

**MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

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

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**MRN Corporation d/b/a Sippican Healthcare Center
and Sippican Associates Limited Partnership**

Opinion

We have audited the accompanying consolidated financial statements of MRN Corporation d/b/a Sippican Healthcare Center and Sippican 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, 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 MRN Corporation d/b/a Sippican Healthcare Center and Sippican 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 MRN Corporation d/b/a Sippican Healthcare Center and Sippican Associates Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MRN Corporation d/b/a Sippican Healthcare Center and Sippican Associates Limited Partnership's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MRN Corporation d/b/a Sippican Healthcare Center and Sippican 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 MRN Corporation d/b/a Sippican Healthcare Center and Sippican 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
July 19, 2023

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 1,280,802	\$ 10,071,981
Investments held by affiliates	8,400,000	--
Accounts receivable, patients	1,743,581	1,553,064
Prepaid expenses	337,996	343,548
Other receivable	5,697	80,212
Total Current Assets	<u>11,768,076</u>	<u>12,048,805</u>
Funded Reserves		
Escrow deposits	38,351	34,596
Replacement reserves	925,817	826,773
Total Funded Reserves	<u>964,168</u>	<u>861,369</u>
Property and Equipment, net		
Land	320,094	320,094
Building	5,336,209	5,336,209
Improvements	2,217,483	2,187,573
Equipment	1,791,458	1,741,653
Construction in progress	24,477	--
	9,689,721	9,585,529
Less accumulated depreciation	<u>6,730,381</u>	<u>6,429,372</u>
Total Property and Equipment, net	<u>2,959,340</u>	<u>3,156,157</u>
Due from Related Parties	<u>3,051,962</u>	<u>3,129,438</u>
Other Assets		
Software	--	1,276
Insurance claims receivable	150,000	150,000
Total Other Assets	<u>150,000</u>	<u>151,276</u>
Total Assets	<u>\$ 18,893,546</u>	<u>\$ 19,347,045</u>

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

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2022 AND 2021

	2022	2021
Liabilities and Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 204,009	\$ 196,846
Accounts payable	714,202	775,706
Accrued expenses	371,355	322,891
Accrued payroll and related costs	462,633	427,753
Deferred revenue	48,466	53,433
Due to third-party payors	429,431	560,000
Total Current Liabilities	2,230,096	2,336,629
Litigation Obligations	150,000	150,000
Long-Term Debt, net	2,584,136	2,781,894
Due to Related Parties	6,231,632	6,222,117
Total Liabilities	11,195,864	11,490,640
Equity		
Capital stock	1,000	1,000
Retained earnings/partnership interest	8,727,747	8,933,875
Noncontrolling interest in partnership	(1,031,065)	(1,078,470)
Total Equity	7,697,682	7,856,405
Total Liabilities and Equity	\$ 18,893,546	\$ 19,347,045

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

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
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CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenue		
Private patients	\$ 2,282,393	\$ 2,752,938
Medicare patients, net of sequester	5,943,395	4,895,587
Publicly-aided patients	4,964,506	4,492,167
Ancillary income, net of sequester	82,351	146,068
Federal stimulus revenue	50,283	813,461
State stimulus revenue	300,109	--
Interest income	41,552	23,593
Other income	57,372	41,546
Prior year revenue adjustments	66,117	(539,312)
Total Revenue	<u>13,788,078</u>	<u>12,626,048</u>
Operating Expenses		
Administrative and general	1,833,401	1,734,232
Employee benefits	933,452	928,474
Property expenses	479,317	487,312
Plant operations	674,990	555,784
Nursing	5,509,374	4,805,457
Medical services	168,043	192,122
Ancillary	1,282,458	1,257,468
Dietary	1,009,802	881,052
Laundry and linen	220,902	228,904
Housekeeping	463,678	399,175
Social services	217,137	214,455
Recreation	122,279	102,842
Consultants	117,665	122,688
Total Operating Expenses	<u>13,032,498</u>	<u>11,909,965</u>
Income Before Other Items	755,580	716,083
Other Items		
Management fees	(831,303)	(769,916)
Loss Before Income Taxes	(75,723)	(53,833)
Provision for Income Taxes	(83,000)	--
Net Loss	(158,723)	(53,833)
Noncontrolling Interest in Partnership	(47,405)	(38,957)
MRN Corporation Net Loss	<u>\$ (206,128)</u>	<u>\$ (92,790)</u>

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

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock	MRN Corporation Equity (Deficit)	General Partner 1% Interest	Non-Controlling Interest in Partnership	Total Equity (Deficit)
Balance - December 31, 2020	\$ 1,000	\$ 9,022,425	\$ 4,240	\$ (1,117,427)	\$ 7,910,238
Net (loss) income	<u>--</u>	<u>(93,184)</u>	<u>394</u>	<u>38,957</u>	<u>(53,833)</u>
Balance - December 31, 2021	1,000	8,929,241	4,634	(1,078,470)	7,856,405
Net (loss) income	<u>--</u>	<u>(206,607)</u>	<u>479</u>	<u>47,405</u>	<u>(158,723)</u>
Balance - December 31, 2022	<u>\$ 1,000</u>	<u>\$ 8,722,634</u>	<u>\$ 5,113</u>	<u>\$ (1,031,065)</u>	<u>\$ 7,697,682</u>

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

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Net loss	\$ (206,128)	\$ (92,790)
Adjustments to reconcile net loss to net cash cash used in operating activities:		
Depreciation and amortization	302,285	301,786
Amortization of debt issuance costs	6,250	6,661
Noncontrolling interest in partnership	47,405	38,957
Bad debts	139,281	62,102
Changes in operating assets and liabilities:		
Accounts receivable	(329,798)	(435,529)
Prepaid expenses	5,552	(22,816)
Other receivables	74,515	42,515
Accounts payable	(61,504)	(5,013)
Accrued expenses	48,464	(246,864)
Accrued payroll and related costs	34,880	72,856
Deferred revenue	(4,967)	(762,128)
Due third-party payors	(130,569)	522,521
Net Cash Used in Operating Activities	<u>(74,334)</u>	<u>(517,742)</u>
Cash Flows Used in Investing Activities		
Purchases of property and equipment	<u>(104,192)</u>	<u>(90,845)</u>
Net Cash Used in Investing Activities	<u>(104,192)</u>	<u>(90,845)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	(196,845)	(189,934)
Net payments to related parties	<u>86,991</u>	<u>(116,776)</u>
Net Cash Used in Financing Activities	<u>(109,854)</u>	<u>(306,710)</u>
Net Change in Cash and Restricted Cash	(288,380)	(915,297)
Cash and Restricted Cash - Beginning	<u>10,933,350</u>	<u>11,848,647</u>
Cash and Restricted Cash - Ending	<u><u>\$ 10,644,970</u></u>	<u><u>\$ 10,933,350</u></u>

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

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 104,976</u>	<u>\$ 118,559</u>
Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the Period		
Cash	\$ 1,280,802	\$ 10,071,981
Investments held by affiliates	8,400,000	--
Restricted Cash		
Escrow deposits	38,351	34,596
Replacement reserves	<u>925,817</u>	<u>826,773</u>
	<u>\$ 10,644,970</u>	<u>\$ 10,933,350</u>

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

MRN CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

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

A summary of the Companies significant accounting policies follows:

BASIS OF CONSOLIDATION

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

BASIS OF PRESENTATION

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

CASH AND CASH EQUIVALENTS

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

INVESTMENTS HELD BY AFFILIATES

During the year ended December 31, 2022, the Corporation entered into an agreement with Greenleaf VI II Inc. (a related party through common ownership), whereby Greenleaf VI II Inc. invests in an international short term fixed income fund on behalf of the Corporation and other related affiliates. The Corporation has included the international short term fixed income fund as a cash equivalent on the consolidated statement of cash flows. Quarterly interest from the investments is paid to the Corporation. The Corporation has access to the funds on demand. At December 31, 2022, the Corporation has \$8,400,000 which is included on the accompanying consolidated balance sheet as investments held by affiliates.

PATIENT SERVICE REVENUE

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

PRIOR YEARS' REVENUE ADJUSTMENT

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

FEDERAL AND 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 \$50,283 and \$813,461, 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 for the years ended December 31, 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

FEDERAL AND STATE STIMULUS REVENUE (CONTINUED)

State Other COVID-19 Testing Reimbursements – During the years ended December 31, 2022 and 2021, the Corporation has recognized approximately \$248,316 and \$287,640 in expense reimbursements from the Commonwealth of Massachusetts Executive Office of Health and Human Services (EOHHS). The amounts are included under nursing expenses on the consolidated statements of operations for the years ended December 31, 2022 and 2021, respectively. At December 31, 2021, the Corporation recorded \$74,100 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 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 \$66,762 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 \$25,155 and recognized those payments as revenues during fiscal year 2022. The revenues recognized are included in state stimulus revenue on the consolidated statements of operations. The Corporation is not aware of, nor have they been notified of, any conditions or restrictions on how or when these payments are to be spent. Management believes the amounts have been recognized appropriately as of December 31, 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

FEDERAL AND STATE STIMULUS REVENUE (CONTINUED)

State 10% Supplemental Payment – The Corporation received payments from EOHHS based on Medicaid days for the months of April through September 2021 at \$7.57 per day. The facility received supplemental payments to offset increased costs of providing care in the amount of \$208,191 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 and 2021.

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

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

PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense charged to operations was \$301,009 and \$299,237 for the years ended December 31, 2022 and 2021, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

The Companies review 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 \$39,236 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 \$39,236 and \$37,960 as of December 31, 2022 and 2021, respectively. Amortization charged to operations amounted to \$1,275 and \$2,550 for 2022 and 2021, respectively. The software was fully amortized during the year ended December 31, 2022.

RELATED PARTY LOANS RECEIVABLE

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

RELATED PARTY LOANS RECEIVABLE (CONTINUED)

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

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

DEBT ISSUANCE COSTS

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

INCOME TAXES

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

INCOME TAXES (CONTINUED)

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

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

MALPRACTICE INSURANCE

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

PROMOTIONAL ADVERTISING

Promotional advertising costs are expensed as incurred. Promotional advertising costs charged to operations amounted to \$18,227 and \$12,240 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

RECLASSIFICATIONS

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

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 2022, the Companies adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases* (ASC 842). The Companies determine if an arrangement contains a lease at inception based on whether the Companies have the right to control the asset during the contract period and other facts and circumstances. The Companies elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The Companies generally does not have access to the rate implicit in the lease, and therefore the Companies 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 \$674,675 and operating lease liabilities of \$674,675 as of January 1, 2022, which are eliminated in consolidation. Results for the periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Companies' results of operations and cash flows. See Note 8.

SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Companies have evaluated events and transactions for potential recognition or disclosure through July 19, 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – PATIENT SERVICE REVENUE

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

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

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

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

Medicaid

The Corporation receives reimbursement from the Commonwealth of Massachusetts under a standard rate of reimbursement payment system for the care and services rendered to publicly-aided patients pursuant to regulations promulgated by the Center for Health Information and Analysis. Under the regulations, current year rates are a combination of actual base year costs and quality measures blended with industry standards adjusted for inflation. The base year costs are subject to audit and could result in a retroactive rate adjustment for the current year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Payers (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

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NOTE 2 – PATIENT SERVICE REVENUE (CONTINUED)

OTHER THIRD-PARTY PAYORS (CONTINUED)

For the years ended December 31, 2022 and 2021, the Corporation recognized revenue of \$13,338,762 and \$11,747,448, respectively, for services provided to the patients over time. Additionally, for the year ended December 31, 2022 and 2021, the Corporation recognized \$57,372 and \$41,546, respectively, of other revenue. See Note 1 for additional information regarding any impact on the presentation of the financial statements.

NOTE 3 – ACCOUNTS RECEIVABLE

	2022	2021
Private and insurance patients	\$ 467,902	\$ 479,527
Medicare patients	786,230	425,826
Publicly-aided patient	<u>568,841</u>	<u>727,103</u>
	1,822,973	1,632,456
Allowance for uncollectible	<u>(79,392)</u>	<u>(79,392)</u>
Accounts receivable, net	<u>\$ 1,743,581</u>	<u>\$ 1,553,064</u>

Bad debt expense reflected in operations amounted to \$139,281 and \$62,102 for 2022 and 2021, respectively. Bad debt expense includes changes in allowance for uncollectable accounts as well as actual bad debts written off, net of recoveries.

NOTE 4 – RELATED PARTY TRANSACTIONS

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

MANAGEMENT FEES

The Corporation recorded management fees to Greenleaf, V.I. II Incorporated of \$831,303 and \$769,916 for the years ended December 31, 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

CENTRAL OFFICE REIMBURSEMENT EXPENSE

The Corporation recorded central office reimbursement expenses to Whittier Healthcare Holdings, II, Inc. in the amount of \$68,269 in both 2022 and 2021, respectively. 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.

OPERATING EXPENSES

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

RENT

The Corporation leases property, plant, and equipment from the Partnership. Rent expense amounted to \$372,480 and \$374,469 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 liability on the records of the Partnership, with the deposit being recorded as an exchange asset on the books of the Corporation. Any remaining balance in the replacement reserve exchange may only be returned to the lessee under certain circumstances. The balance of the exchange is \$1,045,110 and \$945,779 at December 31, 2022 and 2021, and is eliminated in consolidation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

RELATED PARTY LOANS

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

	2022	2021
Due from related parties		
Affiliates	\$ 3,051,962	\$ 3,129,438
Total due from related parties	<u>\$ 3,051,962</u>	<u>\$ 3,129,438</u>
Due to related parties		
Officers and partners	\$ 4,638,573	\$ 4,638,573
Affiliates	<u>1,593,059</u>	<u>1,583,544</u>
Total due to related parties	<u>\$ 6,231,632</u>	<u>\$ 6,222,117</u>

NOTE 5 – LONG-TERM DEBT

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

	2022	2021
3.58% 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 \$25,152, due May 1, 2034.	\$ 2,825,098	\$ 3,021,943
Less unamortized debt issuance costs	<u>36,953</u>	<u>43,203</u>
	2,788,145	2,978,740
Less current maturities	<u>204,009</u>	<u>196,846</u>
Total long-term debt	<u>\$ 2,584,136</u>	<u>\$ 2,781,894</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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

<u>Year ending December 31,</u>	
2023	\$ 204,009
2024	211,434
2025	219,128
2026	227,104
2027	235,369
Thereafter	<u>1,728,054</u>
	<u>\$ 2,825,098</u>

Interest incurred amounted to \$110,639 and \$117,937 for 2022 and 2021, respectively. Amortization of debt issuance costs included in interest above was \$6,250 and \$6,661 for 2022 and 2021, respectively.

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 \$8,278 (\$4,282 effective June 2023) to a reserve for replacements, which may be used for capital expenditures and major repairs. Withdrawals from the reserve for replacements are subject to approval by HUD. The balance in the escrow reserves and replacement reserves was \$38,351 and \$925,817 at December 31, 2022 and \$34,596 and \$826,773 at December 31, 2021.

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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 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.

	2022		
	Due Currently	Deferred	Total
State income tax	\$ 45,000	\$ 38,000	\$ 83,000

There was no provision for income taxes for the year ended December 31, 2021 as amounts were determined not to 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 Sippican Associates Limited Partnership (Lessor), a related party, as amended January 1, 2009, including minimum annual rents equal to 100% of the Partnership's debt service and related charges. The lease agreement contained three additional five-year extensions. The third five-year extension has been exercised extending the lease through April 2024.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8 – LEASES (CONTINUED)

The agreement includes a base rent of \$25,152 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	\$ 301,822
2024	<u>100,607</u>
	<u><u>\$ 402,429</u></u>

NOTE 9 – CONCENTRATION OF CREDIT RISK

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

CASH AND CASH EQUIVALENTS

The Companies maintain cash balances in one federally insured financial institution. The cash and cash equivalents exceeding federally insured limits totaled approximately \$911,672 as of December 31, 2022.

ACCOUNTS RECEIVABLE - PATIENTS

The Corporation extends unsecured credit to its private patients and patients covered under third-party payer arrangements. Accounts receivable from private patients and third-party payers totaled \$1,743,581 and \$1,553,064, at December 31, 2022 and 2021, respectively. See Notes 2 and 3 for details of third-party payer arrangements and receivable balances, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 – CONCENTRATION OF CREDIT RISK (CONTINUED)

DUE FROM RELATED PARTIES

The Companies extend unsecured credit to its affiliates and owners. The balance due from related parties totaled \$3,051,962 and \$3,129,438 at December 31, 2022 and 2021, respectively. See Note 4 for further details.

OTHER RECEIVABLES

At December 31, 2022, other receivables from non-related parties totaled \$5,697 for cost report receivable. At December 31, 2021, other receivables from non-related parties totaled \$74,100 for State COVID-19 testing net of a \$483 employee loan overpayment, and \$6,595 for cost report receivable.

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.

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 programs. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 10 – CONTINGENCIES (CONTINUED)

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

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

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

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

NOTE 11 – CAPITAL STOCK

Common stock: authorized 15,000 shares without par value; issued and outstanding, 1,000 shares.

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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 \$352,208 and \$323,597 for the years ended December 31, 2022 and 2021, respectively. The plan is administered by United Healthcare Services, Inc., a third-party administrator. Management has reviewed documentation provided by United Healthcare Services, Inc. and determined that no adjustment to expense is required for estimated costs for "high cost claimants" at December 31, 2022 and 2021. As a result, no adjustments for such expenses have been reflected in the consolidated financial statements as of each of December 31, 2022 and 2021.

NOTE 14 – PROFESSIONAL AND GENERAL LIABILITY PROGRAM

MRN 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 MRN Corporation and its affiliates' contributions, net of administration fees, state premium taxes, if any and federal taxes, will be deposited. The Custodial Account funds shall not be commingled with other funds of Universal Re-Insurance Company, Limited.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 14 – PROFESSIONAL AND GENERAL LIABILITY PROGRAM (CONTINUED)

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

All coverage provided by the program is ultimately limited by the funds available in the custodial account. The Corporation estimates insured liability claims amount to \$150,000 for the years ended December 31, 2022 and 2021. A receivable in the amounts of \$150,000 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 \$229,992 and \$230,555 for 2022 and 2021, respectively.

NOTE 15 – WORKERS' COMPENSATION

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

NOTE 16 – LITIGATION

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17 – COVID-19 IMPACT

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

As a result of COVID-19, the payment of the Medicare 2% sequestration was suspended beginning May 1, 2020 through April 1, 2022 at which time it was adjusted to 1% and was fully restored on July 1, 2022 to the full 2%. CMS also waived the requirement for 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
**MRN Corporation d/b/a Sippican Healthcare Center
and Sippican Associates Limited Partnership**

We have audited the consolidated financial statements of MRN Corporation d/b/a Sippican Healthcare Center and Sippican Associates Limited Partnership as of and for the years ended December 31, 2022 and 2021 and have issued our report dated July 19, 2023, which appears on pages 1 and 2 and contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheets, statements of operations and cash flows, schedules of bed days and consolidated schedules of operating expenses are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marcum LLP

Hartford, CT
July 19, 2023

MRN CORPORATION
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CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2022

	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash	\$ 763,854	\$ 516,948	\$ --	\$ 1,280,802
Investments held by affiliates	8,400,000	--	--	8,400,000
Accounts receivable, net	1,743,581	--	--	1,743,581
Prepaid expenses	331,083	6,913	--	337,996
Other receivable	5,697	--	--	5,697
Total Current Assets	<u>11,244,215</u>	<u>523,861</u>	<u>--</u>	<u>11,768,076</u>
Funded Reserves				
Escrow deposits	--	38,351	--	38,351
Replacement reserves	--	925,817	--	925,817
Total Funded Reserves	<u>--</u>	<u>964,168</u>	<u>--</u>	<u>964,168</u>
Property and Equipment				
Land	--	320,094	--	320,094
Building	--	5,336,209	--	5,336,209
Improvements	2,069,522	147,961	--	2,217,483
Equipment	1,705,401	86,057	--	1,791,458
Construction in progress	24,477	--	--	24,477
	3,799,400	5,890,321	--	9,689,721
Less accumulated depreciation	2,177,482	4,552,899	--	6,730,381
Total Property and Equipment, net	<u>1,621,918</u>	<u>1,337,422</u>	<u>--</u>	<u>2,959,340</u>
Due from Related Parties	<u>4,097,072</u>	<u>--</u>	<u>(1,045,110)</u>	<u>3,051,962</u>
Other Assets				
Insurance claims receivable	150,000	--	--	150,000
Operating lease right of use asset	392,405	--	(392,405)	--
Total Other Assets	<u>542,405</u>	<u>--</u>	<u>(392,405)</u>	<u>150,000</u>
Total Assets	<u>\$ 17,505,610</u>	<u>\$ 2,825,451</u>	<u>\$ (1,437,515)</u>	<u>\$ 18,893,546</u>

See independent auditors' report on supplementary information.

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CONSOLIDATING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2022

	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total
Liabilities and Equity (Deficit)				
Current Liabilities				
Current maturities of long-term debt	\$ --	\$ 204,009	\$ --	\$ 204,009
Accounts payable	714,202	--	--	714,202
Accrued expenses	353,207	18,148	--	371,355
Accrued payroll and related costs	462,633	--	--	462,633
Deferred revenue	48,466	--	--	48,466
Due to third-party payors	429,431	--	--	429,431
Operating lease liability - current portion	292,543	--	(292,543)	--
Total Current Liabilities	2,300,482	222,157	(292,543)	2,230,096
Litigation Obligations	150,000	--	--	150,000
Long-Term Debt, net	--	2,584,136	--	2,584,136
Due to Related Parties	6,231,632	1,045,110	(1,045,110)	6,231,632
Operating Lease Liability, net	99,862	--	(99,862)	--
Total Liabilities	8,781,976	3,851,403	(1,437,515)	11,195,864
Equity (Deficit)				
Capital stock	1,000	--	--	1,000
Retained earnings/partnership interest	8,722,634	5,113	--	8,727,747
Noncontrolling interest in partnership	--	(1,031,065)	--	(1,031,065)
Total Equity (Deficit)	8,723,634	(1,025,952)	--	7,697,682
Total Liabilities and Equity (Deficit)	\$ 17,505,610	\$ 2,825,451	\$ (1,437,515)	\$ 18,893,546

See independent auditors' report on supplementary information.

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2021

	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash	\$ 9,551,307	\$ 520,674	\$ --	\$ 10,071,981
Accounts receivable, net	1,553,064	--	--	1,553,064
Prepaid expenses	336,243	7,305	--	343,548
Other receivable	80,212	--	--	80,212
Total Current Assets	<u>11,520,826</u>	<u>527,979</u>	<u>--</u>	<u>12,048,805</u>
Funded Reserves				
Escrow deposits	--	34,596	--	34,596
Replacement reserves	--	826,773	--	826,773
Total Funded Reserves	<u>--</u>	<u>861,369</u>	<u>--</u>	<u>861,369</u>
Property and Equipment				
Land	--	320,094	--	320,094
Building	--	5,336,209	--	5,336,209
Improvements	2,039,612	147,961	--	2,187,573
Equipment	1,655,596	86,057	--	1,741,653
	3,695,208	5,890,321	--	9,585,529
Less accumulated depreciation	2,017,276	4,412,096	--	6,429,372
Total Property and Equipment, net	<u>1,677,932</u>	<u>1,478,225</u>	<u>--</u>	<u>3,156,157</u>
Due from Related Parties	<u>4,075,217</u>	<u>--</u>	<u>(945,779)</u>	<u>3,129,438</u>
Other Assets				
Software	1,276	--	--	1,276
Insurance claims receivable	150,000	--	--	150,000
Total Other Assets	<u>151,276</u>	<u>--</u>	<u>--</u>	<u>151,276</u>
Total Assets	<u>\$ 17,425,251</u>	<u>\$ 2,867,573</u>	<u>\$ (945,779)</u>	<u>\$ 19,347,045</u>

See independent auditors' report on supplementary information.

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2021

	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total
Liabilities and Equity (Deficit)				
Current Liabilities				
Current maturities of long-term debt	\$ --	\$ 196,846	\$ --	\$ 196,846
Accounts payable	775,706	--	--	775,706
Accrued expenses	306,001	16,890	--	322,891
Accrued payroll and related costs	427,753	--	--	427,753
Deferred revenue	53,433	--	--	53,433
Due to third-party payors	560,000	--	--	560,000
Total Current Liabilities	2,122,893	213,736	--	2,336,629
Litigation Obligations	150,000	--	--	150,000
Long-Term Debt, net	--	2,781,894	--	2,781,894
Due to Related Parties	6,222,117	945,779	(945,779)	6,222,117
Total Liabilities	8,495,010	3,941,409	(945,779)	11,490,640
Equity (Deficit)				
Capital stock	1,000	--	--	1,000
Retained earnings/partnership interest	8,929,241	4,634	--	8,933,875
Noncontrolling interest in partnership	--	(1,078,470)	--	(1,078,470)
Total Equity (Deficit)	8,930,241	(1,073,836)	--	7,856,405
Total Liabilities and Equity (Deficit)	\$ 17,425,251	\$ 2,867,573	\$ (945,779)	\$ 19,347,045

See independent auditors' report on supplementary information.

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total
Revenue				
Private patients	\$ 2,282,393	\$ --	\$ --	\$ 2,282,393
Medicare patients, net of sequester	5,943,395	--	--	5,943,395
Publicly-aided patients	4,964,506	--	--	4,964,506
Ancillary income, net of sequester	82,351	--	--	82,351
Federal stimulus revenue	50,283	--	--	50,283
State stimulus revenue	300,109	--	--	300,109
Interest income	31,012	10,540	--	41,552
Rental income	--	372,480	(372,480)	--
Other income	57,372	--	--	57,372
Prior year revenue adjustments	66,117	--	--	66,117
Total Revenue	<u>13,777,538</u>	<u>383,020</u>	<u>(372,480)</u>	<u>13,788,078</u>
Operating Expenses				
Administrative and general	1,817,001	16,400	--	1,833,401
Employee benefits	933,452	--	--	933,452
Property expense	533,061	318,736	(372,480)	479,317
Plant operations	674,990	--	--	674,990
Nursing	5,509,374	--	--	5,509,374
Medical services	168,043	--	--	168,043
Ancillary	1,282,458	--	--	1,282,458
Dietary	1,009,802	--	--	1,009,802
Laundry and linen	220,902	--	--	220,902
Housekeeping	463,678	--	--	463,678
Social services	217,137	--	--	217,137
Recreation	122,279	--	--	122,279
Consultants	117,665	--	--	117,665
Total Operating Expenses	<u>13,069,842</u>	<u>335,136</u>	<u>(372,480)</u>	<u>13,032,498</u>
Income Before Other Items	<u>707,696</u>	<u>47,884</u>	<u>--</u>	<u>755,580</u>
Other Items				
Management fees	(831,303)	--	--	(831,303)
Total Other Items	<u>(831,303)</u>	<u>--</u>	<u>--</u>	<u>(831,303)</u>
(Loss) Income Before Income Taxes	<u>(123,607)</u>	<u>47,884</u>	<u>--</u>	<u>(75,723)</u>
Provision for Income Taxes	<u>(83,000)</u>	<u>--</u>	<u>--</u>	<u>(83,000)</u>
Net (Loss) Income	<u>(206,607)</u>	<u>47,884</u>	<u>--</u>	<u>(158,723)</u>
Noncontrolling Interest in Partnership	<u>--</u>	<u>--</u>	<u>(47,405)</u>	<u>(47,405)</u>
MRN Corporation Net (Loss) Income	<u>\$ (206,607)</u>	<u>\$ 47,884</u>	<u>\$ (47,405)</u>	<u>\$ (206,128)</u>

See independent auditors' report on supplementary information.

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total
Revenue				
Private patients	\$ 2,752,938	\$ --	\$ --	\$ 2,752,938
Medicare patients, net of sequester	4,895,587	--	--	4,895,587
Publicly-aided patients	4,492,167	--	--	4,492,167
Ancillary income, net of sequester	146,068	--	--	146,068
Federal stimulus revenue	813,461	--	--	813,461
Interest income	21,649	1,944	--	23,593
Rental income	--	374,469	(374,469)	--
Other income	41,546	--	--	41,546
Prior year revenue adjustments	(539,312)	--	--	(539,312)
Total Revenue	<u>12,624,104</u>	<u>376,413</u>	<u>(374,469)</u>	<u>12,626,048</u>
Operating Expenses				
Administrative and general	1,725,698	8,534	--	1,734,232
Employee benefits	928,474	--	--	928,474
Property expense	533,253	328,528	(374,469)	487,312
Plant operations	555,784	--	--	555,784
Nursing	4,805,457	--	--	4,805,457
Medical services	192,122	--	--	192,122
Ancillary	1,257,468	--	--	1,257,468
Dietary	881,052	--	--	881,052
Laundry and linen	228,904	--	--	228,904
Housekeeping	399,175	--	--	399,175
Social services	214,455	--	--	214,455
Recreation	102,842	--	--	102,842
Consultants	122,688	--	--	122,688
Total Operating Expenses	<u>11,947,372</u>	<u>337,062</u>	<u>(374,469)</u>	<u>11,909,965</u>
Income Before Other Items	<u>676,732</u>	<u>39,351</u>	<u>--</u>	<u>716,083</u>
Other Items				
Management fees	(769,916)	--	--	(769,916)
Total Other Items	<u>(769,916)</u>	<u>--</u>	<u>--</u>	<u>(769,916)</u>
Net (Loss) Income	<u>(93,184)</u>	<u>39,351</u>	<u>--</u>	<u>(53,833)</u>
Noncontrolling Interest in Partnership	<u>--</u>	<u>--</u>	<u>(38,957)</u>	<u>(38,957)</u>
MRN Corporation Net (Loss) Income	<u>\$ (93,184)</u>	<u>\$ 39,351</u>	<u>\$ (38,957)</u>	<u>\$ (92,790)</u>

See independent auditors' report on supplementary information.

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total
Cash Flows from Operating Activities				
Net (loss) income	\$ (206,607)	\$ 47,884	\$ (47,405)	\$ (206,128)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:				
Depreciation and amortization	161,482	140,803	--	302,285
Amortization of debt issuance costs	--	6,250	--	6,250
Noncontrolling interest in partnership	--	--	47,405	47,405
Bad debts	139,281	--	--	139,281
Changes in operating assets and liabilities:				
Accounts receivable	(329,798)	--	--	(329,798)
Prepaid expenses	5,160	392	--	5,552
Other receivable	74,515	--	--	74,515
Accounts payable	(61,504)	--	--	(61,504)
Accrued expenses	47,206	1,258	--	48,464
Accrued payroll and related costs	34,880	--	--	34,880
Deferred revenue	(4,967)	--	--	(4,967)
Due third-party payors	(130,569)	--	--	(130,569)
Net Cash (Used in) Provided by Operating Activities	<u>(270,921)</u>	<u>196,587</u>	<u>--</u>	<u>(74,334)</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(104,192)	--	--	(104,192)
Net Cash Used in Investing Activities	<u>(104,192)</u>	<u>--</u>	<u>--</u>	<u>(104,192)</u>
Cash Flows from Financing Activities				
Principal payments on long-term debt	--	(196,845)	--	(196,845)
Payments (to) from related parties	(12,340)	99,331	--	86,991
Net Cash Used in Financing Activities	<u>(12,340)</u>	<u>(97,514)</u>	<u>--</u>	<u>(109,854)</u>
Net Change in Cash and Restricted Cash	<u>(387,453)</u>	<u>99,073</u>	<u>--</u>	<u>(288,380)</u>
Cash and Restricted Cash - Beginning	<u>9,551,307</u>	<u>1,382,043</u>	<u>--</u>	<u>10,933,350</u>
Cash and Restricted Cash - Ending	<u><u>\$ 9,163,854</u></u>	<u><u>\$ 1,481,116</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 10,644,970</u></u>
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	<u>\$ --</u>	<u>\$ 104,976</u>	<u>\$ --</u>	<u>\$ 104,976</u>
Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the Period				
Cash	\$ 763,854	\$ 516,948	\$ --	\$ 1,280,802
Investments held by affiliates	8,400,000	--	--	8,400,000
Restricted Cash				
Escrow deposits	--	38,351	--	38,351
Replacement reserves	--	925,817	--	925,817
	<u><u>\$ 9,163,854</u></u>	<u><u>\$ 1,481,116</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 10,644,970</u></u>

See independent auditors' report on supplementary information.

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total
Cash Flows from Operating Activities				
Net (loss) income	\$ (93,184)	\$ 39,351	\$ (38,957)	\$ (92,790)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	160,982	140,804	--	301,786
Amortization of debt issuance costs	--	6,661	--	6,661
Noncontrolling interest in partnership	--	--	38,957	38,957
Bad debts	62,102	--	--	62,102
Changes in operating assets and liabilities:				
Accounts receivable	(435,529)	--	--	(435,609)
Prepaid expenses	(22,955)	139	--	(22,816)
Other receivable	42,515	--	--	42,595
Accounts payable	(5,013)	--	--	(5,013)
Accrued expenses	(246,251)	(613)	--	(246,864)
Accrued payroll and related costs	72,856	--	--	72,856
Deferred revenue	(762,128)	--	--	(762,128)
Due third-party payors	522,521	--	--	522,521
Net Cash Provided by Operating Activities	<u>(704,084)</u>	<u>186,342</u>	<u>--</u>	<u>(517,742)</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(90,845)	--	--	(90,845)
Net Cash Used in Investing Activities	<u>(90,845)</u>	<u>--</u>	<u>--</u>	<u>(90,845)</u>
Cash Flows from Financing Activities				
Principal payments on long-term debt	--	(189,934)	--	(189,934)
Payments (to) from related parties	(159,973)	43,197	--	(116,776)
Net Cash Used in Financing Activities	<u>(159,973)</u>	<u>(146,737)</u>	<u>--</u>	<u>(306,710)</u>
Net Change in Cash and Restricted Cash	(954,902)	39,605	--	(915,297)
Cash and Restricted Cash - Beginning	10,506,209	1,342,438	--	11,848,647
Cash and Restricted Cash - End	<u>\$ 9,551,307</u>	<u>\$ 1,382,043</u>	<u>\$ --</u>	<u>\$ 10,933,350</u>
Supplemental Disclosure of				
Cash Flow Information	<u>\$ --</u>	<u>\$ 111,889</u>	<u>\$ --</u>	<u>\$ 111,889</u>
Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the Period				
Cash	\$ 9,551,307	\$ 520,674	\$ --	\$ 10,071,981
Restricted Cash				
Escrow deposits	--	34,596	--	34,596
Replacement reserves	--	826,773	--	826,773
	<u>\$ 9,551,307</u>	<u>\$ 1,382,043</u>	<u>\$ --</u>	<u>\$ 10,933,350</u>

See independent auditors' report on supplementary information.

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN 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	5,321	14.85%	6,297	19.10%
Medicare	8,517	23.77%	7,030	21.32%
Publicly-aided	<u>21,987</u>	<u>61.38%</u>	<u>19,640</u>	<u>59.58%</u>
	<u>35,825</u>	<u>100.00%</u>	<u>32,967</u>	<u>100.00%</u>
Bed Days Available	<u>44,895</u>		<u>44,895</u>	
Percentage of Occupancy	<u>79.80%</u>		<u>73.43%</u>	

See independent auditors' report on supplementary information.

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total	Per Diem	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total	Per Diem
Administrative and General										
Salaries - Administration	\$ 174,998	\$ --	\$ --	\$ 174,998	\$ 4.88	\$ 166,405	\$ --	\$ --	\$ 166,405	\$ 5.05
Salaries - Clerical	377,079	--	--	377,079	10.53	329,537	--	--	329,537	10.00
User fee assessment	605,786	--	--	605,786	16.91	559,300	--	--	559,300	16.97
Insurance - other	229,992	--	--	229,992	6.42	231,000	--	--	231,000	7.01
Legal	35,701	--	--	35,701	1.00	16,018	--	--	16,018	0.49
Accounting	34,309	11,445	--	45,754	1.28	26,632	7,875	--	34,507	1.05
Professional fees	1,005	--	--	1,005	0.03	2,656	--	--	2,656	0.08
Data processing fees	131,662	--	--	131,662	3.68	122,651	--	--	122,651	3.72
Office supplies and expense	47,057	--	--	47,057	1.31	37,763	--	--	37,763	1.15
Central office expense	68,269	--	--	68,269	1.91	68,269	--	--	68,269	2.07
Telephone	10,598	--	--	10,598	0.30	11,345	--	--	11,345	0.34
Advertising	18,227	--	--	18,227	0.51	12,240	--	--	12,240	0.37
Travel and meetings	5,311	--	--	5,311	0.15	5,904	--	--	5,904	0.18
Licenses and dues	13,972	--	--	13,972	0.39	14,392	--	--	14,392	0.44
Tuition and education	2,262	--	--	2,262	0.06	4,678	--	--	4,678	0.14
Recruiting	30,623	--	--	30,623	0.85	346	--	--	346	0.01
Taxes	3,958	--	--	3,958	0.11	3,224	--	--	3,224	0.10
Fines and penalties	19,500	--	--	19,500	0.54	42,393	--	--	42,393	1.29
Miscellaneous expenses	(133,864)	4,955	--	(128,909)	(3.60)	6,293	659	--	6,952	0.21
Amortization of software	1,275	--	--	1,275	0.04	2,550	--	--	2,550	0.08
Bad debts	139,281	--	--	139,281	3.89	62,102	--	--	62,102	1.88
	<u>\$ 1,817,001</u>	<u>\$ 16,400</u>	<u>\$ --</u>	<u>\$ 1,833,401</u>	<u>\$ 51.20</u>	<u>\$ 1,725,698</u>	<u>\$ 8,534</u>	<u>\$ --</u>	<u>\$ 1,734,232</u>	<u>\$ 52.63</u>
Employee Benefits										
Group insurance	\$ 292,865	\$ --	\$ --	\$ 292,865	\$ 8.17	\$ 259,375	\$ --	\$ --	\$ 259,375	\$ 7.87
Payroll taxes	566,382	--	--	566,382	15.81	560,957	--	--	560,957	17.02
Workers compensation	44,973	--	--	44,973	1.26	79,112	--	--	79,112	2.40
Employee benefits	29,232	--	--	29,232	0.82	29,030	--	--	29,030	0.88
	<u>\$ 933,452</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 933,452</u>	<u>\$ 26.06</u>	<u>\$ 928,474</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 928,474</u>	<u>\$ 28.18</u>

See independent auditors' report on supplementary information.

MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total	Per Diem	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total	Per Diem
Property Expenses										
Rent	\$ 372,480	\$ --	\$ (372,480)	\$ --	\$ --	\$ 374,469	\$ --	\$ (374,469)	\$ --	\$ --
Interest expense	--	110,639	--	110,639	3.09	--	117,937	--	117,937	3.58
Real estate taxes	--	40,602	--	40,602	1.13	--	42,571	--	42,571	1.29
Property insurance	375	12,117	--	12,492	0.35	351	11,672	--	12,023	0.36
Mortgage insurance premium	--	14,575	--	14,575	0.41	--	15,544	--	15,544	0.47
Depreciation	160,206	140,803	--	301,009	8.40	158,433	140,804	--	299,237	9.08
	<u>\$ 533,061</u>	<u>\$ 318,736</u>	<u>\$ (372,480)</u>	<u>\$ 479,317</u>	<u>\$ 13.38</u>	<u>\$ 533,253</u>	<u>\$ 328,528</u>	<u>\$ (374,469)</u>	<u>\$ 487,312</u>	<u>\$ 14.78</u>
Plant Operations										
Salaries	\$ 92,210	\$ --	\$ --	\$ 92,210	\$ 2.57	\$ 87,158	\$ --	\$ --	\$ 87,158	\$ 2.64
Purchased services	175,910	--	--	175,910	4.91	127,087	--	--	127,087	3.85
Supplies and expense	68,827	--	--	68,827	1.92	37,998	--	--	37,998	1.15
Utilities	338,043	--	--	338,043	9.44	303,541	--	--	303,541	9.21
	<u>\$ 674,990</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 674,990</u>	<u>\$ 18.84</u>	<u>\$ 555,784</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 555,784</u>	<u>\$ 16.85</u>
Nursing										
Salaries - Director of Nursing	\$ 134,922	\$ --	\$ --	\$ 134,922	\$ 3.77	\$ 104,624	\$ --	\$ --	\$ 104,624	\$ 3.17
Salaries - registered nurses	829,434	--	--	829,434	23.15	988,794	--	--	988,794	29.99
Salaries - L.P.N.	1,799,131	--	--	1,799,131	50.22	1,587,734	--	--	1,587,734	48.16
Salaries - nurses aides	1,868,542	--	--	1,868,542	52.16	1,691,019	--	--	1,691,019	51.29
Salaries - clinical nurse	11,744	--	--	11,744	0.33	72,049	--	--	72,049	2.19
Salaries - incentive pay	--	--	--	--	--	48,807	--	--	48,807	1.48
Purchased services	779,674	--	--	779,674	21.76	133,918	--	--	133,918	4.06
Supplies and expense	85,927	--	--	85,927	2.40	178,512	--	--	178,512	5.41
	<u>\$ 5,509,374</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,509,374</u>	<u>\$ 153.79</u>	<u>\$ 4,805,457</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,805,457</u>	<u>\$ 145.75</u>

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MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total	Per Diem	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total	Per Diem
Medical Services										
Salaries - Medical records	\$ 137,476	\$ --	\$ --	\$ 137,476	\$ 3.84	\$ 135,659	\$ --	\$ --	\$ 135,659	\$ 4.11
Salaries - Quality Assurance	27,994	--	--	27,994	0.78	37,726	--	--	37,726	1.14
Agency Transcriptionist	2,573	--	--	2,573	0.07	18,737	--	--	18,737	0.57
	<u>\$ 168,043</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 168,043</u>	<u>\$ 4.69</u>	<u>\$ 192,122</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 192,122</u>	<u>\$ 5.82</u>
Ancillary Expenses										
Pharmacy	\$ 282,064	\$ --	\$ --	\$ 282,064	\$ 7.87	\$ 257,446	\$ --	\$ --	\$ 257,446	\$ 7.81
Physical therapy	345,413	--	--	345,413	9.64	352,300	--	--	352,300	10.69
Occupational therapy	353,249	--	--	353,249	9.86	338,622	--	--	338,622	10.27
Speech therapy	97,207	--	--	97,207	2.71	81,674	--	--	81,674	2.48
Ancillary - other	8,871	--	--	8,871	0.25	14,417	--	--	14,417	0.44
Medical supplies	28,265	--	--	28,265	0.79	6,609	--	--	6,609	0.20
Oxygen	35,970	--	--	35,970	1.00	24,440	--	--	24,440	0.74
IV therapy	19,498	--	--	19,498	0.54	18,291	--	--	18,291	0.55
Laboratory	48,150	--	--	48,150	1.34	71,169	--	--	71,169	2.16
COVID laboratory testing	11,093	--	--	11,093	0.31	38,150	--	--	38,150	1.16
Ambulance	36,261	--	--	36,261	1.01	35,649	--	--	35,649	1.08
X-ray	16,417	--	--	16,417	0.46	18,701	--	--	18,701	0.57
	<u>\$ 1,282,458</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,282,458</u>	<u>\$ 35.78</u>	<u>\$ 1,257,468</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,257,468</u>	<u>\$ 38.15</u>
Dietary										
Salaries	\$ 523,784	\$ --	\$ --	\$ 523,784	\$ 14.62	\$ 481,837	\$ --	\$ --	\$ 481,837	\$ 14.62
Food	385,300	--	--	385,300	10.76	312,332	--	--	312,332	9.47
Purchased services	4,753	--	--	4,753	0.13	3,393	--	--	3,393	0.10
Supplies and expense	46,815	--	--	46,815	1.31	33,265	--	--	33,265	1.01
Consultants	49,150	--	--	49,150	1.37	50,225	--	--	50,225	1.52
	<u>\$ 1,009,802</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,009,802</u>	<u>\$ 28.19</u>	<u>\$ 881,052</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 881,052</u>	<u>\$ 26.72</u>

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MRN CORPORATION
d/b/a SIPPICAN HEALTHCARE CENTER
AND SIPPICAN ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total	Per Diem	MRN Corporation	Sippican Associates LP	Eliminations	Consolidated Total	Per Diem
Laundry and Linen										
Salaries	\$ 114,705	\$ --	\$ --	\$ 114,705	\$ 3.20	\$ 134,663	\$ --	\$ --	\$ 134,663	\$ 4.08
Purchased services	51,621	--	--	51,621	1.44	45,437	--	--	45,437	1.38
Linen and bedding	48,467	--	--	48,467	1.35	42,003	--	--	42,003	1.27
Supplies and expense	6,109	--	--	6,109	0.17	6,801	--	--	6,801	0.21
	<u>\$ 220,902</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 220,902</u>	<u>\$ 6.16</u>	<u>\$ 228,904</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 228,904</u>	<u>\$ 6.94</u>
Housekeeping										
Salaries	\$ 398,101	\$ --	\$ --	\$ 398,101	\$ 11.11	\$ 333,482	\$ --	\$ --	\$ 333,482	\$ 10.12
Supplies and expense	65,577	--	--	65,577	1.83	65,693	--	--	65,693	1.99
	<u>\$ 463,678</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 463,678</u>	<u>\$ 12.94</u>	<u>\$ 399,175</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 399,175</u>	<u>\$ 12.11</u>
Social Services										
Salaries	\$ 217,137	\$ --	\$ --	\$ 217,137	\$ 6.06	\$ 214,455	\$ --	\$ --	\$ 214,455	\$ 6.51
	<u>\$ 217,137</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 217,137</u>	<u>\$ 6.06</u>	<u>\$ 214,455</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 214,455</u>	<u>\$ 6.51</u>
Recreation										
Salaries	\$ 113,530	\$ --	\$ --	\$ 113,530	\$ 3.17	\$ 95,682	\$ --	\$ --	\$ 95,682	\$ 2.90
Purchased services	5,315	--	--	5,315	0.15	3,545	--	--	3,545	0.11
Supplies and expense	3,434	--	--	3,434	0.10	3,615	--	--	3,615	0.11
	<u>\$ 122,279</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 122,279</u>	<u>\$ 3.42</u>	<u>\$ 102,842</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 102,842</u>	<u>\$ 3.12</u>
Consultants										
Medical Director	\$ 110,702	\$ --	\$ --	\$ 110,702	\$ 3.09	\$ 114,702	\$ --	\$ --	\$ 114,702	\$ 3.48
Pharmacy	6,963	--	--	6,963	0.19	7,986	--	--	7,986	0.24
	<u>\$ 117,665</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 117,665</u>	<u>\$ 3.28</u>	<u>\$ 122,688</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 122,688</u>	<u>\$ 3.72</u>

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