

**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

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

**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

**Arbetter Corporation d/b/a Oak Knoll Healthcare Center  
and Arbetter Associates Limited Partnership**

### *Opinion*

We have audited the accompanying consolidated financial statements of Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in equity (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 Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership as of December 31, 2022 and 2021, 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 Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership's ability to continue as a going concern within one year after the date that the 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 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 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 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 Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter 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 Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter 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 15, 2023

**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 706,918	\$ 886,289
Accounts receivable, patients	2,254,634	1,985,482
Prepaid expenses	194,695	181,146
Other receivable	--	64,740
<b>Total Current Assets</b>	<u>3,156,247</u>	<u>3,117,657</u>
<b>Funded Reserves</b>		
Escrow deposits	85,139	82,581
Replacement reserves	<u>257,732</u>	<u>453,598</u>
<b>Total Funded Reserves</b>	<u>342,871</u>	<u>536,179</u>
<b>Property and Equipment, net</b>		
Land	118,177	118,177
Building	6,949,818	6,949,818
Improvements	1,322,289	1,063,791
Equipment	<u>1,824,810</u>	<u>1,744,232</u>
	10,215,094	9,876,018
Less accumulated depreciation	<u>6,702,607</u>	<u>6,392,174</u>
<b>Total Property and Equipment, net</b>	<u>3,512,487</u>	<u>3,483,844</u>
<b>Due from Related Parties</b>	<u>32,623</u>	<u>3,000</u>
<b>Other Assets</b>		
Software	--	1,226
Insurance claims receivable	<u>150,000</u>	<u>150,000</u>
<b>Total Other Assets</b>	<u>150,000</u>	<u>151,226</u>
<b>Total Assets</b>	<u><u>\$ 7,194,228</u></u>	<u><u>\$ 7,291,906</u></u>

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

**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Liabilities and Equity (Deficit)</b>		
<b>Current Liabilities</b>		
Loan payable - current portion	\$ 245,118	\$ 235,875
Accounts payable	782,515	901,097
Accrued expenses	312,818	289,546
Accrued payroll and related costs	496,532	410,562
Deferred revenue	3,150	47,527
Due to third-party payors	<u>418,236</u>	<u>435,822</u>
<b>Total Current Liabilities</b>	<u>2,258,369</u>	<u>2,320,429</u>
<b>Litigation Obligations</b>	150,000	150,000
<b>Long-Term Debt, net</b>	3,981,013	4,222,125
<b>Deferred Tax Liability, net</b>	30,000	--
<b>Due to Related Parties</b>	<u>7,190,402</u>	<u>5,847,870</u>
<b>Total Liabilities</b>	<u>13,609,784</u>	<u>12,540,424</u>
<b>Equity (Deficit)</b>		
Additional paid-in capital	1,158,756	1,158,756
Accumulated deficit/partnership interest	(5,836,441)	(4,627,450)
Non-controlling interest in partnership	<u>(1,737,871)</u>	<u>(1,779,824)</u>
<b>Total Equity (Deficit)</b>	<u>(6,415,556)</u>	<u>(5,248,518)</u>
<b>Total Liabilities and Equity (Deficit)</b>	<u>\$ 7,194,228</u>	<u>\$ 7,291,906</u>

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

**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	2022	2021
<b>Revenue</b>		
Private patients	\$ 3,635,346	\$ 2,957,675
Medicare patients, net of sequester	3,929,492	3,094,367
Publicly-aided patients	5,606,569	5,437,000
Ancillary income, net of sequester	260,774	302,831
Federal stimulus revenue	45,427	609,784
State stimulus revenue	321,560	--
Interest income	7,181	1,395
Other income	62,713	73,786
Prior year revenue adjustments	88,620	(304,099)
<b>Total Revenue</b>	<u>13,957,682</u>	<u>12,172,739</u>
<b>Operating Expenses</b>		
Administrative and general	1,977,484	2,235,949
Employee benefits	790,931	731,775
Property expenses	676,519	678,723
Plant operations	666,899	466,804
Nursing	6,434,099	5,117,453
Medical services	234,625	166,076
Ancillary	1,232,516	1,235,501
Dietary	1,033,610	899,511
Laundry and linen	215,033	205,970
Housekeeping	502,544	450,734
Social services	276,291	198,237
Recreation	113,290	95,240
Consultants	79,171	79,741
<b>Total Operating Expenses</b>	<u>14,233,012</u>	<u>12,561,714</u>
<b>Loss Before Other Items</b>	<u>(275,330)</u>	<u>(388,975)</u>
<b>Other Items</b>		
Management fees	(841,708)	(742,770)
<b>Total Other Items</b>	<u>(841,708)</u>	<u>(742,770)</u>
<b>Loss Before Income Taxes</b>	(1,117,038)	(1,131,745)
<b>Provision for Income Taxes</b>	<u>(50,000)</u>	<u>--</u>
<b>Net Loss</b>	(1,167,038)	(1,131,745)
<b>Non-Controlling Interest in Partnership</b>	<u>(41,953)</u>	<u>(19,713)</u>
<b>Arbetter Corporation Net Loss</b>	<u><u>\$ (1,208,991)</u></u>	<u><u>\$ (1,151,458)</u></u>

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

**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)**

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

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	Additional Paid-In Capital	Arbetter Corporation Retained Deficit	General Partner 1% Interest	Non-Controlling Interest in Partnership	Total Deficit
<b>Balance - December 31, 2020</b>	\$ 1,158,756	\$ (3,477,071)	\$ 1,079	\$ (1,799,537)	\$ (4,116,773)
Net income (loss)	<u>--</u>	<u>(1,151,657)</u>	<u>199</u>	<u>19,713</u>	<u>(1,131,745)</u>
<b>Balance - December 31, 2021</b>	1,158,756	(4,628,728)	1,278	(1,779,824)	(5,248,518)
Net income (loss)	<u>--</u>	<u>(1,209,415)</u>	<u>424</u>	<u>41,953</u>	<u>(1,167,038)</u>
<b>Balance - December 31, 2022</b>	<u>\$ 1,158,756</u>	<u>\$ (5,838,143)</u>	<u>\$ 1,702</u>	<u>\$ (1,737,871)</u>	<u>\$ (6,415,556)</u>

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



**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (1,208,991)	\$ (1,151,458)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	311,659	303,768
Amortization of debt issuance costs	4,006	4,216
Non-controlling interest in partnership	41,953	19,713
Bad debts	117,270	270,858
Changes in operating assets and liabilities:		
Accounts receivable	(386,422)	(718,010)
Prepaid expenses	(13,549)	(1,530)
Other receivables	64,740	19,647
Accounts payable	(118,582)	350,922
Accrued expenses	53,272	(141,627)
Accrued payroll and related costs	85,970	(65,248)
Deferred revenue	(44,377)	(564,357)
Due to third-party payors	(17,586)	336,128
<b>Net Cash Used in Operating Activities</b>	<u>(1,110,637)</u>	<u>(1,336,978)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	<u>(339,076)</u>	<u>(86,481)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(339,076)</u>	<u>(86,481)</u>
<b>Cash Flows from Financing Activities</b>		
Principal payments on long-term debt	(235,875)	(226,980)
Net change in amounts due to related parties	<u>1,312,909</u>	<u>754,625</u>
<b>Net Cash Provided by Financing Activities</b>	<u>1,077,034</u>	<u>527,645</u>
<b>Net Change in Cash and Restricted Cash</b>	(372,679)	(895,814)
<b>Cash and Restricted Cash - Beginning</b>	<u>1,422,468</u>	<u>2,318,282</u>
<b>Cash and Restricted Cash - Ending</b>	<u>\$ 1,049,789</u>	<u>\$ 1,422,468</u>

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

**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

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

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	<u>2022</u>	<u>2021</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 168,758</u>	<u>\$ 177,652</u>
<b>Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the period</b>		
Cash and cash equivalents	\$ 706,918	\$ 886,289
Restricted Cash		
Mortgage escrows	85,139	82,581
Replacement reserves	<u>257,732</u>	<u>453,598</u>
	<u>\$ 1,049,789</u>	<u>\$ 1,422,468</u>

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

**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***ORGANIZATION***

The consolidated financial statements include the accounts of Arbetter Corporation d/b/a Oak Knoll Healthcare Center (the Corporation), a Subchapter S corporation, which operates a 123-bed nursing home in Framingham, Massachusetts and Arbetter Associates Limited Partnership (the Partnership), a realty holding company, which owns and leases its fixed assets to Arbetter 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.

The Companies are in a deficit position of approximately \$6.4 million as of December 31, 2022, and have experienced net losses of approximately \$1.2 million for each of the years ended December 31, 2022 and 2021. Management is in the process of making various operational improvements to increase census, improve payor mix and deal with labor shortages. In addition, the owners of the Companies are committed to continue supporting the Companies through intercompany loans as needed to offset cash flow shortages.

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 non-controlling ownership interest in the Partnership is separately reported in the consolidated balance sheet within equity; and the non-controlling ownership interest in the net income of the Partnership is classified as Non-controlling 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.

**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

***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.

***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 year items are comprised of retroactive third-party payor 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 \$45,427 and \$609,784, 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.

**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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**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 \$207,648 and \$246,096 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 expenses on the consolidated statement of operations for the year ended December 31, 2022 and 2021, respectively. At December 31, 2021, the Corporation recorded \$64,740 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 ending 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 \$71,534 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.

*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 \$26,953 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.

**ARBETTER CORPORATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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**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 at \$7.57 per day. The facility received supplemental payments to offset increased costs of providing care in the amount of \$223,072 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 the fair value less costs to sell.

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

Buildings	40 years
Improvements	10 – 20 years
Equipment	10 years

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

***PROPERTY AND EQUIPMENT (CONTINUED)***

Depreciation expense charged to operations was \$310,433 and \$301,315 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 \$34,551 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 \$34,551 and \$33,325 as of December 31, 2022 and 2021, respectively. Amortization charged to operations amounted to \$1,226 and \$2,453 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**

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**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 and 2021.

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**

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**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 return 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 position 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 \$15,937 and \$12,412 for 2022 and 2021, respectively.

***USE OF ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

**ARBETTER CORPORATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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**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 Corporation adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, Leases (ASC 842). The Corporation determine if an arrangement contains a lease at inception based on whether the Corporation have the right to control the asset during the contract period and other facts and circumstances. The Corporation 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 Corporation generally do not have access to the rate implicit in the lease, and therefore the Corporation utilize 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 \$2,217,990 and operating lease liabilities of \$2,217,990 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 historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Corporation's 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 15, 2023, the date the consolidated financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements has been identified.

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**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 payors (including health insurers and government programs), and others and includes 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 to the point when it is no longer required to provide services to that resident.

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, 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 payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors 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**

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**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 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 and remained suspended through April 1, 2022 when a 1% sequester cut was in effect, with the full 2% 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 payors 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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**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 2 – PATIENT SERVICE REVENUE (CONTINUED)**

***OTHER THIRD-PARTY PAYORS (CONTINUED)***

Settlements with third-party payors 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 payors 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 \$13,520,801 and \$11,487,774, respectively, for services provided to the patients over time. Additionally, for the year ended December 31, 2022 and 2021, the Corporation recognized \$62,713 and \$73,786, respectively, of other revenue.

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

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Private and insurance patients	\$ 1,086,085	\$ 906,557
Medicare patients	463,966	475,339
Publicly-aided patient	<u>843,245</u>	<u>708,248</u>
	2,393,296	2,090,144
Allowance for uncollectible	<u>(138,662)</u>	<u>(104,662)</u>
Accounts receivable, net	<u>\$ 2,254,634</u>	<u>\$ 1,985,482</u>

Bad debt expense reflected in operations amounted to \$117,270 and \$270,858 for 2022 and 2021, respectively. Included in the bad debt expense amount are the change in allowance for uncollectible 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 \$841,708 and \$742,770 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 amount of \$65,076 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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**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 the related companies.

***RENT***

The Corporation leases property, plant, and equipment from the Partnership. Rent expense amounted to \$598,130 and \$589,604 for 2022 and 2021, respectively. Rent is eliminated in consolidation. See Note 8 for additional lease information.

***REPLACEMENT RESERVE EXCHANGE***

Replacement reserve deposits are recorded as an exchange with property and equipment purchased from replacement reserve funds being recorded on the books of the Corporation. The balance of the replacement reserve exchange may only be returned to the Partnership when the HUD-insured mortgage note has been extinguished. At December 31, 2022 and 2021, the replacement reserve exchange totaled \$9,760 and \$208,287 which 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	\$ 32,623	\$ 3,000
Total due from related parties	<u>\$ 32,623</u>	<u>\$ 3,000</u>
Due to related parties		
Officers/Shareholders	\$ 3,262,919	\$ 3,262,919
Affiliates	<u>3,927,483</u>	<u>2,584,951</u>
Total due to related parties	<u>\$ 7,190,402</u>	<u>\$ 5,847,870</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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**NOTE 5 – LONG-TERM DEBT**

The Companies are obligated under long-term debt at December 31 as follows:

	<u>2022</u>	<u>2021</u>
3.85% mortgage payable to Walker & Dunlop, LLC secured by substantially all assets and insured by the U.S. Department of Housing and Urban Development (HUD), payable in monthly installments of \$33,719, due June 2036.	\$ 4,254,796	\$ 4,490,671
Less unamortized debt issuance costs	<u>28,665</u>	<u>32,671</u>
	4,226,131	4,458,000
Less current maturities	<u>245,118</u>	<u>235,875</u>
Total long-term debt	<u>\$ 3,981,013</u>	<u>\$ 4,222,125</u>

The future maturities of long-term debt are as follows:

Year Ending December 31,

2023	\$ 245,118
2024	254,723
2025	264,705
2026	275,078
2027	285,858
Thereafter	<u>2,929,314</u>
	<u>\$ 4,254,796</u>

Interest incurred on long-term debt amounted to \$172,007 and \$181,081 for the years ended December 31, 2022 and 2021, respectively, including \$4,006 and \$4,216 of amortized debt issuance costs for each of the years then ended.



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**NOTE 6 – FUNDED RESERVES**

Under the terms of the U.S. Department of Housing and Urban Development (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 \$5,633 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 \$85,139 and \$257,732 at December 31, 2022 and \$82,581 and \$453,598 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.

Total deferred tax assets are calculated to affect future deductible temporary differences caused by the 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.

Provision for income tax expense consists of the following components:

	2022		
	Due Currently	Deferred	Total
State income tax	<u>\$ 20,000</u>	<u>\$ 30,000</u>	<u>\$ 50,000</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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**NOTE 7 – INCOME TAXES (CONTINUED)**

There was no provision for income taxes for the year ended December 31, 2021 as amounts were 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 Arbetter 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 subsequent to year end extending the lease through February 26, 2028.

The agreement includes a base rent of \$33,719 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 maturities of operating lease liabilities as of December 31, 2022, were as follows:

For the Years Ending December 31,

2023	\$ 404,632
2024	404,632
2025	404,632
2026	404,632
2027	404,632
Thereafter	<u>67,439</u>
	<u>\$ 2,090,599</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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**NOTE 9 – CONCENTRATION OF CREDIT RISK**

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

***CASH***

The Companies maintain cash balances in one federally insured financial institution. The cash and cash equivalents exceeding federally insured limits totaled approximately \$685 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 payors totaled \$2,254,634 and \$1,985,482, 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 \$32,623 and \$3,000 at December 31, 2022 and 2021, respectively. See Note 4 for further details.

***OTHER RECEIVABLE***

At December 31, 2021, other receivables from non-related parties totaled \$64,740 for State COVID-19 testing. There were no other receivables at December 31, 2022.

***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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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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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 on 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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**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 11 – CAPITAL STOCK**

Common stock - authorized, 100 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 \$302,174 and \$236,072 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 14 – PROFESSIONAL AND GENERAL LIABILITY PROGRAM**

Arbetter 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 Arbetter 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.

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 amount \$150,000 for the years ended December 31, 2022 and 2021, respectively. A receivable in the amount \$150,000, respectively, has also been recorded as this is the amount that would be funded to the Corporation should the claim be settled against it. The professional and general liability expense charged to operations was \$212,945 and \$213,509 for 2022 and 2021.

**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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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.

**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 a 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

**Arbetter Corporation d/b/a Oak Knoll Healthcare Center  
and Arbetter Associates Limited Partnership**

We have audited the financial statements of Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership as of and for the years ended December 31, 2022 and 2021 and have issued our report dated June 15, 2023, which appears on pages 1 through 2 and contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating balance sheets, statements of operations and cash flows, schedules of bed days and consolidating schedules of operating expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Marcum LLP*

Hartford, CT  
June 15, 2023



**ARBETTER CORPORATION**  
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**CONSOLIDATING BALANCE SHEET**

**DECEMBER 31, 2022**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 296,071	\$ 410,847	\$ --	\$ 706,918
Accounts receivable, patients	2,254,634	--	--	2,254,634
Prepaid expenses	188,771	5,924	--	194,695
Other receivable	--	--	--	--
<b>Total Current Assets</b>	<u>2,739,476</u>	<u>416,771</u>	<u>--</u>	<u>3,156,247</u>
<b>Funded Reserves</b>				
Escrow deposits	--	85,139	--	85,139
Replacement reserves	--	257,732	--	257,732
<b>Total Funded Reserves</b>	<u>--</u>	<u>342,871</u>	<u>--</u>	<u>342,871</u>
<b>Property and Equipment</b>				
Land	--	118,177	--	118,177
Building	--	6,949,818	--	6,949,818
Improvements	1,067,331	254,958	--	1,322,289
Equipment	1,340,002	484,808	--	1,824,810
	2,407,333	7,807,761	--	10,215,094
Less accumulated depreciation	1,347,664	5,354,943	--	6,702,607
<b>Total Property and Equipment, net</b>	<u>1,059,669</u>	<u>2,452,818</u>	<u>--</u>	<u>3,512,487</u>
<b>Due from Related Parties</b>	<u>128,797</u>	<u>--</u>	<u>(96,174)</u>	<u>32,623</u>
<b>Other Assets</b>				
Insurance claims receivable	150,000	--	--	150,000
Operating lease right of use asset	1,893,056	--	(1,893,056)	--
<b>Total Other Assets</b>	<u>2,043,056</u>	<u>--</u>	<u>(1,893,056)</u>	<u>150,000</u>
<b>Total Assets</b>	<u>\$ 5,970,998</u>	<u>\$ 3,212,460</u>	<u>\$ (1,989,230)</u>	<u>\$ 7,194,228</u>

*See independent auditors' report on supplementary information.*

**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING BALANCE SHEET (CONTINUED)**

**DECEMBER 31, 2022**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Liabilities and Equity (Deficit)</b>				
<b>Current Liabilities</b>				
Loan payable - current portion	\$ --	\$ 245,118	\$ --	\$ 245,118
Accounts payable	782,515	--	--	782,515
Accrued expenses	289,447	23,371	--	312,818
Accrued payroll and related costs	496,532	--	--	496,532
Deferred revenue	3,150	--	--	3,150
Due to third-party payors	418,236	--	--	418,236
Operating lease liability - current portion	<u>337,667</u>	<u>--</u>	<u>(337,667)</u>	<u>--</u>
<b>Total Current Liabilities</b>	2,327,547	268,489	(337,667)	2,258,369
<b>Litigation Obligations</b>	150,000	--	--	150,000
<b>Long-Term Debt, net</b>	--	3,981,013	--	3,981,013
<b>Deferred Tax Liability, net</b>	30,000	--	--	30,000
<b>Due to Related Parties</b>	6,587,449	699,127	(96,174)	7,190,402
<b>Operating Lease Liability, net</b>	<u>1,555,389</u>	<u>--</u>	<u>(1,555,389)</u>	<u>--</u>
<b>Total Liabilities</b>	<u>10,650,385</u>	<u>4,948,629</u>	<u>(1,989,230)</u>	<u>13,609,784</u>
<b>Equity (Deficit)</b>				
Additional paid in capital	1,158,756	--	--	1,158,756
Retained earnings/partnership interest	(5,838,143)	1,702	--	(5,836,441)
Non-controlling interest in partnership	<u>--</u>	<u>(1,737,871)</u>	<u>--</u>	<u>(1,737,871)</u>
<b>Total Equity (Deficit)</b>	<u>(4,679,387)</u>	<u>(1,736,169)</u>	<u>--</u>	<u>(6,415,556)</u>
<b>Total Liabilities and Equity (Deficit)</b>	<u>\$ 5,970,998</u>	<u>\$ 3,212,460</u>	<u>\$ (1,989,230)</u>	<u>\$ 7,194,228</u>

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**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING BALANCE SHEET**

**DECEMBER 31, 2021**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 469,554	\$ 416,735	\$ --	\$ 886,289
Accounts receivable, patients	1,985,482	--	--	1,985,482
Prepaid expenses	174,500	6,646	--	181,146
Other receivable	64,740	--	--	64,740
<b>Total Current Assets</b>	<u>2,694,276</u>	<u>423,381</u>	<u>--</u>	<u>3,117,657</u>
<b>Funded Reserves</b>				
Escrow deposits	--	82,581	--	82,581
Replacement reserves	--	453,598	--	453,598
<b>Total Funded Reserves</b>	<u>--</u>	<u>536,179</u>	<u>--</u>	<u>536,179</u>
<b>Property and Equipment</b>				
Land	--	118,177	--	118,177
Building	--	6,949,818	--	6,949,818
Improvements	808,833	254,958	--	1,063,791
Equipment	1,259,424	484,808	--	1,744,232
	2,068,257	7,807,761	--	9,876,018
Less accumulated depreciation	<u>1,223,669</u>	<u>5,168,505</u>	<u>--</u>	<u>6,392,174</u>
<b>Total Property and Equipment, net</b>	<u>844,588</u>	<u>2,639,256</u>	<u>--</u>	<u>3,483,844</u>
<b>Due from Related Parties</b>	<u>297,701</u>	<u>--</u>	<u>(294,701)</u>	<u>3,000</u>
<b>Other Assets</b>				
Software	1,226	--	--	1,226
Insurance claims receivable	150,000	--	--	150,000
<b>Total Other Assets</b>	<u>151,226</u>	<u>--</u>	<u>--</u>	<u>151,226</u>
<b>Total Assets</b>	<u>\$ 3,987,791</u>	<u>\$ 3,598,816</u>	<u>\$ (294,701)</u>	<u>\$ 7,291,906</u>

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**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING BALANCE SHEET (CONTINUED)**

**DECEMBER 31, 2021**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Liabilities and Equity (Deficit)</b>				
<b>Current Liabilities</b>				
Loan payable - current portion	\$ --	\$ 235,875	\$ --	\$ 235,875
Accounts payable	901,097	--	--	901,097
Accrued expenses	267,263	22,283	--	289,546
Accrued payroll and related costs	410,562	--	--	410,562
Deferred revenue	47,527	--	--	47,527
Due to third-party payors	<u>435,822</u>	<u>--</u>	<u>--</u>	<u>435,822</u>
<b>Total Current Liabilities</b>	2,062,271	258,158	--	2,320,429
<b>Litigation Obligations</b>	150,000	--	--	150,000
<b>Long-Term Debt, net</b>	--	4,222,125	--	4,222,125
<b>Due to Related Parties</b>	<u>5,245,492</u>	<u>897,079</u>	<u>(294,701)</u>	<u>5,847,870</u>
<b>Total Liabilities</b>	<u>7,457,763</u>	<u>5,377,362</u>	<u>(294,701)</u>	<u>12,540,424</u>
<b>Equity (Deficit)</b>				
Additional paid-in capital	1,158,756	--	--	1,158,756
Retained earnings/partnership interest	(4,628,728)	1,278	--	(4,627,450)
Non-controlling interest in partnership	<u>--</u>	<u>(1,779,824)</u>	<u>--</u>	<u>(1,779,824)</u>
<b>Total Equity (Deficit)</b>	<u>(3,469,972)</u>	<u>(1,778,546)</u>	<u>--</u>	<u>(5,248,518)</u>
<b>Total Liabilities and Equity (Deficit)</b>	<u>\$ 3,987,791</u>	<u>\$ 3,598,816</u>	<u>\$ (294,701)</u>	<u>\$ 7,291,906</u>

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**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Revenue</b>				
Private patients	\$ 3,635,346	\$ --	\$ --	\$ 3,635,346
Medicare patients, net of sequester	3,929,492	--	--	3,929,492
Publicly-aided patients	5,606,569	--	--	5,606,569
Ancillary income, net of sequester	260,774	--	--	260,774
Federal stimulus revenue	45,427	--	--	45,427
State stimulus revenue	321,560	--	--	321,560
Interest income	158	7,023	--	7,181
Rental income	--	598,130	(598,130)	--
Other income	62,713	--	--	62,713
Prior year revenue adjustments	88,620	--	--	88,620
<b>Total Revenue</b>	<u>13,950,659</u>	<u>605,153</u>	<u>(598,130)</u>	<u>13,957,682</u>
<b>Operating Expenses</b>				
Administrative and general	1,964,705	12,779	--	1,977,484
Employee benefits	790,931	--	--	790,931
Property expense	724,652	549,997	(598,130)	676,519
Plant operations	666,899	--	--	666,899
Nursing	6,434,099	--	--	6,434,099
Medical services	234,625	--	--	234,625
Ancillary	1,232,516	--	--	1,232,516
Dietary	1,033,610	--	--	1,033,610
Laundry and linen	215,033	--	--	215,033
Housekeeping	502,544	--	--	502,544
Social services	276,291	--	--	276,291
Recreation	113,290	--	--	113,290
Consultants	79,171	--	--	79,171
<b>Total Operating Expenses</b>	<u>14,268,366</u>	<u>562,776</u>	<u>(598,130)</u>	<u>14,233,012</u>
<b>(Loss) Income Before Other Items</b>	<u>(317,707)</u>	<u>42,377</u>	<u>--</u>	<u>(275,330)</u>
<b>Other Items</b>				
Management fees	(841,708)	--	--	(841,708)
<b>Total Other Items</b>	<u>(841,708)</u>	<u>--</u>	<u>--</u>	<u>(841,708)</u>
<b>(Loss) Income Before Income Taxes</b>	<u>(1,159,415)</u>	<u>42,377</u>	<u>--</u>	<u>(1,117,038)</u>
<b>Provision for Income Taxes</b>	<u>(50,000)</u>	<u>--</u>	<u>--</u>	<u>(50,000)</u>
<b>Net (Loss) Income</b>	<u>(1,209,415)</u>	<u>42,377</u>	<u>--</u>	<u>(1,167,038)</u>
<b>Non-Controlling Interest in Partnership</b>	<u>--</u>	<u>--</u>	<u>(41,953)</u>	<u>(41,953)</u>
<b>Arbetter Corporation Net (Loss) Income</b>	<u>\$ (1,209,415)</u>	<u>\$ 42,377</u>	<u>\$ (41,953)</u>	<u>\$ (1,208,991)</u>

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**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Revenue</b>				
Private patients	\$ 2,957,675	\$ --	\$ --	\$ 2,957,675
Medicare patients, net of sequester	3,094,367	--	--	3,094,367
Publicly-aided patients	5,437,000	--	--	5,437,000
Ancillary income, net of sequester	302,831	--	--	302,831
Federal stimulus revenue	609,784	--	--	609,784
Interest income	6	1,389	--	1,395
Rental income	--	589,604	(589,604)	--
Other income	73,786	--	--	73,786
Prior year revenue adjustments	(304,099)	--	--	(304,099)
<b>Total Revenue</b>	<u>12,171,350</u>	<u>590,993</u>	<u>(589,604)</u>	<u>12,172,739</u>
<b>Operating Expenses</b>				
Administrative and general	2,228,074	7,875	--	2,235,949
Employee benefits	731,775	--	--	731,775
Property expenses	705,121	563,206	(589,604)	678,723
Plant operations	466,804	--	--	466,804
Nursing	5,117,453	--	--	5,117,453
Medical services	166,076	--	--	166,076
Ancillary	1,235,501	--	--	1,235,501
Dietary	899,511	--	--	899,511
Laundry and linen	205,970	--	--	205,970
Housekeeping	450,734	--	--	450,734
Social services	198,237	--	--	198,237
Recreation	95,240	--	--	95,240
Consultants	79,741	--	--	79,741
<b>Total Operating Expenses</b>	<u>12,580,237</u>	<u>571,081</u>	<u>(589,604)</u>	<u>12,561,714</u>
<b>(Loss) Income Before Other Items</b>	<u>(408,887)</u>	<u>19,912</u>	<u>--</u>	<u>(388,975)</u>
<b>Other Items</b>				
Management fees	(742,770)	--	--	(742,770)
<b>Total Other Items</b>	<u>(742,770)</u>	<u>--</u>	<u>--</u>	<u>(742,770)</u>
<b>Net (Loss) Income</b>	(1,151,657)	19,912	--	(1,131,745)
<b>Non-Controlling Interest in Partnership</b>	<u>--</u>	<u>--</u>	<u>(19,713)</u>	<u>(19,713)</u>
<b>Arbetter Corporation Net (Loss) Income</b>	<u>\$ (1,151,657)</u>	<u>\$ 19,912</u>	<u>\$ (19,713)</u>	<u>\$ (1,151,458)</u>

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**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Cash Flows from Operating Activities</b>				
Net (loss) income	\$ (1,209,415)	\$ 42,377	\$ (41,953)	\$ (1,208,991)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:				
Depreciation and amortization	125,221	186,438	--	311,659
Amortization of debt issuance costs	--	4,006	--	4,006
Non-controlling interest in partnership	--	--	41,953	41,953
Bad debts	117,270	--	--	117,270
Changes in operating assets and liabilities:				
Accounts receivable	(386,422)	--	--	(386,422)
Prepaid expenses	(14,271)	722	--	(13,549)
Other receivable	64,740	--	--	64,740
Accounts payable	(118,582)	--	--	(118,582)
Accrued expenses	52,184	1,088	--	53,272
Accrued payroll and related costs	85,970	--	--	85,970
Deferred revenue	(44,377)	--	--	(44,377)
Due to third-party payors	(17,586)	--	--	(17,586)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>(1,345,268)</u>	<u>234,631</u>	<u>--</u>	<u>(1,110,637)</u>
<b>Cash Flows from Investing Activities</b>				
Purchases of property and equipment	(339,076)	--	--	(339,076)
<b>Net Cash Used in Investing Activities</b>	<u>(339,076)</u>	<u>--</u>	<u>--</u>	<u>(339,076)</u>
<b>Cash Flows from Financing Activities</b>				
Principal payments on long-term debt	--	(235,875)	--	(235,875)
Change in amounts due to related parties, net	1,510,861	(197,952)	--	1,312,909
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>1,510,861</u>	<u>(433,827)</u>	<u>--</u>	<u>1,077,034</u>
<b>Net Change in Cash and Restricted Cash</b>	(173,483)	(199,196)	--	(372,679)
<b>Cash and Restricted Cash - Beginning</b>	469,554	952,914	--	1,422,468
<b>Cash and Restricted Cash - End</b>	<u>\$ 296,071</u>	<u>\$ 753,718</u>	<u>\$ --</u>	<u>\$ 1,049,789</u>
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash paid for interest	\$ --	\$ 168,758	\$ --	\$ 168,758
<b>Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the period</b>				
Cash and cash equivalents	\$ 296,071	\$ 410,847	\$ --	\$ 706,918
Restricted Cash				
Mortgage escrows	--	85,139	--	85,139
Replacement reserves	--	257,732	--	257,732
	<u>\$ 296,071</u>	<u>\$ 753,718</u>	<u>\$ --</u>	<u>\$ 1,049,789</u>

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**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Cash Flows from Operating Activities</b>				
Net (loss) income	\$ (1,151,657)	\$ 19,912	\$ (19,713)	\$ (1,151,458)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	117,331	186,437	--	303,768
Amortization of debt issuance costs	--	4,216	--	4,216
Non-controlling interest in partnership	--	--	19,713	19,713
Bad debts	270,858	--	--	270,858
Changes in operating assets and liabilities:				
Accounts receivable	(718,010)	--	--	(718,010)
Prepaid expenses	(1,475)	(55)	--	(1,530)
Other receivable	19,647	--	--	19,647
Accounts payable	350,922	--	--	350,922
Accrued expenses	(140,840)	(787)	--	(141,627)
Accrued payroll and related costs	(65,248)	--	--	(65,248)
Deferred revenue	(564,357)	--	--	(564,357)
Due to third-party payors	336,128	--	--	336,128
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>(1,546,701)</u>	<u>209,723</u>	<u>--</u>	<u>(1,336,978)</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of property and equipment	(86,481)	--	--	(86,481)
<b>Net Cash Used in Investing Activities</b>	<u>(86,481)</u>	<u>--</u>	<u>--</u>	<u>(86,481)</u>
<b>Cash Flows from Financing Activities</b>				
Principal payments on long-term debt	--	(226,980)	--	(226,980)
Change in amounts due to related parties, net	837,859	(83,234)	--	754,625
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>837,859</u>	<u>(310,214)</u>	<u>--</u>	<u>527,645</u>
<b>Net Change in Cash and Restricted Cash</b>	<u>(795,323)</u>	<u>(100,491)</u>	<u>--</u>	<u>(895,814)</u>
<b>Cash and Restricted Cash - Beginning</b>	<u>1,264,877</u>	<u>1,053,405</u>	<u>--</u>	<u>2,318,282</u>
<b>Cash and Restricted Cash - End</b>	<u>\$ 469,554</u>	<u>\$ 952,914</u>	<u>\$ --</u>	<u>\$ 1,422,468</u>
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash paid for interest	<u>\$ --</u>	<u>\$ 177,652</u>	<u>\$ --</u>	<u>\$ 177,652</u>
<b>Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the period</b>				
Cash and cash equivalents	\$ 469,554	\$ 416,735	\$ --	\$ 886,289
Restricted Cash				
Mortgage escrows	--	82,581	--	82,581
Replacement reserves	--	453,598	--	453,598
	<u>\$ 469,554</u>	<u>\$ 952,914</u>	<u>\$ --</u>	<u>\$ 1,422,468</u>

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**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER 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 and Insurance	8,363	22.3%	7,440	22.1%
Medicare	6,019	16.1%	4,689	13.9%
Publicly-aided	<u>23,063</u>	<u>61.6%</u>	<u>21,552</u>	<u>64.0%</u>
	<u>37,445</u>	<u>100.0%</u>	<u>33,681</u>	<u>100.0%</u>
Bed Days Available	<u>44,895</u>		<u>44,895</u>	
Percentage of Occupancy	<u>83.41%</u>		<u>75.02%</u>	

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**ARBETTER CORPORATION**  
**D/B/A OAK KNOLL HEALTHCARE CENTER AND**  
**ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING SCHEDULES OF OPERATING EXPENSES**

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

	2022					2021				
	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem
<b>Administrative and General</b>										
Salaries - Administration	\$ 128,389	\$ --	\$ --	\$ 128,389	\$ 3.43	\$ 152,914	\$ --	\$ --	\$ 152,914	\$ 4.54
Salaries - Clerical	387,095	--	--	387,095	10.34	363,202	--	--	363,202	10.78
User fee assessment	676,257	--	--	676,257	18.06	603,574	--	--	603,574	17.92
Insurance - other	212,945	--	--	212,945	5.69	213,509	--	--	213,509	6.34
Legal	169,666	--	--	169,666	4.53	207,215	--	--	207,215	6.15
Accounting	33,892	11,445	--	45,337	1.21	33,338	7,875	--	41,213	1.22
Professional fees	1,082	--	--	1,082	0.03	6,828	--	--	6,828	0.20
Data processing fees	95,042	--	--	95,042	2.54	128,134	--	--	128,134	3.80
Office supplies and expense	37,826	--	--	37,826	1.01	28,007	--	--	28,007	0.83
Central office expense	65,076	--	--	65,076	1.74	65,076	--	--	65,076	1.93
Telephone	12,405	--	--	12,405	0.33	12,936	--	--	12,936	0.38
Advertising	15,937	--	--	15,937	0.43	12,412	--	--	12,412	0.37
Travel and meetings	7,797	--	--	7,797	0.21	6,512	--	--	6,512	0.19
Licenses and dues	19,574	--	--	19,574	0.52	17,065	--	--	17,065	0.51
Tuition and education	1,859	--	--	1,859	0.05	3,587	--	--	3,587	0.11
Recruiting	31,378	--	--	31,378	0.84	1,783	--	--	1,783	0.05
Taxes	4,866	--	--	4,866	0.13	5,251	--	--	5,251	0.16
Fines and penalties	10,408	--	--	10,408	0.28	39,000	--	--	39,000	1.16
Miscellaneous expenses	(65,285)	1,334	--	(63,951)	(1.71)	54,420	--	--	54,420	1.62
Amortization of software	1,226	--	--	1,226	0.03	2,453	--	--	2,453	0.07
Bad debts	117,270	--	--	117,270	3.13	270,858	--	--	270,858	8.04
	<u>\$ 1,964,705</u>	<u>\$ 12,779</u>	<u>\$ --</u>	<u>\$ 1,977,484</u>	<u>\$ 52.81</u>	<u>\$ 2,228,074</u>	<u>\$ 7,875</u>	<u>\$ --</u>	<u>\$ 2,235,949</u>	<u>\$ 66.39</u>
<b>Employee Benefit</b>										
Group insurance	\$ 248,231	\$ --	\$ --	\$ 248,231	\$ 6.63	\$ 209,331	\$ --	\$ --	\$ 209,331	\$ 6.22
Payroll taxes	478,635	--	--	478,635	12.78	432,580	--	--	432,580	12.84
Workers compensation	37,235	--	--	37,235	0.99	66,855	--	--	66,855	1.98
Employee benefits	26,830	--	--	26,830	0.72	23,009	--	--	23,009	0.68
	<u>\$ 790,931</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 790,931</u>	<u>\$ 21.12</u>	<u>\$ 731,775</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 731,775</u>	<u>\$ 21.73</u>

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**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)**

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

	2022					2021				
	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem
<b>Property Expenses</b>										
Rent	\$ 598,130	\$ --	\$ (598,130)	\$ --	\$ --	\$ 589,604	\$ --	\$ (589,604)	\$ --	\$ --
Interest expense	2,152	172,007	--	174,159	4.65	288	181,081	--	181,369	5.38
Real estate taxes	--	162,881	--	162,881	4.35	--	162,566	--	162,566	4.83
Property insurance	375	6,857	--	7,232	0.19	351	10,149	--	10,500	0.31
Mortgage insurance premium	--	21,814	--	21,814	0.58	--	22,973	--	22,973	0.68
Depreciation	123,995	186,438	--	310,433	8.29	114,878	186,437	--	301,315	8.95
	<u>\$ 724,652</u>	<u>\$ 549,997</u>	<u>\$ (598,130)</u>	<u>\$ 676,519</u>	<u>\$ 18.07</u>	<u>\$ 705,121</u>	<u>\$ 563,206</u>	<u>\$ (589,604)</u>	<u>\$ 678,723</u>	<u>\$ 20.15</u>
<b>Plant Operations</b>										
Salaries	\$ 93,902	\$ --	\$ --	\$ 93,902	\$ 2.51	\$ 59,629	\$ --	\$ --	\$ 59,629	\$ 1.77
Purchased services	193,038	--	--	193,038	5.16	145,804	--	--	145,804	4.33
Supplies and expense	44,080	--	--	44,080	1.18	16,651	--	--	16,651	0.49
Utilities	335,879	--	--	335,879	8.97	244,720	--	--	244,720	7.27
	<u>\$ 666,899</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 666,899</u>	<u>\$ 17.81</u>	<u>\$ 466,804</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 466,804</u>	<u>\$ 13.86</u>
<b>Nursing</b>										
Salaries - Director of Nursing	\$ 120,182	\$ --	\$ --	\$ 120,182	\$ 3.21	\$ 92,060	\$ --	\$ --	\$ 92,060	\$ 2.73
Salaries - registered nurses	567,765	--	--	567,765	15.16	461,771	--	--	461,771	13.71
Salaries - L.P.N.	1,147,892	--	--	1,147,892	30.66	1,148,703	--	--	1,148,703	34.11
Salaries - nurses aides	1,656,857	--	--	1,656,857	44.25	1,441,874	--	--	1,441,874	42.81
Salaries - clinical nurse	170,614	--	--	170,614	4.56	148,325	--	--	148,325	4.40
Purchased services	2,646,420	--	--	2,646,420	70.67	1,626,018	--	--	1,626,018	48.28
Supplies and expense	123,369	--	--	123,369	3.29	198,702	--	--	198,702	5.90
	<u>\$ 6,433,099</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,433,099</u>	<u>\$ 171.80</u>	<u>\$ 5,117,453</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,117,453</u>	<u>\$ 151.94</u>

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**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)**

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

	2022					2021				
	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem
<b>Medical Services</b>										
Salaries - Medical records	\$ 128,145	\$ --	\$ --	\$ 128,145	\$ 3.42	\$ 91,180	\$ --	\$ --	\$ 91,180	\$ 2.71
Salaries - Quality Assurance	66,461	--	--	66,461	1.77	40,787	--	--	40,787	1.21
Consultants - MDS	40,019	--	--	40,019	1.07	33,941	--	--	33,941	1.01
Agency Transcriptionist	--	--	--	--	--	168	--	--	168	0.00
	<u>\$ 234,625</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 234,625</u>	<u>\$ 6.27</u>	<u>\$ 166,076</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 166,076</u>	<u>\$ 4.93</u>
<b>Ancillary</b>										
Pharmacy	\$ 217,824	\$ --	\$ --	\$ 217,824	\$ 5.82	\$ 237,157	\$ --	\$ --	\$ 237,157	\$ 7.04
Physical therapy	288,827	--	--	288,827	7.71	299,974	--	--	299,974	8.91
Occupational therapy	410,113	--	--	410,113	10.95	397,587	--	--	397,587	11.80
Speech therapy	133,399	--	--	133,399	3.56	117,812	--	--	117,812	3.50
Ancillary - other	5,940	--	--	5,940	0.16	1,351	--	--	1,351	0.04
Medical supplies	11,685	--	--	11,685	0.31	15,292	--	--	15,292	0.45
Oxygen	47,097	--	--	47,097	1.26	22,968	--	--	22,968	0.68
IV therapy	37,635	--	--	37,635	1.01	43,146	--	--	43,146	1.28
Laboratory	32,234	--	--	32,234	0.86	41,853	--	--	41,853	1.24
Air fluid therapy	1,430	--	--	1,430	0.04	2,704	--	--	2,704	0.08
Ambulance	31,040	--	--	31,040	0.83	37,501	--	--	37,501	1.11
X-ray	15,292	--	--	15,292	0.41	18,156	--	--	18,156	0.54
	<u>\$ 1,232,516</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,232,516</u>	<u>\$ 32.92</u>	<u>\$ 1,235,501</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,235,501</u>	<u>\$ 36.68</u>
<b>Dietary</b>										
Salaries	\$ 569,112	\$ --	\$ --	\$ 569,112	\$ 15.20	\$ 489,822	\$ --	\$ --	\$ 489,822	\$ 14.54
Food	399,252	--	--	399,252	10.66	323,484	--	--	323,484	9.60
Purchased services	9,357	--	--	9,357	0.25	43,152	--	--	43,152	1.28
Supplies and expense	55,889	--	--	55,889	1.49	43,053	--	--	43,053	1.28
	<u>\$ 1,033,610</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,033,610</u>	<u>\$ 27.60</u>	<u>\$ 899,511</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 899,511</u>	<u>\$ 26.71</u>

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**ARBETTER CORPORATION  
D/B/A OAK KNOLL HEALTHCARE CENTER AND  
ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)**

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

	2022					2021				
	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem
<b>Laundry and Linen</b>										
Salaries	\$ 116,114	\$ --	\$ --	\$ 116,114	\$ 3.10	\$ 110,361	\$ --	\$ --	\$ 110,361	\$ 3.28
Purchased services	44,427	--	--	44,427	1.19	40,480	--	--	40,480	1.20
Linen and bedding	47,572	--	--	47,572	1.27	43,998	--	--	43,998	1.31
Supplies and expense	6,920	--	--	6,920	0.18	11,131	--	--	11,131	0.33
	<u>\$ 215,033</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 215,033</u>	<u>\$ 5.74</u>	<u>\$ 205,970</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 205,970</u>	<u>\$ 6.12</u>
<b>Housekeeping</b>										
Salaries	\$ 433,366	\$ --	\$ --	\$ 433,366	\$ 11.57	\$ 384,039	\$ --	\$ --	\$ 384,039	\$ 11.40
Supplies and expense	69,178	--	--	69,178	1.85	66,695	--	--	66,695	1.98
	<u>\$ 502,544</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 502,544</u>	<u>\$ 13.42</u>	<u>\$ 450,734</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 450,734</u>	<u>\$ 13.38</u>
<b>Social Services</b>										
Salaries	\$ 236,666	\$ --	\$ --	\$ 236,666	\$ 6.32	\$ 158,223	\$ --	\$ --	\$ 158,223	\$ 4.70
Consultant services	39,625	--	--	39,625	1.06	40,014	--	--	40,014	1.19
	<u>\$ 276,291</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 276,291</u>	<u>\$ 7.38</u>	<u>\$ 198,237</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 198,237</u>	<u>\$ 5.89</u>
<b>Recreation</b>										
Salaries	\$ 88,510	\$ --	\$ --	\$ 88,510	\$ 2.36	\$ 78,918	\$ --	\$ --	\$ 78,918	\$ 2.34
Purchased services	4,238	--	--	4,238	0.11	2,780	--	--	2,780	0.08
Supplies and expense	20,542	--	--	20,542	0.55	13,542	--	--	13,542	0.40
	<u>\$ 113,290</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 113,290</u>	<u>\$ 3.03</u>	<u>\$ 95,240</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 95,240</u>	<u>\$ 2.82</u>
<b>Consultants</b>										
Medical Director	\$ 72,000	\$ --	\$ --	\$ 72,000	\$ 1.92	\$ 72,000	\$ --	\$ --	\$ 72,000	\$ 2.14
Pharmacy	7,171	--	--	7,171	0.19	7,741	--	--	7,741	0.23
	<u>\$ 79,171</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 79,171</u>	<u>\$ 2.11</u>	<u>\$ 79,741</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 79,741</u>	<u>\$ 2.37</u>

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