

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

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

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

**HDH Corporation d/b/a Hannah Duston Healthcare Center
and Hannah Duston Associates Limited Partnership**

Opinion

We have audited the accompanying consolidated financial statements of HDH Corporation d/b/a Hannah Duston Healthcare Center and Hannah Duston Associates Limited Partnership, which comprise the consolidated balance sheet as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HDH Corporation d/b/a Hannah Duston Healthcare Center and Hannah Duston 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 HDH Corporation d/b/a Hannah Duston Healthcare Center and Hannah Duston 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 HDH Corporation d/b/a Hannah Duston Healthcare Center and Hannah Duston 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 HDH Corporation d/b/a Hannah Duston Healthcare Center and Hannah Duston 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 HDH Corporation d/b/a Hannah Duston Healthcare Center and Hannah Duston 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 20, 2023

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 362,308	\$ 2,052,844
Investments held by affiliates	175,000	--
Accounts receivable, patients	1,791,550	1,104,058
Prepaid expenses	249,042	162,814
Other receivable	<u>6,140</u>	<u>125,829</u>
Total Current Assets	<u>2,584,040</u>	<u>3,445,545</u>
Funded Reserves		
Escrow deposits	82,981	88,156
Replacement reserves	<u>321,566</u>	<u>246,987</u>
Total Funded Reserves	<u>404,547</u>	<u>335,143</u>
Property and Equipment, net		
Land	81,037	81,037
Building	5,788,091	5,788,091
Improvements	5,202,989	5,024,145
Equipment	<u>1,716,912</u>	<u>1,667,464</u>
	12,789,029	12,560,737
Less accumulated depreciation	<u>7,120,370</u>	<u>6,646,290</u>
Total Property and Equipment, net	<u>5,668,659</u>	<u>5,914,447</u>
Due from Related Parties	<u>642,533</u>	<u>659,586</u>
Other Assets		
Software	--	1,198
Deposits	<u>--</u>	<u>5,000</u>
Total Other Assets	<u>--</u>	<u>6,198</u>
Total Assets	<u><u>\$ 9,299,779</u></u>	<u><u>\$ 10,360,919</u></u>

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

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Deficit		
Current Liabilities		
Loans payable - current portion	\$ 155,956	\$ 150,045
Accounts payable	728,353	604,901
Accrued expenses	325,870	379,053
Accrued payroll and related costs	255,453	245,364
Deferred revenue	5,250	302,496
Due third-party payors	<u>334,949</u>	<u>396,290</u>
Total Current Liabilities	1,805,831	2,078,149
Long-Term Debt, net	8,262,177	8,404,546
Due to Related Parties	<u>9,025,757</u>	<u>9,011,639</u>
Total Liabilities	<u>19,093,765</u>	<u>19,494,334</u>
Deficit		
Retained deficit/partnership interest	(5,745,864)	(5,314,712)
Noncontrolling interest in partnership	<u>(4,048,122)</u>	<u>(3,818,703)</u>
Total Deficit	<u>(9,793,986)</u>	<u>(9,133,415)</u>
Total Liabilities and Deficit	<u>\$ 9,299,779</u>	<u>\$ 10,360,919</u>

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

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenue		
Private patients	\$ 3,460,104	\$ 2,810,753
Medicare patients, net of sequester	2,671,256	2,644,012
Publicly-aided patients	6,209,621	6,583,330
Ancillary income, net of sequester	132,914	202,190
Federal stimulus revenue	298,296	848,546
State stimulus revenue	369,186	121,750
Interest income	2,195	1,296
Other income	94,172	78,065
Prior year revenue adjustments	53,043	(301,871)
Total Revenue	<u>13,290,787</u>	<u>12,988,071</u>
Operating Expenses		
Administrative and general	1,729,534	2,182,036
Employee benefits	922,250	933,840
Property expenses	954,879	948,268
Plant operations	597,837	537,977
Nursing	5,928,810	4,927,350
Medical services	185,124	165,565
Ancillary	799,458	835,237
Dietary	956,948	873,140
Laundry and linen	225,972	171,452
Housekeeping	436,470	435,741
Social services	208,705	197,800
Recreation	114,524	80,776
Consultants	50,588	74,804
Total Operating Expenses	<u>13,111,099</u>	<u>12,363,986</u>
Income Before Other Items	<u>179,688</u>	<u>624,085</u>
Other Items		
Management fees	(798,259)	(771,537)
Total Other Items	<u>(798,259)</u>	<u>(771,537)</u>
Loss Before Income Taxes	(618,571)	(147,452)
Provision for Income Taxes	(42,000)	--
Net Loss	(660,571)	(147,452)
Noncontrolling Interest in Partnership	<u>229,419</u>	<u>228,038</u>
HDH Corporation Net (Loss) Income	<u>\$ (431,152)</u>	<u>\$ 80,586</u>

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

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
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CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	HDH Corporation Accumulated (Deficit) Equity	General Partner 1% Interest	Non-Controlling Interest in Partnership	Total (Deficit) Equity
Balance - December 31, 2020	\$ (5,190,902)	\$ (204,396)	\$ (3,590,665)	\$ (8,985,963)
Net income (loss)	<u>82,889</u>	<u>(2,303)</u>	<u>(228,038)</u>	<u>(147,452)</u>
Balance - December 31, 2021	(5,108,013)	(206,699)	(3,818,703)	(9,133,415)
Net loss	<u>(428,835)</u>	<u>(2,317)</u>	<u>(229,419)</u>	<u>(660,571)</u>
Balance - December 31, 2022	<u><u>\$ (5,536,848)</u></u>	<u><u>\$ (209,016)</u></u>	<u><u>\$ (4,048,122)</u></u>	<u><u>\$ (9,793,986)</u></u>

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HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Net income	\$ (431,152)	\$ 80,586
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	475,278	467,229
Amortization of debt issuance costs	13,587	13,815
Noncontrolling interest in partnership	(229,419)	(228,038)
Bad debts	(119,130)	192,470
Changes in operating assets and liabilities:		
Accounts receivable	(568,362)	172,035
Prepaid expenses	(86,228)	(22,202)
Other receivables	119,689	80,599
Accounts payable	123,452	71,796
Accrued expenses	(53,183)	(123,929)
Accrued payroll and related costs	10,089	(29,598)
Deferred revenue	(297,246)	(548,150)
Due third-party payors	(61,341)	303,646
Net Cash (Used In) Provided by Operating Activities	<u>(1,103,966)</u>	<u>430,259</u>
Cash Flows Used in Investing Activities		
Deposits	5,000	(5,000)
Purchases of property and equipment	(228,292)	(94,562)
Net Cash Used in Investing Activities	<u>(223,292)</u>	<u>(99,562)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	(150,045)	(144,357)
Net change in amounts due related parties	31,171	(254)
Net Cash Used in Financing Activities	<u>(118,874)</u>	<u>(144,611)</u>
Net Change in Cash and Restricted Cash	(1,446,132)	186,086
Cash - Beginning	<u>2,387,987</u>	<u>2,201,901</u>
Cash - Ending	<u>\$ 941,855</u>	<u>\$ 2,387,987</u>

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

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 338,257</u>	<u>\$ 343,945</u>
Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the Period		
Cash	\$ 362,308	\$ 2,052,844
Investments held by affiliates	175,000	--
Restricted Cash		
Escrow deposits	82,981	88,156
Replacement reserves	<u>321,566</u>	<u>246,987</u>
	<u>\$ 941,855</u>	<u>\$ 2,387,987</u>

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

HDH 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 HDH Corporation d/b/a Hannah Duston Healthcare Center (the Corporation), a Subchapter S corporation, which operates a 128-bed nursing home in Haverhill, Massachusetts and Hannah Duston Associates Limited Partnership (the Partnership), a realty holding company, which owns and leases its property and equipment to the 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 \$9.8 million as of December 31, 2022, and have experienced net losses of approximately \$431 thousand for the year ended December 31, 2022. 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 deficit, and cash flows of the Corporation and Partnership. All material intercompany 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.

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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)

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.

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 \$175,000 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 YEAR REVENUE ADJUSTMENTS

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 \$298,296 and \$848,546, respectively, of income, which is also included in federal stimulus revenue on the accompanying statement of operations.

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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)

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.

State Other COVID-19 Testing Reimbursements – During the years ended December 31, 2022 and 2021, the Corporation has recognized \$235,824 and \$352,374 in expense reimbursements from the Commonwealth of Massachusetts Executive Office of Health and Human Services (EOHHS). The amounts are included as a reduction of 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 \$108,780 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 \$82,129 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 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 \$30,945 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 condition 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 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 \$256,112 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 condition 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.

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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

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

Depreciation expense charged to operations was \$474,080 and \$464,830 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 \$39,364 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 \$39,364 and \$38,166 as of December 31, 2022 and 2021, respectively. Amortization charged to operations amounted to \$1,198 and \$2,399 for 2022 and 2021, respectively. The software was fully amortized during the year ended 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)

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 (allowance). 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.

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.

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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

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.

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 \$11,731 and \$8,198 for 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)

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.

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 \$8,953,146 and operating lease liabilities of \$8,953,146 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.

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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)

SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Companies have evaluated events and transactions for potential recognition or disclosure through July 20, 2023, the date the consolidated financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.

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 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 our facility receiving skilled nursing services. The Corporation measures the performance obligations from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services.

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Corporation's policy and/or implicit price concessions provided to residents. The Corporation 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:

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FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – PATIENT SERVICE REVENUE (CONTINUED)

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.

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 a 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% to resume 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 payers also provide for retroactive audit and review of claims.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – PATIENT SERVICE REVENUE (CONTINUED)

OTHER THIRD-PARTY PAYORS

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

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – PATIENT SERVICE REVENUE (CONTINUED)

OTHER THIRD-PARTY PAYORS (CONTINUED)

For the years ended December 31, 2022 and 2021, the Corporation recognized revenue of \$12,526,938 and \$11,938,414, respectively, for services provided to the patients over time. Additionally, for the year ended December 31, 2022 and 2021, the Corporation recognized \$94,172 and \$78,065, respectively, of other revenue.

NOTE 3 – ACCOUNTS RECEIVABLE

	2022	2021
Private and insurance patients	\$ 737,337	\$ 633,099
Medicare patients	458,434	166,462
Publicly-aided patient	<u>671,698</u>	<u>495,416</u>
	1,867,469	1,294,977
Allowance for uncollectible	<u>(75,919)</u>	<u>(190,919)</u>
Accounts receivable, net	<u>\$ 1,791,550</u>	<u>\$ 1,104,058</u>

Bad debt (recovery) expense reflected in operations amounted to \$(119,130) and \$192,470 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 \$798,259 and \$771,537 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 \$62,678 each year for 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 land, building, and equipment from the Partnership. Rent amounted to \$612,044 and \$613,966 for December 31, 2022 and 2021, respectively, and has been eliminated in consolidation. See Note 8 for additional lease information.

REPLACEMENT RESERVE EXCHANGE

Replacement reserve deposits are recorded as an exchange liability on the records of the Partnership, with the deposit being recorded as an exchange asset on the books of the Corporation. Any remaining balance in the replacement reserve exchange may only be returned to the lessee under certain circumstances. The balance of the exchange at December 31, 2022 and 2021 was \$485,921 and \$411,677 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	\$ 642,533	\$ 659,586
Total due from related parties	<u>\$ 642,533</u>	<u>\$ 659,586</u>
Due to related parties		
Officers and partners	\$ 5,022,764	\$ 5,022,764
Affiliates	<u>4,002,993</u>	<u>3,988,875</u>
Total due to related parties	<u>\$ 9,025,757</u>	<u>\$ 9,011,639</u>

NOTE 5 – LONG-TERM DEBT

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

	2022	2021
3.87% mortgage payable to Red Capital Group, secured by substantially assets and insured by the U.S. Department of Housing and Urban Development (HUD), payable in monthly installments of \$40,692, due December 1, 2052.	\$ 8,658,744	\$ 8,808,789
Less unamortized debt issuance costs	<u>240,611</u>	<u>254,198</u>
	8,418,133	8,554,591
Less current maturities	<u>155,956</u>	<u>150,045</u>
Total long-term debt	<u>\$ 8,262,177</u>	<u>\$ 8,404,546</u>

Interest incurred amounted to \$351,360 and \$357,256 for 2022 and 2021, respectively. Amortization of debt issuance costs included in interest above was \$13,587 and \$13,815 for 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31,

2023	\$ 155,956
2024	162,100
2025	168,485
2026	175,123
2027	182,021
Thereafter	<u>7,815,059</u>
	<u>\$ 8,658,744</u>

NOTE 6 – FUNDED RESERVE

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 deposits of \$6,187 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 balances in the escrow accounts and the replacement reserves were \$82,981 and \$321,566 at December 31, 2022 and \$88,156 and \$246,987 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.

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NOTE 7 – INCOME TAXES (CONTINUED)

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.

Provision for income tax expense consists of the following components:

	2022		
	Due Currently	Deferred	Total
State income tax	\$ 22,000	\$ 20,000	\$ 42,000

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 Hannah Duston 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 original lease agreement was for a 60 year period, commencing on January 1993 and in effect through December 2053.

The agreement includes a base rent of \$40,692 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8 – LEASES (CONTINUED)

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

For the Years Ending December 31,

2023	\$ 488,302
2024	488,302
2025	488,302
2026	488,302
2027	488,302
Thereafter	<u>12,695,862</u>
	<u>\$ 15,137,372</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 \$120 thousand as of December 31, 2022. The Companies have not suffered any losses in connection with their banking activity.

ACCOUNTS RECEIVABLE - PATIENTS

The Corporation extends unsecured credit to its private patients and patients covered under third-party payer arrangements. Accounts receivable from private patients and third-party payers totaled \$1,791,550 and \$1,104,058, 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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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 \$642,533 and \$659,586 at December 31, 2022 and 2021, respectively. See Note 4 for further details.

OTHER RECEIVABLE

At December 31, 2022, other receivables from non-related parties totaled \$3,970 for cost report receivable, and \$2,170 for an employee receivable. At December 31, 2021, other receivables from non-related parties totaled \$108,780 for State COVID-19 testing, \$14,879 for cost report receivable, and \$2,170 for an employee 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 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.

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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 revenue is 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 – COMMON STOCK

Common stock authorized 100 shares with 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 \$406,183 and \$385,411 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

HDH Corporation purchases professional and general liability coverage with commercial insurers with limits of \$1,000,000 per claim, and \$3,000,000 aggregate. The policies have included a \$100,000 deductible.

HDH Corporation and its affiliates are members of the Whittier Healthcare Holdings Risk Management Program. The deductible on the above mentioned commercial insurance policy is covered within this program along with coverage for directors and officers and other exposures not include in the commercial policy. Universal Re Insurance Company, Limited, has established a Custodial Account into which HDH 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 co mingled with other funds of Universal Re-Insurance Company, Limited.

The coverage provided by the Whittier Healthcare Holdings Risk Management Program is ultimately limited by the funds available in the custodial account. There are currently no claims pending against the Corporation as of December 31, 2022 and 2021, respectively. The professional and general liability expense charged to operations was \$222,761 and \$224,846 for 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 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.

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, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 17 – COVID-19 IMPACT (CONTINUED)

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

**HDH Corporation d/b/a Hannah Duston Healthcare Center
and Hannah Duston Associates Limited Partnership**

We have audited the consolidated financial statements of HDH Corporation d/b/a Hannah Duston Healthcare Center and Hannah Duston Associates Limited Partnership as of and for the years ended December 31, 2022 and 2021 and have issued our report dated July 20, 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 consolidating 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 20, 2023

HDH CORPORATION
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AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2022

	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash	\$ 194,963	\$ 167,345	\$ --	\$ 362,308
Investments held by affiliate	175,000	--	--	175,000
Accounts receivable	1,791,550	--	--	1,791,550
Prepaid expenses	248,458	584	--	249,042
Other receivable	6,140	--	--	6,140
Total Current Assets	<u>2,416,111</u>	<u>167,929</u>	<u>--</u>	<u>2,584,040</u>
Funded Reserves				
Escrow deposits	--	82,981	--	82,981
Replacement reserves	--	321,566	--	321,566
Total Funded Reserves	<u>--</u>	<u>404,547</u>	<u>--</u>	<u>404,547</u>
Property and Equipment				
Land	--	81,037	--	81,037
Building	--	5,788,091	--	5,788,091
Improvements	1,623,315	3,579,674	--	5,202,989
Equipment	1,222,461	494,451	--	1,716,912
	2,845,776	9,943,253	--	12,789,029
Less accumulated depreciation	<u>1,653,254</u>	<u>5,467,116</u>	<u>--</u>	<u>7,120,370</u>
Total Property and Equipment, net	<u>1,192,522</u>	<u>4,476,137</u>	<u>--</u>	<u>5,668,659</u>
Due from Related Parties	<u>1,492,507</u>	<u>--</u>	<u>(849,974)</u>	<u>642,533</u>
Other Assets				
Operating lease right of use asset	<u>8,808,788</u>	<u>--</u>	<u>(8,808,788)</u>	<u>--</u>
Total Other Assets	<u>8,808,788</u>	<u>--</u>	<u>(8,808,788)</u>	<u>--</u>
Total Assets	<u><u>\$ 13,909,928</u></u>	<u><u>\$ 5,048,613</u></u>	<u><u>\$ (9,658,762)</u></u>	<u><u>\$ 9,299,779</u></u>

See independent auditors' report on supplementary information.

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AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2022

	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total
Liabilities and Deficit				
Current Liabilities				
Loan payable - current portion	\$ --	\$ 155,956	\$ --	\$ 155,956
Accounts payable	728,353	--	--	728,353
Accrued expenses	288,226	37,644	--	325,870
Accrued payroll and related costs	255,453	--	--	255,453
Deferred revenue	5,250	--	--	5,250
Due third-party payors	334,949	--	--	334,949
Operating lease liability - current portion	150,045	--	(150,045)	--
Total Current Liabilities	1,762,276	193,600	(150,045)	1,805,831
Long-Term Debt, net	--	8,262,177	--	8,262,177
Due to Related Parties	9,025,757	849,974	(849,974)	9,025,757
Operating Lease Liability, net	8,658,743	--	(8,658,743)	--
Total Liabilities	19,446,776	9,305,751	(9,658,762)	19,093,765
Deficit				
Retained deficit/partnership interest	(5,536,848)	(209,016)	--	(5,745,864)
Noncontrolling interest in partnership	--	(4,048,122)	--	(4,048,122)
Total Deficit	(5,536,848)	(4,257,138)	--	(9,793,986)
Total Liabilities and Deficit	\$ 13,909,928	\$ 5,048,613	\$ (9,658,762)	\$ 9,299,779

See independent auditors' report on supplementary information.

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2021

	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash	\$ 1,877,041	\$ 175,803	\$ --	\$ 2,052,844
Accounts receivable	1,104,058	--	--	1,104,058
Prepaid expenses	162,083	731	--	162,814
Other receivable	<u>125,829</u>	<u>--</u>	<u>--</u>	<u>125,829</u>
Total Current Assets	<u>3,269,011</u>	<u>176,534</u>	<u>--</u>	<u>3,445,545</u>
Funded Reserves				
Escrow deposits	--	88,156	--	88,156
Replacement reserves	<u>--</u>	<u>246,987</u>	<u>--</u>	<u>246,987</u>
Total Funded Reserves	<u>--</u>	<u>335,143</u>	<u>--</u>	<u>335,143</u>
Property and Equipment				
Land	--	81,037	--	81,037
Building	--	5,788,091	--	5,788,091
Improvements	1,444,471	3,579,674	--	5,024,145
Equipment	<u>1,173,013</u>	<u>494,451</u>	<u>--</u>	<u>1,667,464</u>
	2,617,484	9,943,253	--	12,560,737
Less accumulated depreciation	<u>1,532,562</u>	<u>5,113,728</u>	<u>--</u>	<u>6,646,290</u>
Total Property and Equipment, net	<u>1,084,922</u>	<u>4,829,525</u>	<u>--</u>	<u>5,914,447</u>
Due from Related Parties	<u>1,435,316</u>	<u>--</u>	<u>(775,730)</u>	<u>659,586</u>
Other Assets				
Software	1,198	--	--	1,198
Deposits	<u>5,000</u>	<u>--</u>	<u>--</u>	<u>5,000</u>
Total Other Assets	<u>6,198</u>	<u>--</u>	<u>--</u>	<u>6,198</u>
Total Assets	<u><u>\$ 5,795,447</u></u>	<u><u>\$ 5,341,202</u></u>	<u><u>\$ (775,730)</u></u>	<u><u>\$ 10,360,919</u></u>

See independent auditors' report on supplementary information.

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2021

	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total
Liabilities and Deficit				
Current Liabilities				
Loan payable - current portion	\$ --	\$ 150,045	\$ --	\$ 150,045
Accounts payable	604,901	--	--	604,901
Accrued expenses	342,770	36,283	--	379,053
Accrued payroll and related costs	245,364	--	--	245,364
Deferred revenue	302,496	--	--	302,496
Due third-party payors	396,290	--	--	396,290
Total Current Liabilities	1,891,821	186,328	--	2,078,149
Long-Term Debt, net	--	8,404,546	--	8,404,546
Due to Related Parties	9,011,639	775,730	(775,730)	9,011,639
Total Liabilities	10,903,460	9,366,604	(775,730)	19,494,334
Deficit				
Retained deficit/partnership interest	(5,108,013)	(206,699)	--	(5,314,712)
Noncontrolling interest in partnership	--	(3,818,703)	--	(3,818,703)
Total Deficit	(5,108,013)	(4,025,402)	--	(9,133,415)
Total Liabilities and Deficit	\$ 5,795,447	\$ 5,341,202	\$ (775,730)	\$ 10,360,919

See independent auditors' report on supplementary information.

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total
Revenue				
Private patients	\$ 3,460,104	\$ --	\$ --	\$ 3,460,104
Medicare patients, net of sequester	2,671,256	--	--	2,671,256
Publicly-aided patients	6,209,621	--	--	6,209,621
Ancillary income, net of sequester	132,914	--	--	132,914
Federal stimulus revenue	298,296	--	--	298,296
State stimulus revenue	369,186	--	--	369,186
Interest income	251	1,944	--	2,195
Rental income	--	612,044	(612,044)	--
Other income	94,172	--	--	94,172
Prior year revenue adjustments	53,043	--	--	53,043
Total Revenue	<u>13,288,843</u>	<u>613,988</u>	<u>(612,044)</u>	<u>13,290,787</u>
Operating Expenses				
Administrative and general	1,717,622	11,912	--	1,729,534
Employee benefits	922,250	--	--	922,250
Property expense	733,111	833,812	(612,044)	954,879
Plant operations	597,837	--	--	597,837
Nursing	5,928,810	--	--	5,928,810
Medical services	185,124	--	--	185,124
Ancillary	799,458	--	--	799,458
Dietary	956,948	--	--	956,948
Laundry and linen	225,972	--	--	225,972
Housekeeping	436,470	--	--	436,470
Social services	208,705	--	--	208,705
Recreation	114,524	--	--	114,524
Consultants	50,588	--	--	50,588
Total Operating Expenses	<u>12,877,419</u>	<u>845,724</u>	<u>(612,044)</u>	<u>13,111,099</u>
Income (Loss) Before Other Items	<u>411,424</u>	<u>(231,736)</u>	<u>--</u>	<u>179,688</u>
Other Items				
Management fees	(798,259)	--	--	(798,259)
Total Other Items	<u>(798,259)</u>	<u>--</u>	<u>--</u>	<u>(798,259)</u>
Loss Before Income Taxes	<u>(386,835)</u>	<u>(231,736)</u>	<u>--</u>	<u>(618,571)</u>
Provision for Income Taxes	<u>(42,000)</u>	<u>--</u>	<u>--</u>	<u>(42,000)</u>
Net Loss	<u>(428,835)</u>	<u>(231,736)</u>	<u>--</u>	<u>(660,571)</u>
Noncontrolling Interest in Partnership	<u>--</u>	<u>--</u>	<u>229,419</u>	<u>229,419</u>
HDH Corporation Net (Loss) Income	<u>\$ (428,835)</u>	<u>\$ (231,736)</u>	<u>\$ 229,419</u>	<u>\$ (431,152)</u>

See independent auditors' report on supplementary information.

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total
Revenue				
Private patients	\$ 2,810,753	\$ --	\$ --	\$ 2,810,753
Medicare patients, net of sequester	2,644,012	--	--	2,644,012
Publicly-aided patients	6,583,330	--	--	6,583,330
Ancillary income, net of sequester	202,190	--	--	202,190
Federal relief grant revenue	848,546	--	--	848,546
State relief grant revenue	121,750	--	--	121,750
Interest income	788	508	--	1,296
Rental income	--	613,966	(613,966)	--
Other income	78,065	--	--	78,065
Prior year revenue adjustments	(301,871)	--	--	(301,871)
Total Revenue	<u>12,987,563</u>	<u>614,474</u>	<u>(613,966)</u>	<u>12,988,071</u>
Operating Expenses				
Administrative and general	2,173,696	8,340	--	2,182,036
Employee benefits	933,840	--	--	933,840
Property expense	725,759	836,475	(613,966)	948,268
Plant operations	537,977	--	--	537,977
Nursing	4,927,350	--	--	4,927,350
Medical services	165,565	--	--	165,565
Ancillary	835,237	--	--	835,237
Dietary	873,140	--	--	873,140
Laundry and linen	171,452	--	--	171,452
Housekeeping	435,741	--	--	435,741
Social services	197,800	--	--	197,800
Recreation	80,776	--	--	80,776
Consultants	74,804	--	--	74,804
Total Operating Expenses	<u>12,133,137</u>	<u>844,815</u>	<u>(613,966)</u>	<u>12,363,986</u>
Income (Loss) Before Other Items	<u>854,426</u>	<u>(230,341)</u>	<u>--</u>	<u>624,085</u>
Other Items				
Management fees	(771,537)	--	--	(771,537)
Total Other Items	<u>(771,537)</u>	<u>--</u>	<u>--</u>	<u>(771,537)</u>
Net Income (Loss)	<u>82,889</u>	<u>(230,341)</u>	<u>--</u>	<u>(147,452)</u>
Noncontrolling Interest in Partnership	<u>--</u>	<u>--</u>	<u>228,038</u>	<u>228,038</u>
HDH Corporation Net Income (Loss)	<u>\$ 82,889</u>	<u>\$ (230,341)</u>	<u>\$ 228,038</u>	<u>\$ 80,586</u>

See independent auditors' report on supplementary information.

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total
Cash Flows from Operating Activities				
Net income (loss)	\$ (428,835)	\$ (231,736)	\$ 229,419	\$ (431,152)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	121,890	353,388	--	475,278
Amortization of debt issuance costs	--	13,587	--	13,587
Noncontrolling interest in partnership	--	--	(229,419)	(229,419)
Bad debts	(119,130)	--	--	(119,130)
Changes in operating assets and liabilities:				
Accounts receivable	(568,362)	--	--	(568,362)
Prepaid expenses	(86,375)	147	--	(86,228)
Other receivable	119,689	--	--	119,689
Accounts payable	123,452	--	--	123,452
Accrued expenses	(54,544)	1,361	--	(53,183)
Accrued payroll and related costs	10,089	--	--	10,089
Deferred revenue	(297,246)	--	--	(297,246)
Due third-party payors	(61,341)	--	--	(61,341)
Net Cash (Used in) Provided by Operating Activities	<u>(1,240,713)</u>	<u>136,747</u>	<u>--</u>	<u>(1,103,966)</u>
Cash Flows from Investing Activities				
Deposits	5,000	--	--	5,000
Purchase of property and equipment	(228,292)	--	--	(228,292)
Net Cash Used in Investing Activities	<u>(223,292)</u>	<u>--</u>	<u>--</u>	<u>(223,292)</u>
Cash Flows from Financing Activities				
Principal payments on long-term debt	--	(150,045)	--	(150,045)
Change in amounts due related parties, net	(43,073)	74,244	--	31,171
Net Cash Used in Financing Activities	<u>(43,073)</u>	<u>(75,801)</u>	<u>--</u>	<u>(118,874)</u>
Net Change in Cash and Restricted Cash	<u>(1,507,078)</u>	<u>60,946</u>	<u>--</u>	<u>(1,446,132)</u>
Cash and Restricted Cash - Beginning	<u>1,877,041</u>	<u>510,946</u>	<u>--</u>	<u>2,387,987</u>
Cash and Restricted Cash - End	<u><u>\$ 369,963</u></u>	<u><u>\$ 571,892</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 941,855</u></u>
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	<u><u>\$ --</u></u>	<u><u>\$ 338,257</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 338,257</u></u>
Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the Period				
Cash	\$ 194,963	\$ 167,345	\$ --	\$ 362,308
Investments held by affiliates	175,000	--	--	175,000
Restricted Cash				
Escrow deposits	--	82,981	--	82,981
Replacement reserves	--	321,566	--	321,566
	<u><u>\$ 369,963</u></u>	<u><u>\$ 571,892</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 941,855</u></u>

See independent auditors' report on supplementary information.

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total
Cash Flows from Operating Activities				
Net income (loss)	\$ 82,889	\$ (230,341)	\$ 228,038	\$ 80,586
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	113,841	353,388	--	467,229
Amortization of debt issuance costs	--	13,815	--	13,815
Noncontrolling interest in partnership	--	--	(228,038)	(228,038)
Bad debts	192,470	--	--	192,470
Changes in operating assets and liabilities:				
Accounts receivable	172,035	--	--	172,035
Prepaid expenses	(22,009)	(193)	--	(22,202)
Other receivable	80,599	--	--	80,599
Accounts payable	71,796	--	--	71,796
Accrued expenses	(123,425)	(504)	--	(123,929)
Accrued payroll and related costs	(29,598)	--	--	(29,598)
Deferred revenue	(548,150)	--	--	(548,150)
Due third-party payors	303,646	--	--	303,646
Net Cash Provided by Operating Activities	<u>294,094</u>	<u>136,165</u>	<u>--</u>	<u>430,259</u>
Cash Flows from Investing Activities				
Deposits	(5,000)			(5,000)
Purchase of property and equipment	(94,562)	--	--	(94,562)
Net Cash Used in Investing Activities	<u>(99,562)</u>	<u>--</u>	<u>--</u>	<u>(99,562)</u>
Cash Flows from Financing Activities				
Principal payments on long-term debt	--	(144,357)	--	(144,357)
Change in amounts due related parties, net	(32,008)	31,754	--	(254)
Net Cash Used in Financing Activities	<u>(32,008)</u>	<u>(112,603)</u>	<u>--</u>	<u>(144,611)</u>
Net Change in Cash and Restricted Cash	162,524	23,562	--	186,086
Cash and Restricted Cash - Beginning	<u>1,714,517</u>	<u>487,384</u>	<u>--</u>	<u>2,201,901</u>
Cash and Restricted Cash - End	<u><u>\$ 1,877,041</u></u>	<u><u>\$ 510,946</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 2,387,987</u></u>
Supplemental Disclosure of				
Cash Flow Information				
Cash paid for interest	<u>\$ --</u>	<u>\$ 343,945</u>	<u>\$ --</u>	<u>\$ 343,945</u>
Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the Period				
Cash	\$ 1,877,041	\$ 175,803	\$ --	\$ 2,052,844
Restricted Cash				
Escrow deposits	--	88,156	--	88,156
Replacement reserves	--	246,987	--	246,987
	<u><u>\$ 1,877,041</u></u>	<u><u>\$ 510,946</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 2,387,987</u></u>

See independent auditors' report on supplementary information.

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

SCHEDULES OF BED DAYS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	Bed Days	Percent	Bed Days	Percent
Occupancy				
Private	9,757	26.32%	5,776	15.88%
Medicare	3,910	10.55%	3,876	10.66%
Publicly-aided	<u>23,405</u>	<u>63.13%</u>	<u>26,722</u>	<u>73.46%</u>
	<u>37,072</u>	<u>100.00%</u>	<u>36,374</u>	<u>100.00%</u>
Bed Days Available	<u>46,720</u>		<u>46,720</u>	
Percentage of Occupancy	<u>79.35%</u>		<u>77.71%</u>	

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HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total	Per Diem	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total	Per Diem
Administrative and General										
Salaries - Administration	\$ 204,550	\$ --	\$ --	\$ 204,550	\$ 5.52	\$ 171,021	\$ --	\$ --	\$ 171,021	\$ 4.70
Salaries - Clerical	355,798	--	--	355,798	9.60	353,459	--	--	353,459	9.72
User fee assessment	712,043	--	--	712,043	19.21	708,235	--	--	708,235	19.47
Insurance - other	222,761	--	--	222,761	6.01	224,846	--	--	224,846	6.18
Legal	82,767	--	--	82,767	2.23	112,057	--	--	112,057	3.08
Accounting	23,280	11,445	--	34,725	0.94	33,425	7,875	--	41,300	1.14
Professional fees	3,712	--	--	3,712	0.10	7,318	--	--	7,318	0.20
Data processing fees	108,130	--	--	108,130	2.92	129,995	--	--	129,995	3.57
Office supplies and expense	58,257	--	--	58,257	1.57	41,654	--	--	41,654	1.15
Central office expense	62,678	--	--	62,678	1.69	62,678	--	--	62,678	1.72
Telephone	17,796	--	--	17,796	0.48	17,139	--	--	17,139	0.47
Advertising	11,731	--	--	11,731	0.32	8,198	--	--	8,198	0.23
Travel and meetings	4,867	--	--	4,867	0.13	3,950	--	--	3,950	0.11
Licenses and dues	18,567	--	--	18,567	0.50	18,374	--	--	18,374	0.51
Tuition and education	4,479	--	--	4,479	0.12	3,494	--	--	3,494	0.10
Recruiting	34,302	--	--	34,302	0.93	1,994	--	--	1,994	0.05
Taxes	1,241	--	--	1,241	0.03	1,707	--	--	1,707	0.05
Fines and penalties	32,778	--	--	32,778	0.88	3,250	--	--	3,250	0.09
Miscellaneous expenses	(124,283)	467	--	(123,816)	(3.34)	76,033	465	--	76,498	2.10
Amortization of software	1,198	--	--	1,198	0.03	2,399	--	--	2,399	0.07
Donations	100	--	--	100	0.00	--	--	--	--	--
Bad debts	(119,130)	--	--	(119,130)	(3.21)	192,470	--	--	192,470	5.29
	<u>\$ 1,717,622</u>	<u>\$ 11,912</u>	<u>\$ --</u>	<u>\$ 1,729,534</u>	<u>\$ 46.65</u>	<u>\$ 2,173,696</u>	<u>\$ 8,340</u>	<u>\$ --</u>	<u>\$ 2,182,036</u>	<u>\$ 60.00</u>
Employee Benefits										
Group insurance	\$ 346,935	\$ --	\$ --	\$ 346,935	\$ 9.36	\$ 307,832	\$ --	\$ --	\$ 307,832	\$ 8.46
Payroll taxes	498,487	--	--	498,487	13.45	515,355	--	--	515,355	14.17
Workers compensation	47,530	--	--	47,530	1.28	78,494	--	--	78,494	2.16
Other	29,298	--	--	29,298	0.79	32,159	--	--	32,159	0.88
	<u>\$ 922,250</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 922,250</u>	<u>\$ 24.88</u>	<u>\$ 933,840</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 933,840</u>	<u>\$ 25.67</u>

See independent auditors' report on supplementary information.

HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total	Per Diem	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total	Per Diem
Property Expenses										
Rent	\$ 612,044	\$ --	\$ (612,044)	\$ --	\$ --	\$ 613,966	\$ --	\$ (613,966)	\$ --	\$ --
Interest expense	--	351,360	--	351,360	9.48	--	357,256	--	357,256	9.82
Real estate taxes	--	54,706	--	54,706	1.48	--	48,908	--	48,908	1.34
Property insurance	375	7,152	--	7,527	0.20	351	8,582	--	8,933	0.25
Mortgage insurance premium	--	67,206	--	67,206	1.81	--	68,341	--	68,341	1.88
Depreciation	120,692	353,388	--	474,080	12.79	111,442	353,388	--	464,830	12.78
	<u>\$ 733,111</u>	<u>\$ 833,812</u>	<u>\$ (612,044)</u>	<u>\$ 954,879</u>	<u>\$ 25.76</u>	<u>\$ 725,759</u>	<u>\$ 836,475</u>	<u>\$ (613,966)</u>	<u>\$ 948,268</u>	<u>\$ 26.07</u>
Plant Operations										
Salaries	\$ 90,459	\$ --	\$ --	\$ 90,459	\$ 2.44	\$ 82,758	\$ --	\$ --	\$ 82,758	\$ 2.28
Purchased services	119,066	--	--	119,066	3.21	149,526	--	--	149,526	4.11
Supplies and expense	93,817	--	--	93,817	2.53	68,624	--	--	68,624	1.89
Utilities	294,495	--	--	294,495	7.94	237,069	--	--	237,069	6.52
	<u>\$ 597,837</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 597,837</u>	<u>\$ 16.13</u>	<u>\$ 537,977</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 537,977</u>	<u>\$ 14.79</u>
Nursing										
Salaries - Director of Nursing	\$ 119,750	\$ --	\$ --	\$ 119,750	\$ 3.23	\$ 119,643	\$ --	\$ --	\$ 119,643	\$ 3.29
Salaries - registered nurses	720,361	--	--	720,361	19.43	823,077	--	--	823,077	22.63
Salaries - L.P.N.	1,217,484	--	--	1,217,484	32.84	1,448,861	--	--	1,448,861	39.83
Salaries - nurses aides	1,692,564	--	--	1,692,564	45.66	1,618,118	--	--	1,618,118	44.49
Salaries - clinical nurse	5,927	--	--	5,927	0.16	--	--	--	--	--
Purchased services	2,052,933	--	--	2,052,933	55.38	735,123	--	--	735,123	20.21
Supplies and expense	92,811	--	--	92,811	2.50	156,846	--	--	156,846	4.31
Salaries- Phlebotomist	26,980	--	--	26,980	0.73	22,884	--	--	22,884	0.63
Salaries - Incentive pay	--	--	--	--	--	2,798	--	--	2,798	0.08
	<u>\$ 5,928,810</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,928,810</u>	<u>\$ 159.93</u>	<u>\$ 4,927,350</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,927,350</u>	<u>\$ 135.46</u>

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HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total	Per Diem	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total	Per Diem
Medical Services										
Salaries - Medical records	\$ 107,499	\$ --	\$ --	\$ 107,499	\$ 2.90	\$ 114,250	\$ --	\$ --	\$ 114,250	\$ 3.14
Salaries - Quality Assurance	68,887	--	--	68,887	1.86	43,397	--	--	43,397	1.19
Supplies and expense	8,738	--	--	8,738	0.24	7,918	--	--	7,918	0.22
	<u>\$ 185,124</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 185,124</u>	<u>\$ 4.99</u>	<u>\$ 165,565</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 165,565</u>	<u>\$ 4.55</u>
Ancillary Expenses										
Pharmacy	\$ 182,764	\$ --	\$ --	\$ 182,764	\$ 4.93	\$ 159,375	\$ --	\$ --	\$ 159,375	\$ 4.38
Physical therapy	263,467	--	--	263,467	7.11	284,025	--	--	284,025	7.81
Occupational therapy	189,542	--	--	189,542	5.11	195,301	--	--	195,301	5.37
Speech therapy	58,468	--	--	58,468	1.58	52,414	--	--	52,414	1.44
Respiratory therapy	8,642	--	--	8,642	0.23	277	--	--	277	0.01
COVID Lab Testing	1,067	--	--	1,067	0.03	43,796	--	--	43,796	1.20
Medical supplies	3,562	--	--	3,562	0.10	2,780	--	--	2,780	0.08
Oxygen	19,255	--	--	19,255	0.52	16,783	--	--	16,783	0.46
IV therapy	31,757	--	--	31,757	0.86	24,716	--	--	24,716	0.68
Laboratory	14,355	--	--	14,355	0.39	27,910	--	--	27,910	0.77
Ambulance	13,278	--	--	13,278	0.36	11,450	--	--	11,450	0.31
X-ray	13,301	--	--	13,301	0.36	16,410	--	--	16,410	0.45
	<u>\$ 799,458</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 799,458</u>	<u>\$ 21.57</u>	<u>\$ 835,237</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 835,237</u>	<u>\$ 22.96</u>
Dietary										
Salaries	\$ 515,100	\$ --	\$ --	\$ 515,100	\$ 13.89	\$ 434,673	\$ --	\$ --	\$ 434,673	\$ 11.95
Food	382,177	--	--	382,177	10.31	336,006	--	--	336,006	9.24
Purchased services	7,429	--	--	7,429	0.20	58,674	--	--	58,674	1.61
Supplies and expense	52,242	--	--	52,242	1.41	43,787	--	--	43,787	1.20
	<u>\$ 956,948</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 956,948</u>	<u>\$ 25.81</u>	<u>\$ 873,140</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 873,140</u>	<u>\$ 24.00</u>

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HDH CORPORATION
d/b/a HANNAH DUSTON HEALTHCARE CENTER
AND HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total	Per Diem	HDH Corporation	Hannah Duston Associates LP	Eliminations	Consolidated Total	Per Diem
Laundry and Linen										
Salaries	\$ 140,353	\$ --	\$ --	\$ 140,353	\$ 3.79	\$ 98,543	\$ --	\$ --	\$ 98,543	\$ 2.71
Purchased services	31,556	--	--	31,556	0.85	25,381	--	--	25,381	0.70
Linen and bedding	44,640	--	--	44,640	1.20	39,530	--	--	39,530	1.09
Supplies and expense	9,423	--	--	9,423	0.25	7,998	--	--	7,998	0.22
	<u>\$ 225,972</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 225,972</u>	<u>\$ 6.10</u>	<u>\$ 171,452</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 171,452</u>	<u>\$ 4.72</u>
Housekeeping										
Salaries	\$ 359,614	\$ --	\$ --	\$ 359,614	\$ 9.70	\$ 337,223	\$ --	\$ --	\$ 337,223	\$ 9.27
Supplies and expense	76,856	--	--	76,856	2.07	98,518	--	--	98,518	2.71
	<u>\$ 436,470</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 436,470</u>	<u>\$ 11.77</u>	<u>\$ 435,741</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 435,741</u>	<u>\$ 11.98</u>
Social Services										
Salaries	\$ 208,705	\$ --	\$ --	\$ 208,705	\$ 5.63	\$ 197,800	\$ --	\$ --	\$ 197,800	\$ 5.44
	<u>\$ 208,705</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 208,705</u>	<u>\$ 5.63</u>	<u>\$ 197,800</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 197,800</u>	<u>\$ 5.44</u>
Recreation										
Salaries	\$ 105,678	\$ --	\$ --	\$ 105,678	\$ 2.85	\$ 72,717	\$ --	\$ --	\$ 72,717	\$ 2.00
Purchased services	5,283	--	--	5,283	0.14	3,732	--	--	3,732	0.10
Supplies and expense	3,563	--	--	3,563	0.10	4,327	--	--	4,327	0.12
	<u>\$ 114,524</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 114,524</u>	<u>\$ 3.09</u>	<u>\$ 80,776</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 80,776</u>	<u>\$ 2.22</u>
Consultants										
Medical Director	\$ 42,000	\$ --	\$ --	\$ 42,000	\$ 1.13	\$ 60,000	\$ --	\$ --	\$ 60,000	\$ 1.65
Pharmacy	8,588	--	--	8,588	0.23	14,804	--	--	14,804	0.41
	<u>\$ 50,588</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 50,588</u>	<u>\$ 1.36</u>	<u>\$ 74,804</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 74,804</u>	<u>\$ 2.06</u>

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