides senior living services to residents for a stated monthly service fee. Resident agreements may be terminated after 60 days' notice. Revenue is recognized on a monthly basis for residential services.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 REVENUES FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Resident Services (Continued)

The Company's independent living agreements require the resident to pay an upfront entrance fee prior to moving into the community, which is partially refundable in certain circumstances. The nonrefundable amounts are considered contract liabilities under ASC 606. The nonrefundable portion of the entrance fee is recorded as deferred revenue and amortized over the estimated actuarial life expectancy of the resident. The refundable portion of a resident's entrance fee is recorded as a liability and partly refundable upon termination of the resident agreement with the remaining balance refundable upon the resale and re-occupancy of the unit. The refundable portion of the fee is not amortized and is included in refundable entrance fees. The refundable portion of the entrance fees is not considered part of contract liabilities under ASC 606.

Assisted Living Revenue

The Company's assisted living agreements are for an initial term of thirteen months and renewable for successive periods of twelve months each by written amendment, with assisted living fees billed monthly. Under Berkshire Retirement Community and Holyoke Retirement Community's independent living agreements, the two communities provide senior living services to residents for a stated monthly service fee. Under Linda Manor Assisted Living agreements, services are provided to residents for a stated monthly fee. Assisted living and independent agreements may be terminated after 60 days' notice. Revenue is recognized on a monthly basis for assisted living fees and is included with resident services on the consolidated statements of activities.

Patient Revenue from Skilled Nursing Facilities

The Company recognizes patient revenue from the skilled nursing facilities at the estimated transaction price from patients, third-party payors and others for services rendered on a per diem basis. Rates charged for nursing care services rendered, other than private-pay patients and third-party payors, are regulated by Medicare and Medicaid. Performance obligations are determined based on the nature of the services provided. Daily service revenue is recognized as performance obligations are satisfied. Revenue under certain third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Changes in estimates of prior year settlements were not significant in 2022 or 2021. Management believes that all applicable government reimbursement principles have been properly applied and that no material adjustments will occur as result of an audit.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 REVENUES FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Patient Revenue from Skilled Nursing Facilities (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that the Company is in compliance with the licensure, accreditation, government healthcare program participation requirements and other Medicaid fraud and abuse legislation, and with other government regulatory and statutory laws and provisions. While no material regulatory inquiries have been initiated by government agencies, compliance with such laws and regulations can be subject to future government review and can lead to other new statutory and regulatory interpretations, as well as other regulatory actions unknown or unasserted at this time. The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements (which are a precondition to the receipt of reimbursement for patient services), the Medicare False Claims Act, the Stark Anti-Referral Act, the Anti-Kickback legislation, and other Medicaid fraud and abuse legislation. Government activity has increased with respect to investigations that have led to allegations concerning possible violations by healthcare providers of those statutes and regulations. Violations of those laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as the imposition of significant obligations on the part of the provider to repay patient services previously illegally billed and received.

Other Operating Revenue

Other operating revenue includes investment income, food and service revenue, contributions and other nonpatient revenue. This revenue is recognized on a monthly basis upon the provision of the respective service.

The Company has elected the practical expedient under ASC 606 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Company's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

The Company has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Company otherwise would have recognized is one year or less in duration. During 2022 and 2021, the Company received certain grants related to the coronavirus outbreak. See Note 22 for additional details.

Contract asset and liability balances:

	Accounts Receivable	Non-refundable entrance fees
January 1, 2021	\$ 31,609,113	\$ 1,743,017
December 31, 2021	31,588,902	1,613,149
December 31, 2022	34,951,440	1,525,561

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 36,543,490	\$ 55,598,078
Restricted Cash Included in Assets Whose Use is Limited	<u>3,106,164</u>	<u>2,739,812</u>
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Consolidated Statements of Cash Flows	<u>\$ 39,649,654</u>	<u>\$ 58,337,890</u>

Restricted cash included in assets whose use is limited includes amounts pledged as collateral for long-term financing arrangements as contractually required by a lender. The restriction will lapse when the related long-term debt is paid off. Also included are patient personal need funds.

NOTE 5 PURCHASE OF SKILLED NURSING FACILITIES

In December 2022, CECMC acquired the real property, nursing home licenses, and trade names related to the Bourne Manor, Hathaway Manor, Charlene Manor, Linda Manor, and Linda Manor Assisted Living facilities for \$81,500,000. The purchase was financed through the issuance of Massachusetts Development Finance Authority bonds (see Note 9). Prior to the acquisition, CECMC had leased this property from an unrelated third party under a long-term lease. The allocation of the purchase price was as follows:

Land	\$ 15,473,869
Building	55,024,115
Furniture, Fixtures and Equipment	2,687,662
Intangible Assets	<u>8,314,354</u>
Total	<u>\$ 81,500,000</u>

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited, which are reported at fair value, consisted of the following at December 31:

	2022		2021	
	Market	Cost	Market	Cost
Cash and Cash Equivalents	\$ 4,609,207	\$ 4,609,207	\$ 6,713,465	\$ 6,713,465
U.S. Treasury Obligations	23,374,075	23,413,671	21,458,241	14,823,546
Collateralized Mortgage Obligations	-	-	861,609	1,164,850
Domestic Corporate Bonds	14,762,420	16,215,272	19,040,630	17,009,180
Domestic Equity Securities	16,096,676	14,083,244	20,245,764	4,852,212
Domestic Mutual Funds	3,995,381	3,855,877	3,353,407	2,910,768
International Bond Fund	367,394	487,416	25,692	18,942
International Equity Funds	77,800	55,935	-	-
Real Assets	43,752	39,942	-	-
International Mutual Funds	691,764	794,925	166,475	131,121
Total	<u>\$ 64,018,469</u>	<u>\$ 63,555,489</u>	<u>\$ 71,865,283</u>	<u>\$ 47,624,084</u>

The Company classifies its investments as current on the accompanying consolidated statements of financial position due to its ability to liquidate certain or all investments as needed for operational purposes.

Investment income and realized gains and losses on investments consisted of the following for the years ended December 31:

	2022	2021
Income:		
Interest and Dividends	\$ 884,548	\$ 998,808
Realized Gains	26,027	134,251
Investment Fees	(254,877)	(257,323)
Total	<u>\$ 655,698</u>	<u>\$ 875,736</u>
Other Changes in Net Assets Without Donor Restrictions:		
Unrealized Gains (Losses)	<u>\$ (2,276,601)</u>	<u>\$ 2,298,793</u>

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other than temporary. Factored into this evaluation are general market conditions, management's intent and ability to hold the investments, the issuer's financial condition and the near-term prospects, conditions in the issuer's industry, the recommendations of advisors and the length of time and extent to which the market value has been less than cost.

In connection with certain agreements, the Company is required to set aside funds for specific purposes, which are held by various trustees and are reported as assets whose use is limited on the accompanying consolidated statements of financial position. These funds are invested primarily in government-secured obligations and are carried at fair value.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED (CONTINUED)

Under the terms of the loan and trust agreement (see Note 9), the Company is required to maintain a debt service fund.

The assets limited by Board designation represent amounts designated for refundable entrance fees, which are classified as current assets, and funded depreciation, which are classified as noncurrent assets.

Assets whose use is limited at December 31 consisted of the following:

	2022	2021
By Trustee Under Debt Agreements:		
Debt Service Fund	\$ 628,872	\$ 627,072
Debt Service Reserve Fund	1,379,530	2,717,225
Renewal and Replacement Fund	125,000	79,916
Subtotal	2,133,402	3,424,213
By Board Designation	8,161,987	8,898,322
Trust Funds Held for Patient Use	1,131,000	1,002,957
Other	40,440	711,704
Subtotal	11,466,829	14,037,196
Less: Current Portion	5,008,853	6,299,363
Total	<u>\$ 6,457,976</u>	<u>\$ 7,737,833</u>

Investment income (loss) on assets whose use is limited was approximately (\$381,886) and \$467,234 for the years ended December 31, 2022 and 2021, respectively. Unrealized gains on assets whose use is limited were \$4,203,339 and \$151,461 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment at December 31 is as follows:

	2022	2021
Land and Improvements	\$ 34,318,272	\$ 18,401,704
Buildings and Improvements	264,628,929	198,305,373
Furniture and Fixed Equipment	69,658,542	65,867,717
Construction in Progress	313,973	4,729,695
Subtotal	368,919,716	287,304,489
Less: Accumulated Depreciation	172,756,346	162,364,708
Property, Plant, and Equipment, Net	<u>\$ 196,163,370</u>	<u>\$ 124,939,781</u>

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 DEFERRED REVENUE, REFUNDABLE ENTRANCE FEES, AND OTHER

Deferred revenue, refundable entrance fees, and other at December 31 consisted of the following:

	2022	2021
Deferred Revenue from Nonrefundable Entrance Fees	\$ 1,525,561	\$ 1,613,149
Refundable Entrance Fees	39,021,150	40,353,355
Deferred Lease Obligation	-	1,948,365
Other	44,304	291,250
Total	<u>\$ 40,591,015</u>	<u>\$ 44,206,119</u>

NOTE 9 LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following at December 31:

	2022	2021
Bonds Payable, Current Portion	\$ 5,736,511	\$ 4,383,580
Leases and Installment Purchases, Current Portion	133,741	130,421
Current Portion of Long-Term Obligations	<u>\$ 5,870,252</u>	<u>\$ 4,514,001</u>
Bonds Payable, Long-Term Portion	\$ 175,076,408	\$ 101,505,639
Leases and Installment Purchases, Long-Term Portion	102,970	239,311
Long-Term Obligations, Less Current Portion	<u>\$ 175,179,378</u>	<u>\$ 101,744,950</u>

Bonds Payable

	2022	2021
Total Principal	\$ 182,471,611	\$ 106,884,572
Less: Current Portion	5,736,511	4,383,580
Long-Term Portion	176,735,100	102,500,992
Add: Net Unamortized Premium	364,478	456,974
Less: Unamortized Debt Issuance Cost	(2,023,170)	(1,452,327)
Long-Term Obligations, Net	<u>\$ 175,076,408</u>	<u>\$ 101,505,639</u>

On December 28, 2017, the Obligated Group entered into a loan agreement with the Massachusetts Development Finance Agency (MDFA) to issue \$28,000,000 Series B tax exempt construction drawdown bonds. The bonds were purchased by TD Bank, N.A. The proceeds of the bonds were used to build a replacement skilled nursing facility on the campus of the existing facility located in East Longmeadow, Massachusetts, and re-purpose the former skilled nursing facility into a 20-unit dementia assisted living facility. The bonds bear a fixed interest rate of 0.6925 times the Eight-Year FHLB Rate plus 1% times the Margin Rate Factor. The term of the loan agreement with TD Bank, N.A., is for 10 years with a 30-year loan amortization period. Total capitalized interest is \$589,944 and \$534,575 as of December 31, 2022 and 2021, respectively.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 LONG-TERM OBLIGATIONS (CONTINUED)

Bonds Payable (Continued)

On October 31, 2017, Holyoke Retirement Community, Inc. entered into a loan agreement with the MDFA to issue \$7,820,000 Series A tax exempt bonds and \$1,275,000 Series B bonds. The bonds were purchased by People's United Muni Finance Corp. The proceeds of the bonds were used to acquire the real estate and contents of property located in Holyoke, Massachusetts. The term of the loan agreement with People's United Muni Finance Corp for the Series A bonds is for 10 years with a 25-year loan amortization and a fixed rate of 3.38%. The term for the series B bonds is for ten years with a fixed interest rate of 3.50%.

In November 2016, the Obligated Group refinanced and entered into a loan agreement with the MDFA and issued fixed rate revenue bonds (Fairview-Hillcrest-Pittsfield Obligated Group, Series A) with a face value of \$72,811,000. The bonds were purchased by TD Bank, N.A., with a term loan agreement for 10 years with a 25-year loan amortization period and interest at a fixed rate of 2.74%. Payments are payable on a monthly basis starting January 2017. After 10 years, in 2026, the bonds are required to be repurchased. The bonds have a final maturity date of December 2041. The proceeds were used to pay off the Obligated Group's remaining outstanding bonds and notes. The Obligated Group bonds are secured by substantially all the assets of the Obligated Group.

On December 1, 2022, the Obligated Group entered into two loan agreements with MDFA and issued fixed rate revenue bonds (Fairview-Hillcrest-Pittsfield Obligated Group, Series C-1 and Series C-2) with a combined face value of \$80,000,000. The Series C-1 bonds for \$55,000,000 were purchased by TD Bank, N.A., with a term loan agreement for 10 years with a 30-year amortization period and interest at a fixed rate of 4.71%. Payments are payable on a monthly basis starting February 2023. After 10 years, in 2032, the bonds are required to be repurchased. The bonds have a final maturity date of December 2052. The Series C-2 bonds for \$25,000,000 were purchased by Webster Bank, N.A., with a term loan agreement for 10 years with a 30-year amortization period and interest at a fixed rate of 4.71%. Payments are payable on a monthly basis starting February 2023. After 10 years, in 2032, the bonds are required to be repurchased. The bonds have a final maturity date of December 2052. The proceeds from Series C-1 and Series C-2 were used for the purchase of property by CECMS (see Note 5).

Financial covenants for the bonds include a liquidity ratio of at least 20% of total funded debt, a debt service coverage ratio of at least 1.20X and an occupancy ratio of at least 85%. If the occupancy covenant is not achieved, compliance with this ratio is mitigated if debt service coverage exceeds 1.45X. The Obligated Group was in compliance with these requirements as of December 31, 2022 and 2021.

In June 2015, the Retirement Community entered into a Second Amended Mortgage and Indenture of Trust and Agreement with the Massachusetts Development Finance Agency (MDFA) and issued First Mortgage Revenue bonds (2015 Bonds) with a face value of \$13,680,000. The 2015 Bonds were issued with a premium of \$1,243,500. The bonds bear interest rates ranging from 1.25% to 5.00% per annum with a final maturity date of July 1, 2031, and \$6,350,000 of the bonds are redeemable prior to maturity after June 30, 2025 at 0% premium at the option of the Retirement Community. The Retirement Community bonds are secured by substantially all the assets of the Retirement Community.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 LONG-TERM OBLIGATIONS (CONTINUED)

Bonds Payable (Continued)

Financial debt covenant compliance requires Berkshire Retirement Community to achieve a quarterly debt service coverage ratio of at least 1.10. Berkshire Retirement Community was in compliance with this requirement as of December 31, 2022 and 2021.

Aggregate maturities subsequent to December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 5,736,511
2024	5,919,973
2025	6,140,028
2026	6,337,795
2027	6,539,629
Thereafter	151,797,675
Total	<u>\$ 182,471,611</u>

Leases and Installment Purchases

During 2017, Integritus and its subsidiaries purchased certain property, plant, and equipment for \$1,421,450 via notes and leases. The net carrying value of property, plant, and equipment under notes and leases totaled \$346,618 and \$520,131 as of December 31, 2022 and 2021, respectively. The outstanding balance of leases as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total	\$ 236,711	\$ 369,732
Less: Current Portion	133,741	130,421
Long-Term Portion	<u>\$ 102,970</u>	<u>\$ 239,311</u>

Future minimum payments under leases and installment purchases subsequent to December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 133,861
2024	110,075
Total Minimum Lease Payments	243,936
Less: Amounts Representing Interest	7,225
Net Present Value of Future Minimum Payments	<u>\$ 236,711</u>

In December 2021, the Obligated Group entered into a line of credit agreement for \$10 million. Interest is calculated at the greater of Prime Rate and the overnight Federal Funds rate plus 0.5%. The line expired in December 2022. There were no amounts outstanding on the line as of December 31, 2022.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 TRANSACTIONS WITH BERKSHIRE HEALTH SYSTEMS, INC.

Management services were provided to Integritus and its controlled subsidiaries through May 2022 by BHS Management Services, Inc. (BHSMS), a controlled affiliate of Berkshire Health Systems, Inc. (BHS). The cost of such services was \$16,949,752 and \$17,393,678 in 2022 and 2021, respectively, and has been classified in the consolidated statements of activities as other expenses. Amounts due to BHSMS for such services were \$184,116 and \$1,258,212 at December 31, 2022 and 2021, respectively.

On September 1, 2009, Integritus acquired the net assets of PMS from BHS and issued a promissory note to BHS in the amount of \$3,729,396, an amount equal to the net book value of PMS's net assets at the time of the transaction. The note bears interest at 2.75% per annum and is payable in monthly installments of principal and interest of \$25,308. The note matures in September 2024.

Scheduled maturities are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 293,123
2024	225,189
Total	<u>\$ 518,312</u>

NOTE 11 LEASE COMMITMENTS

The Company leases multiple buildings and improvements under lease agreements, with the last expiring on September 30, 2029. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following tables provide quantitative information concerning the Organization's leases for the year ended December 31, 2022:

Lease Cost:	
Operating lease cost	\$ 502,317
Other Information:	
Operating cash flows for operating leases	483,086
Right-of-use assets obtained in exchange for new operating lease liabilities	1,726,012
Weighted-average remaining lease term - operating leases	5 years
Weighted-average discount rate - operating leases	4.71%

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 LEASE COMMITMENTS (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 320,746
2024	267,358
2025	271,963
2026	276,707
2027	196,207
Thereafter	143,982
Total Lease Payments	1,476,963
Less: Imputed Interest	(163,467)
Present Value of Lease Liabilities	<u>\$ 1,313,496</u>

The Company elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

CECMS subsidiaries leased the buildings and improvements, and certain furnishings and equipment, for four nursing homes under long-term operating lease agreements. These assets were purchased by Integritus in December 2022 (see Note 5). Amounts paid for rent amounted to \$5,773,657 for the year ended December 31, 2021.

HCIB leases the buildings and improvements for its operations, located in Pittsfield, Massachusetts, under a long-term operating lease arrangement on a month-to-month basis. Lease payments are payable monthly in the amount of \$11,467 for the year ended December 31, 2021. Amounts paid for rent were \$137,603 for the year ended December 31, 2021.

IntegriScript leases the buildings and improvements for its operations, located in West Springfield, Massachusetts, under a long-term operating lease arrangement. On April 1, 2010, IntegriScript entered into a lease. On July 18, 2016, the fourth amendment of the lease was signed extending until March 31, 2022 at the same rent. Amounts paid for rent were \$107,148 for the year ended December 31, 2021.

On October 1, 2014, Northampton Management Systems, Inc. entered into a 15-year operating lease with Zoe Senior Retirement Community, LLC. The lease includes an option to extend the term for an additional 12 years, based upon the existing terms and conditions, with the exception of rent payments. The lease is an operating lease, with rent escalations beginning in year two of the lease and expires September 30, 2029. Amounts paid for rent were \$1,451,448 for the year ended December 31, 2021.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 LEASE COMMITMENTS (CONTINUED)

Total minimum operating lease payments as of December 31, 2021 were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 7,304,055
2023	1,479,328
2024	1,494,004
2025	1,509,194
2026	1,524,916
Thereafter	4,279,927
Total	<u>\$ 17,591,424</u>

NOTE 12 CONSTRUCTION COMMITMENTS

As of December 31, 2018, the Company had entered into a contract with the general contractor for a construction project to build a replacement skilled nursing facility and repurpose the previous skilled nursing facility as a dementia assisted living facility on the campus of the existing facility at East Longmeadow Skilled Nursing Home. The contract called for costs totaling \$30,000,000 for the nursing and assisted living facilities. The nursing facility was completed in March 2020. The assisted living facility was completed in June 2022 costing approximately \$3,845,000.

NOTE 13 PROFESSIONAL LIABILITY INSURANCE

Integritus self-insures professional and general liability risk on a claims-made basis through Berkshire Indemnity Company, SPC, Ltd. (BICSPC), a Cayman Islands segregated portfolio insurance captive. Integritus owns 50% of BICSPC, with the remaining 50% owned by Berkshire Health Systems, Inc. The liability risk associated with Integritus is segregated in the BHCS Segregated Portfolio (the Portfolio). Integritus owns 100% of the Portfolio and includes the Portfolio's assets, liabilities, revenues, and expenses in the consolidated financial statements.

Integritus establishes reserves for claims incurred but unpaid (\$1,978,817 and \$1,829,472 at December 31, 2022 and 2021, respectively), with the assistance of consulting actuaries. This reserve is included in accrued expenses within the consolidated statements of financial position. Management believes these reserves are adequate; however, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded. Future adjustments to the amounts recorded resulting from the continual review process, as well as differences between estimates and ultimate payments, will be reflected in the consolidated statements of activities of future years through future premium adjustments when such adjustments, if any, become known.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 WORKERS' COMPENSATION INSURANCE

The Company self-insured its workers' compensation risk in Massachusetts under a program approved by the Commonwealth of Massachusetts Department of Industrial Accidents. The program is secured by a surety bond in the amount of \$4,890,000. The Company reinsures losses in excess of \$500,000 per claim. The Company establishes reserves with the assistance of third-party administrators for losses incurred. This reserve is included in accrued expenses within the consolidated statements of financial position. Management believes these reserves are adequate; however, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded. Future adjustments to the amounts recorded resulting from the continual review process, as well as differences between estimates and ultimate payments, will be reflected in the consolidated statements of activities of future years when such adjustments, if any, become known. The workers compensation outstanding liability amount as of December 31, 2022 and 2021 was approximately \$2,153,000 and \$3,181,000, respectively.

NOTE 15 RETIREMENT PLAN

Integritus maintains a 403(b)-retirement savings plan (the Plan) covering substantially all employees of the Company. For 2022 and 2021, the Company made a matching contribution of 25% up to 4% of the compensation for a maximum match of 1% of compensation. Employees are immediately fully vested in the Plan. Expenses for employer contributions recognized the years ended December 31, 2022 and 2021 were \$591,090 and \$259,799, respectively.

NOTE 16 CONCENTRATIONS OF CREDIT RISK

The Company grants credit without collateral to its patients, some of whom are insured under third-party payor agreements. At December 31, 2022 and 2021, percentages of accounts receivable from patients and third-party payors, exclusive of estimated settlements, included in the balance of accounts receivable were as follows:

	<u>2022</u>	<u>2021</u>
Medicare	18%	20%
Medicaid	39%	37%
Patients (Residents and Nonresidents) and Other	43%	43%
Total	<u>100%</u>	<u>100%</u>

Revenues from the Medicare and Medicaid programs accounted for approximately 36% and 39%, respectively, of the Company's net patient service revenues for the year ended December 31, 2022 and 38% and 38%, respectively, of the Company's net patient service revenues for the year ended December 31, 2021.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 17 REVENUE BY PAYOR

The composition of resident and patient care revenues by primary payor for the years ended December 31, 2022 and 2021 is as follows:

	Resident Services		Assisted Living Revenue		Patient Revenue From Nursing Care Center	
	2022	2021	2022	2021	2022	2021
Lifecare						
Residents	\$ 10,082,728	\$ 10,231,739	\$ 6,710,227	\$ 6,701,492	\$ 305,713	\$ 208,303
Private	-	-	4,016,462	4,175,518	23,650,626	20,031,683
Medicaid	-	-	-	-	85,120,727	81,280,642
Medicare	-	-	-	-	78,551,266	81,503,955
Other Third- Party Payors	-	-	-	-	30,943,236	28,763,737
Total	<u>\$ 10,082,728</u>	<u>\$ 10,231,739</u>	<u>\$ 10,726,689</u>	<u>\$ 10,877,010</u>	<u>\$ 218,571,568</u>	<u>\$ 211,788,320</u>

NOTE 18 LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Company's consolidated financial assets at December 31, 2022 and 2021:

	2022	2021
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 36,543,490	\$ 55,598,078
Investments	52,551,640	57,828,087
Accounts Receivable	<u>34,951,440</u>	<u>31,588,902</u>
Total Financial Assets Available to Meet General Expenditures Over the Next Twelve Month	<u>\$ 124,046,570</u>	<u>\$ 145,015,067</u>

The Company maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Company's goal is generally to maintain the majority of its funds in financial cash and liquid investments.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 19 FUNCTIONAL EXPENSES

Operating expenses on a functional basis for the year ended December 31, 2022 were as follows:

	Program Services	Management and General	Total
Salaries and Wages	\$ 113,740,572	\$ 5,746,703	\$ 119,487,275
Fringe Benefits	22,920,104	1,158,031	24,078,135
Nursing and Rehab Agency	38,284,039	-	38,284,039
Utilities	4,975,378	-	4,975,378
Food	6,124,957	-	6,124,957
Management Fee	-	16,949,752	16,949,752
Other Expenses	14,648,888	23,391,076	38,039,964
Depreciation and Amortization	10,422,899	-	10,422,899
Interest	3,140,482	-	3,140,482
Provision for Uncollectible Accounts	2,025,667	-	2,025,667
Total Operating Expenses	<u>\$ 216,282,986</u>	<u>\$ 47,245,562</u>	<u>\$ 263,528,548</u>

Operating expenses on a functional basis for the year ended December 31, 2021 were as follows:

	Program Services	Management and General	Total
Salaries and Wages	\$ 98,556,868	\$ 5,689,121	\$ 104,245,989
Fringe Benefits	24,703,220	1,424,489	26,127,709
Nursing and Rehab Agency	30,606,774	-	30,606,774
Utilities	4,584,091	-	4,584,091
Food	5,234,766	-	5,234,766
Management Fee	-	17,393,678	17,393,678
Other Expenses	40,062,486	9,060,937	49,123,423
Depreciation and Amortization	10,287,684	-	10,287,684
Interest	3,070,231	-	3,070,231
Provision for Uncollectible Accounts	2,577,176	-	2,577,176
Total Operating Expenses	<u>\$ 219,683,296</u>	<u>\$ 33,568,225</u>	<u>\$ 253,251,521</u>

NOTE 20 FAIR VALUE MEASUREMENTS

GAAP establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 20 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value:

U.S. Treasury Obligations

U.S. Treasury obligations are valued at the closing price reported in the active market in which the individual obligations are traded.

Corporate Bonds

Certain corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

Collateralized Mortgage Obligations

Collateralized mortgage obligations are valued based on yields currently available on comparable securities with similar credit ratings.

Equity Securities

Equity securities are valued at the closing price reported in the active market in which the individual obligations are traded.

Bond Funds

Bond funds are valued at the closing price reported in the active market in which the individual obligations are traded.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 20 FAIR VALUE MEASUREMENTS (CONTINUED)

Mutual Funds

Mutual funds are valued at the quoted market value of shares held by the Company at year-end.

There have been no changes in the methodologies used at December 31, 2022 and 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Financial assets carried at fair value as of December 31, 2022 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury Obligations	\$ 23,374,075	\$ -	\$ -	\$ 23,374,075
Collateralized Mortgage Obligations	-	-	-	-
Domestic Corporate Bonds	-	14,762,420	-	14,762,420
Domestic Equity Securities	16,096,676	-	-	16,096,676
Domestic Mutual Funds	3,995,381	-	-	3,995,381
International Bond Fund	367,394	-	-	367,394
International Equity Securities	77,800	-	-	77,800
International Mutual Funds	691,764	-	-	691,764
Total	<u>\$ 44,603,090</u>	<u>\$ 14,762,420</u>	<u>\$ -</u>	<u>\$ 59,365,510</u>

Financial assets carried at fair value as of December 31, 2021 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury Obligations	\$ 21,458,241	\$ -	\$ -	\$ 21,458,241
Collateralized Mortgage Obligations	-	861,609	-	861,609
Domestic Corporate Bonds	-	19,040,630	-	19,040,630
Domestic Equity Securities	20,245,764	-	-	20,245,764
Domestic Mutual Funds	3,353,407	-	-	3,353,407
International Bond Fund	25,692	-	-	25,692
International Mutual Funds	166,475	-	-	166,475
Total	<u>\$ 45,249,579</u>	<u>\$ 19,902,239</u>	<u>\$ -</u>	<u>\$ 65,151,818</u>

There were no transfers between levels of investments during the years ended December 31, 2022 and 2021.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 21 CONTINGENCY

The Company is occasionally party to asserted and unasserted claims arising from the course of operations. Management is of the opinion that the outcome of any such claims will not have a material impact on the Company's financial position or results of operations or cash flows.

NOTE 22 CORONAVIRUS

On March 11, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) to be a global pandemic. The situation is ongoing and dynamic. For the year ended December 31, 2022, the Company incurred costs related to the pandemic response totaling approximately \$3,050,000 of which \$2,540,000 was expensed, \$495,000 is in inventory and \$15,000 is capital expenditures. Certain of these costs were eligible for recovery under various federal grants and state programs. The duration of uncertainties related to the COVID-19 pandemic and its ultimate financial effects cannot be reasonably estimated at this time.

In April 2020, the Company received \$10,666,000 in advanced payments from the Medicare program. These payments were included in due to third-party payors on the accompanying consolidated statements of financial position and Medicare began recouping these amounts in April 2021. The advanced payments balance as of December 31, 2022 is \$0.

During May 2021, subsidiaries within the Company received Paycheck Protection Program (PPP) loans of \$19,711,221 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). These PPP loans were forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreements and the CARES Act. Therefore, the Company has classified this loan as a conditional contribution for accounting purposes. During the years ended December 31, 2022 and 2021, the Organization received notification of forgiveness of \$5,838,091 and \$13,873,130, respectively, in PPP loans. The corresponding forgiveness income is included as part of other operating revenues in the accompanying consolidated statements of activities.

During the years ended December 31, 2022 and 2021, the Company received \$10,036,355 and \$10,992,392, respectively, in grant proceeds through the Provider Relief Program (PRF) under the CARES Act and State relief programs. Under the PRF grant, the Company is required to use the grant proceeds to cover certain expenditures or lost healthcare revenues that occurred due to the COVID-19 pandemic. The grant period ended December 31, 2022. The Company recognized revenue under the programs of \$13,173,731 and \$20,179,849, respectively, during the years ended December 31, 2022 and 2021, respectively, as included in other operating revenue on the consolidated statement of activities, for qualifying expenses incurred through that date.

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Integritus Healthcare, Inc.	BHCS Segregated Portfolio of Berkshire Ind. Company	BHCS Management Services, Inc.	Hospice Care in the Berkshires, Inc.	Pioneer Valley Hospice & Pallative Care	Fairview - Hillcrest - Pittsfield Obligated Group	Berkshire Retirement Community, Inc.	Eliminations and Reclassifications	Consolidated
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	\$ 353,671	\$ 1,330,877	\$ 725,173	\$ 6,105,955	\$ 86,041	\$ 16,924,029	\$ 11,017,744	\$ -	\$ 36,543,490
Investments	-	593,428	-	7,235,334	-	24,270,480	20,452,398	-	52,551,640
Current Portion of Assets Whose Use is Limited	24,165	-	-	-	-	1,074,874	3,909,814	-	5,008,853
Accounts Receivable	-	-	1,321,953	1,274,486	269,965	31,890,271	1,006,568	(811,803)	34,951,440
Prepaid Expenses and Other Current Assets	108,534	2,915	1,184,730	50,265	34,936	3,200,381	352,232	-	4,933,993
Inventory	-	-	681,082	-	-	-	-	-	681,082
Due from Third-Party Payors, Net	-	-	-	-	-	1,044,192	145,599	(36,401)	1,153,390
Due from Affiliates	-	163,349	-	-	-	11,428,449	-	(11,591,798)	-
Total Current Assets	486,370	2,090,569	3,912,938	14,666,040	390,942	89,832,676	36,884,355	(12,440,002)	135,823,888
INVESTMENT IN SUBSIDIARIES									
	231,881	-	-	-	-	-	-	(231,881)	-
PROPERTY, PLANT, AND EQUIPMENT, NET									
	139,908	-	1,613,451	92,439	8,982	175,661,762	18,646,828	-	196,163,370
OPERATING RIGHT-OF-USE ASSET									
	57,633	-	439,439	797,192	-	-	-	-	1,294,264
ASSETS WHOSE USE IS LIMITED, LESS CURRENT PORTION									
	-	-	-	524,413	-	125,000	5,808,563	-	6,457,976
GOODWILL AND INTANGIBLE ASSETS									
	-	-	127,800	-	-	10,575,570	-	-	10,703,370
OTHER LONG-TERM ASSETS									
	60,000	-	16,409	-	-	679,675	415,618	-	1,171,702
Total Assets	<u>\$ 975,792</u>	<u>\$ 2,090,569</u>	<u>\$ 6,110,037</u>	<u>\$ 16,080,084</u>	<u>\$ 399,924</u>	<u>\$ 276,874,683</u>	<u>\$ 61,755,364</u>	<u>\$ (12,671,883)</u>	<u>\$ 351,614,570</u>

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Integritus Healthcare, Inc.	BHCS Segregated Portfolio of Berkshire Ind. Company	BHCS Management Services, Inc.	Hospice Care in the Berkshires, Inc.	Pioneer Valley Hospice & Palliative Care	Fairview - Hillcrest - Pittsfield Obligated Group	Berkshire Retirement Community, Inc.	Eliminations and Reclassifications	Consolidated
LIABILITIES AND NET ASSETS (DEFICIT)									
CURRENT LIABILITIES									
Accounts Payable	\$ 26,716	\$ -	\$ 1,051,796	\$ 425,435	\$ 61,365	\$ 12,984,969	\$ 984,129	\$ (811,803)	\$ 14,722,607
Accrued Expenses	365,506	2,014,889	78,475	204,068	(904)	7,088,400	722,377	-	10,472,811
Accrued Salaries and Related Withholdings	-	-	1,834,216	389,451	194,252	5,370,459	963,829	-	8,752,207
Other Current Liabilities	-	-	-	-	-	256,036	626,655	-	882,691
Due to Berkshire Health Systems, Inc.	-	-	-	8,269	2,765	166,140	6,942	-	184,116
Due to Third-Party Payors	-	-	-	30,318	6,083	-	-	(36,401)	-
Due to Affiliates	3,798,249	-	7,336,391	136,105	108,349	-	212,704	(11,591,798)	-
Current Portion of Notes Payable - Berkshire Health Systems, Inc.	-	-	-	-	-	293,123	-	-	293,123
Current Lease Liability - Operating	57,633	-	95,643	113,603	-	-	-	-	266,879
Current Portion of Long-Term Obligations	-	-	5,166	-	-	5,051,899	813,187	-	5,870,252
Total Current Liabilities	4,248,104	2,014,889	10,401,687	1,307,249	371,910	31,211,026	4,329,823	(12,440,002)	41,444,686
DEFERRED REVENUE, REFUNDABLE ENTRANCE FEES, AND OTHER	-	-	-	-	-	444,733	40,146,282	-	40,591,015
NOTES PAYABLE - BERKSHIRE HEALTH SYSTEMS, INC., LESS CURRENT PORTION	-	-	-	-	-	225,189	-	-	225,189
LONG-TERM LEASE LIABILITY - OPERATING	-	-	343,796	702,821	-	-	-	-	1,046,617
LONG-TERM OBLIGATIONS, LESS CURRENT PORTION	-	-	3,395	-	-	166,852,517	8,323,466	-	175,179,378
Total Liabilities	4,248,104	2,014,889	10,748,878	2,010,070	371,910	198,733,465	52,799,571	(12,440,002)	258,486,885
NET ASSETS (DEFICIT)	<u>(3,272,312)</u>	<u>75,680</u>	<u>(4,638,841)</u>	<u>14,070,014</u>	<u>28,014</u>	<u>78,141,218</u>	<u>8,955,793</u>	<u>(231,881)</u>	<u>93,127,685</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 975,792</u>	<u>\$ 2,090,569</u>	<u>\$ 6,110,037</u>	<u>\$ 16,080,084</u>	<u>\$ 399,924</u>	<u>\$ 276,874,683</u>	<u>\$ 61,755,364</u>	<u>\$ (12,671,883)</u>	<u>\$ 351,614,570</u>

INTEGRITUS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Integritus Healthcare, Inc.	BHCS Segregated Portfolio of Berkshire Ind. Company	BHCS Management Services, Inc.	Hospice Care in the Berkshires, Inc.	Pioneer Valley Hospice & Palliative Care	Fairview - Hillcrest - Pittsfield Obligated Group	Berkshire Retirement Community, Inc.	Eliminations and Reclassifications	Consolidated
REVENUES									
Patient Service Revenue	\$ -	\$ -	\$ 15,332,187	\$ 8,671,665	\$ 2,062,422	\$ 190,476,185	\$ 9,991,445	\$ (7,962,336)	\$ 218,571,568
Resident Services, Including Amortization of Entrance Fees of Approximately \$608,000	-	-	-	-	-	6,936,421	14,480,850	-	21,417,271
Other Operating Revenue	-	837,697	28,182,473	963,436	343,206	20,934,891	1,346,389	(29,002,539)	23,605,553
Total Revenues	-	837,697	43,514,660	9,635,101	2,405,628	218,347,497	25,818,684	(36,964,875)	263,594,392
EXPENSES									
Salaries and Wages	-	-	24,314,016	4,423,523	1,502,561	79,427,155	9,820,020	-	119,487,275
Fringe Benefits	-	-	3,553,670	834,022	361,509	17,039,499	2,289,435	-	24,078,135
Other Expenses	23,166	837,697	16,120,224	4,292,192	925,272	109,525,186	9,615,228	(36,964,875)	104,374,090
Depreciation and Amortization	58,446	-	86,885	66,620	19,020	7,551,827	2,640,101	-	10,422,899
Interest	-	-	346	-	-	2,734,616	405,520	-	3,140,482
Provision for Uncollectible Accounts	-	-	84,000	56,004	20,004	1,751,543	114,116	-	2,025,667
Total Expenses	81,612	837,697	44,159,141	9,672,361	2,828,366	218,029,826	24,884,420	(36,964,875)	263,528,548
LOSS ON DISPOSAL OF ASSETS	-	-	-	-	-	(21,589)	-	-	(21,589)
INCOME (LOSS) FROM OPERATIONS	(81,612)	-	(644,481)	(37,260)	(422,738)	296,082	934,264	-	44,255
UNREALIZED LOSSES ON INVESTMENTS AND ASSETS WHOSE USE IS LIMITED	-	(120,004)	-	(1,444,534)	-	(2,156,597)	(2,758,805)	-	(6,479,940)
DECREASE IN NET ASSETS	(81,612)	(120,004)	(644,481)	(1,481,794)	(422,738)	(1,860,515)	(1,824,541)	-	(6,435,685)
Net Assets (Deficit) - Beginning of Year	(3,190,700)	195,684	(3,994,360)	15,551,808	450,752	80,001,733	10,780,334	(231,881)	99,563,370
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (3,272,312)</u>	<u>\$ 75,680</u>	<u>\$ (4,638,841)</u>	<u>\$ 14,070,014</u>	<u>\$ 28,014</u>	<u>\$ 78,141,218</u>	<u>\$ 8,955,793</u>	<u>\$ (231,881)</u>	<u>\$ 93,127,685</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Integritus Healthcare, Inc. and Subsidiaries
Pittsfield, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Integritus Healthcare, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered Integritus Healthcare, Inc. and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Integritus Healthcare, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Integritus Healthcare, Inc. and Subsidiaries' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Integritus Healthcare, Inc. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant

agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Integritus Healthcare, Inc. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Integritus Healthcare, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

West Hartford, Connecticut
May 30, 2023