

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

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

**CONTENTS**

---

<b>Independent Auditors' Report .....</b>	<b>1-2</b>
---	------------

**Consolidated Financial Statements**

Consolidated Balance Sheets.....	3-4
Consolidated Statements of Operations .....	5
Consolidated Statements of Changes in Equity (Deficit).....	6
Consolidated Statements of Cash Flows. ....	7-8

<b>Notes to Consolidated Financial Statements .....</b>	<b>9-30</b>
---	-------------

<b>Independent Auditors' Report on Supplementary Information .....</b>	<b>31</b>
--	-----------

**Supplementary Information**

Consolidating Balance Sheets .....	32-35
Consolidating Statements of Operations .....	36-37
Consolidating Statements of Cash Flows .....	38-39
Schedules of Bed Days.....	40
Consolidating Schedules of Operating Expenses .....	41-44

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Arbetter Corporation d/b/a Oak Knoll Healthcare Center  
and Arbetter Associates Limited Partnership**

### *Opinion*

We have audited the accompanying consolidated financial statements of Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership, which comprise the consolidated balance sheets as of December 31, 2021, and the related consolidated statements of operations, changes in equity (deficit), and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership as of December 31, 2021, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Prior Period Financial Statements*

The consolidated financial statements of Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership for the year ended December 31, 2020 were audited by other auditors whose report dated August 5, 2021 expressed an unmodified opinion.

### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Marcum LLP*

Hartford, CT  
June 13, 2022

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

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 886,289	\$ 1,689,189
Accounts receivable, patients	1,985,482	1,538,330
Prepaid expenses	181,146	179,616
Other receivable	64,740	84,387
<b>Total Current Assets</b>	<u>3,117,657</u>	<u>3,491,522</u>
<b>Funded Reserves</b>		
Escrow deposits	82,581	93,244
Replacement reserves	453,598	535,849
<b>Total Funded Reserves</b>	<u>536,179</u>	<u>629,093</u>
<b>Property and Equipment, net</b>		
Land	118,177	118,177
Building	6,949,818	6,949,818
Improvements	1,063,791	1,063,791
Equipment	1,744,232	1,657,751
	9,876,018	9,789,537
Less accumulated depreciation	<u>6,392,174</u>	<u>6,090,859</u>
<b>Total Property and Equipment, net</b>	<u>3,483,844</u>	<u>3,698,678</u>
<b>Due from Related Parties</b>	<u>3,000</u>	<u>168,873</u>
<b>Other Assets</b>		
Software	1,226	3,679
Insurance claims receivable	150,000	75,000
<b>Total Other Assets</b>	<u>151,226</u>	<u>78,679</u>
<b>Total Assets</b>	<u><u>\$ 7,291,906</u></u>	<u><u>\$ 8,066,845</u></u>

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

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

**CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>Liabilities and Equity (Deficit)</b>		
<b>Current Liabilities</b>		
Loan payable - current portion	\$ 235,875	\$ 226,980
Accounts payable	901,097	550,175
Accrued expenses	289,546	431,173
Accrued payroll and related costs	410,562	475,810
Deferred revenue	47,527	611,884
Due to third-party payors	435,822	99,694
<b>Total Current Liabilities</b>	<u>2,320,429</u>	<u>2,395,716</u>
<b>Litigation Obligations</b>	150,000	75,000
<b>Long-Term Debt, net</b>	4,222,125	4,453,784
<b>Due to Related Parties</b>	<u>5,847,870</u>	<u>5,259,118</u>
<b>Total Liabilities</b>	<u>12,540,424</u>	<u>12,183,618</u>
<b>Equity (Deficit)</b>		
Additional paid-in capital	1,158,756	1,158,756
Accumulated deficit/partnership interest	(4,627,450)	(3,475,992)
Noncontrolling interest in partnership	<u>(1,779,824)</u>	<u>(1,799,537)</u>
<b>Total (Equity) Deficit</b>	<u>(5,248,518)</u>	<u>(4,116,773)</u>
<b>Total Liabilities and Deficit</b>	<u>\$ 7,291,906</u>	<u>\$ 8,066,845</u>

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

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

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>Revenue</b>		
Private patients	\$ 2,957,675	\$ 2,619,290
Medicare patients, net of sequester	3,094,367	3,667,717
Publicly-aided patients	5,437,000	5,316,331
Ancillary income, net of sequester	302,831	297,010
Federal stimulus revenue	609,784	232,125
State stimulus revenue	--	870,818
Interest income	1,395	5,098
Other income	73,786	168,894
Prior year revenue adjustments	(350,140)	15,810
<b>Total Revenue</b>	<u>12,126,698</u>	<u>13,193,093</u>
<b>Operating Expenses</b>		
Administrative and general	2,189,908	1,950,782
Employee benefits	731,775	784,509
Property expenses	678,723	677,932
Plant operations	466,804	470,965
Nursing	5,117,453	4,918,136
Medical services	166,076	256,025
Ancillary	1,235,501	1,255,775
Dietary	899,511	913,554
Laundry and linen	205,970	199,139
Housekeeping	450,734	416,787
Social services	198,237	111,033
Recreation	95,240	98,267
Consultants	79,741	114,555
<b>Total Operating Expenses</b>	<u>12,515,673</u>	<u>12,167,459</u>
<b>(Loss) Income Before Other Items</b>	<u>(388,975)</u>	<u>1,025,634</u>
<b>Other Items</b>		
Management fees	(742,770)	(802,412)
<b>Total Other Items</b>	<u>(742,770)</u>	<u>(802,412)</u>
<b>Net (Loss) Income</b>	(1,131,745)	223,222
<b>Noncontrolling Interest in Partnership</b>	<u>(19,713)</u>	<u>(12,520)</u>
<b>Arbetter Corporation Net (Loss) Income</b>	<u>\$ (1,151,458)</u>	<u>\$ 210,702</u>

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

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

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Additional Paid-In Capital	Arbetter Corporation Retained Deficit	General Partner 1% Interest	Non-Controlling Interest in Partnership	Total Equity (Deficit)
<b>Balance - December 31, 2019</b>	\$ 1,158,756	\$ (3,687,647)	\$ 953	\$ (1,812,057)	\$ (4,339,995)
Net income	<u>--</u>	<u>210,576</u>	<u>126</u>	<u>12,520</u>	<u>223,222</u>
<b>Balance - December 31, 2020</b>	1,158,756	(3,477,071)	1,079	(1,799,537)	(4,116,773)
Net income (loss)	<u>--</u>	<u>(1,151,657)</u>	<u>199</u>	<u>19,713</u>	<u>(1,131,745)</u>
<b>Balance - December 31, 2021</b>	<u>\$ 1,158,756</u>	<u>\$ (4,628,728)</u>	<u>\$ 1,278</u>	<u>\$ (1,779,824)</u>	<u>\$ (5,248,518)</u>

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



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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Net (loss) income	\$ (1,151,458)	\$ 210,702
Adjustments to reconcile net (loss) income to net cash net cash (used in) provided by operating activities:		
Depreciation and amortization	303,768	285,063
Amortization of debt issuance costs	4,216	4,419
Noncontrolling interest in partnership	19,713	12,520
Bad debts	270,858	252,366
Changes in operating assets and liabilities:		
Accounts receivable	(718,010)	(42,969)
Prepaid expenses	(1,530)	(272)
Other receivables	19,647	(84,387)
Accounts payable	350,922	(92,629)
Accrued expenses	(141,627)	(372)
Accrued payroll and related costs	(65,248)	50,972
Deferred revenue	(564,357)	608,736
Due to third-party payors	336,128	4,007
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>(1,336,978)</u>	<u>1,208,156</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	<u>(86,481)</u>	<u>(238,878)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(86,481)</u>	<u>(238,878)</u>
<b>Cash Flows from Financing Activities</b>		
Principal payments on long-term debt	(226,980)	(218,421)
Net change in amounts due to related parties	<u>754,625</u>	<u>211,559</u>
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>527,645</u>	<u>(6,862)</u>
<b>Net Change in Cash and Restricted Cash</b>	(895,814)	962,416
<b>Cash and Restricted Cash - Beginning</b>	<u>2,318,282</u>	<u>1,355,866</u>
<b>Cash and Restricted Cash - Ending</b>	<u><u>\$ 1,422,468</u></u>	<u><u>\$ 2,318,282</u></u>

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

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

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 177,652</u>	<u>\$ 186,212</u>
<b>Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the period</b>		
Cash and cash equivalents	\$ 886,289	\$ 1,689,189
Restricted Cash		
Mortgage escrows	82,581	93,244
Replacement reserves	<u>453,598</u>	<u>535,849</u>
	<u>\$ 1,422,468</u>	<u>\$ 2,318,282</u>

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

***ORGANIZATION***

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

A summary of the Companies' significant accounting policies follows:

***BASIS OF CONSOLIDATION***

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

***CASH AND CASH EQUIVALENTS***

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

***PATIENT SERVICE REVENUE***

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**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 \$301,315 and \$282,611 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, there were no impairment losses recognized for long-lived assets.

***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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

***INCOME TAXES (CONTINUED)***

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.

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 Corporation follows the policy for uncertainty in income taxes to be recognized in an entity's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No uncertain income tax positions were identified for the year ended December 31, 2021.

***USE OF ESTIMATES***

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

***RECLASSIFICATIONS***

Certain reclassifications have been made to prior year amounts to conform to current year presentation.

***PROMOTIONAL ADVERTISING***

Promotional advertising costs are expensed as incurred. Promotional advertising costs charged to operations amounted to \$12,412 and \$2,872 for 2021 and 2020, respectively.

***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.

***SOFTWARE***

Software with a historical cost of \$34,551 at December 31, 2021 and 2020, respectively, is amortized over a period of three to five years using the straight-line method. Accumulated amortization amounted to \$33,325 and \$30,872 as of December 31, 2021 and 2020, respectively. Amortization charged to operations amounted to \$2,453 and \$2,452 for 2021 and 2020, respectively. The remaining amortization to be charged for 2022 is \$1,226.

***PRIOR YEARS' REVENUE ADJUSTMENT***

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

***FEDERAL AND STATE STIMULUS REVENUE***

During 2020, the Corporation received federal and state grants to provide funding to respond to the COVID-19 pandemic as follows:

*Federal Stimulus* – During 2020, 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). The Corporation received PRF payments in the amount of \$841,909 during fiscal year 2020, and upon substantially meeting certain terms and conditions, the Corporation recognized \$232,125 for 2020 which is included in federal stimulus revenue on the consolidated statements of operations. The remaining balance of \$609,784 was included in deferred revenue on the consolidated balance sheet as of December 31, 2020. During the year ended December 31, 2021, the Corporation satisfied the necessary requirements to recognize the remaining \$609,784 of income, which is also included in federal stimulus revenue on the accompanying statement of operations.

During the year ended December 31, 2021, the Corporation received additional PRF funding totaling \$45,427 from HHS. The balance is included in deferred revenue on the consolidated balance sheet as of December 31, 2021.

The PRF payments have terms and conditions that the Corporation is required to follow and these funds are subject to reporting requirements and audit. The PRF payments are subject to potential recoupment by HHS if it is determined that the funds were not spent in accordance with the terms and conditions. Management believes the amounts that have been determined to be income are appropriately classified as of December 31, 2021 and 2020.

*State 10% Add-On Grant* – The Corporation received payments from the Commonwealth of Massachusetts Executive Office of Health and Human Services (EOHHS) which amounted to approximately 10% of Medicaid patient service revenue for the months of April through July 2020. The Facility received add-on payments in the amount of \$160,160 and recognized those payments as revenue during fiscal year 2020. The revenue recognized is 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 for the year ending December 31, 2020.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

***FEDERAL AND STATE STIMULUS REVENUE (CONTINUED)***

*State 50% Add-On Grant* – The Corporation received payments from EOHHS which amounted to approximately 50% of Medicaid patient service revenue for the months of May and June 2020. The Corporation received add-on payments in the amount of \$400,400 and recognized those payments as revenues during fiscal year 2020. The revenue recognized is included in state stimulus revenue on the consolidated statements of operations. The add-on payments are subject to restrictions on the time period and types of expenses that these payments can be spent on. The Corporation's spending of these payments is subject to reporting requirements and audit. The add-on payments are subject to potential recoupment by EOHHS if it is determined that the funds were not spent in accordance with the restrictions. Management believes the amounts have been recognized appropriately for the year ending December 31, 2020.

*State Other COVID-19 Testing Reimbursements* – During the years ended December 31, 2021 and 2020, the Corporation has recognized \$246,096 and \$125,740 in expense reimbursements from the Commonwealth of Massachusetts Executive Office of Health and Human Services (EOHHS.) The amounts are included as a reduction in nursing expenses on the consolidated statement of operations for the year ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, the Corporation recorded \$64,740 and \$76,640 in other receivables on the consolidated balance sheets, which were collected subsequent to each of the years then ended. Management believes the amounts have been recognized appropriately as of and for the years ending December 31, 2021 and 2020.

*State Isolation Space Grant* – The Organization received payments from EOHHS related to the establishment and maintenance of a COVID-19 isolation space. The Organization received grant payments in the amount of \$310,258 and recognized those payments as revenue during fiscal year 2020. The revenue recognized is included in state stimulus revenue on the statement 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 for the year ending December 31, 2020.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

***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.

***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. 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, 2021 and 2020.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

***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 13).

***NEW ACCOUNTING PRONOUNCEMENT***

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, which requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In June 2020, the FASB delayed the effective date of this ASU for certain organizations that had not yet applied the new guidance. This ASU is now effective for fiscal years beginning after December 15, 2021. The Companies are currently evaluating the impact this standard will have on its consolidated financial statements.

***SUBSEQUENT EVENTS***

In preparing these consolidated financial statements, the Companies have evaluated events and transactions for potential recognition or disclosure through June 13, 2022, the date the consolidated financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements has 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 payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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 obligation from admission into the facility to the point when it is no longer required to provide services to that resident.

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

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

***Medicaid***

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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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 became in effect, with the full 2% resuming July 1, 2022.

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

***OTHER THIRD-PARTY PAYORS***

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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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 2021 and 2020.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2021 and 2020. 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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

For the years ended December 31, 2021 and 2020, the Corporation recognized revenue of \$11,441,733 and \$11,916,158, respectively, that transfer to the customer over time. Additionally, for the year ended December 31, 2021 and 2020, the Corporation recognized \$73,786 and \$168,894, respectively, of other revenue.

**NOTE 3 – ACCOUNTS RECEIVABLE**

	2021	2020
Private and insurance patients	\$ 906,557	\$ 422,696
Medicare patients	475,339	433,482
Publicly-aided patient	<u>708,248</u>	<u>786,814</u>
	2,090,144	1,642,992
Allowance for uncollectible	<u>(104,662)</u>	<u>(104,662)</u>
Accounts receivable, net	<u>\$ 1,985,482</u>	<u>\$ 1,538,330</u>

Bad debt expense reflected in operations amounted to \$270,858 and \$252,366 for 2021 and 2020, respectively. Included in the bad debt expense amount are the change in allowance for uncollectible accounts as well as actual bad debts written off, net of recoveries.

**NOTE 4 – RELATED PARTY TRANSACTIONS**

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

***MANAGEMENT FEES***

The Corporation recorded management fees to Greenleaf, V.I. II Incorporated of \$742,770 and \$802,412 for the years ended December 31, 2021 and 2020, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**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 \$65,076 for 2021 and 2020. 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 the related companies.

***RENT***

The Corporation leases property, plant, and equipment from the Partnership. Rent expense amounted to \$589,604 and \$597,786 for 2021 and 2020, respectively. Rent is eliminated in consolidation.

The lease agreement was amended effective January 1, 2009 to include minimum annual rents equal to 100% of mortgage principal, interest, mortgage insurance premiums, sinking fund payments, real estate tax escrows, and casualty insurance escrows with additional rent as agreed to by the Corporation and the Partnership from time to time. In addition, the Corporation shall fund the monthly replacement reserve deposits and be entitled to reimbursement for qualified expenditures. The lease was further amended on February 27, 2018 extending the term of the lease through February 26, 2023.

Future minimum lease payments, which will be eliminated in consolidation, through the end of the lease term are estimated as follows:

Year ending December 31,

2022	\$ 615,593
2023	<u>102,599</u>
	<u>\$ 718,192</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

---

**NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)**

***REPLACEMENT RESERVE EXCHANGE***

Replacement reserve deposits are recorded as an exchange with property and equipment purchased from replacement reserve funds being recorded on the books of the Corporation. The balance of the replacement reserve exchange may only be returned to the Partnership when the HUD-insured mortgage note has been extinguished. At December 31, 2021 and 2020, the replacement reserve exchange totaled \$208,287 and \$291,056 which been eliminated in consolidation.

***RELATED PARTY LOANS***

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

	2021	2020
Due from related parties		
Affiliates	\$ 3,000	\$ 168,873
Total due from related parties	<u>\$ 3,000</u>	<u>\$ 168,873</u>
Due to related parties		
Officers/Shareholders	\$ 3,262,919	\$ 3,262,919
Affiliates	<u>2,584,951</u>	<u>1,996,199</u>
Total due to related parties	<u>\$ 5,847,870</u>	<u>\$ 5,259,118</u>

**NOTE 5 – FUNDED RESERVES**

Under the terms of the U.S. Department of Housing and Urban Development (HUD) Regulatory Agreement, the Partnership is required to make monthly payments to an escrow account to cover FHA mortgage insurance, property insurance and real estate taxes. In addition, the Partnership must make monthly payments of \$5,633 to a reserve for replacements, which may be used for capital expenditures and major repairs. Withdrawals from the reserve for replacements are subject to approval by HUD. The balance in the escrow accounts and the replacement reserves were \$82,581 and \$453,598 at December 31, 2021 and \$93,244 and \$535,849 at December 31, 2020.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 6 – LONG-TERM DEBT**

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

	<u>2021</u>	<u>2020</u>
3.85% mortgage payable to Walker & Dunlop, LLC secured by substantially all assets and insured by the U.S. Department of Housing and Urban Development (HUD), payable in monthly installments of \$33,719, due June 2036.	\$ 4,490,671	\$ 4,717,651
Less unamortized debt issuance costs	<u>32,671</u>	<u>36,887</u>
	4,458,000	4,680,764
Less current maturities	<u>235,875</u>	<u>226,980</u>
Total long-term debt	<u>\$ 4,222,125</u>	<u>\$ 4,453,784</u>

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

Year ending December 31,

2022	\$ 235,875
2023	245,118
2024	254,723
2025	264,705
2026	275,078
Thereafter	<u>3,215,172</u>
	<u>\$ 4,490,671</u>

Interest incurred on long-term debt amounted to \$181,081 and \$189,990 for the years ended December 31, 2021 and 2020, respectively, including \$4,216 and \$4,420 of amortized debt issuance costs for each of the years then ended.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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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 2021 and 2020, respectively. For both 2021 and 2020, the Corporation will be included as part of the Whittier Healthcare Holdings II, Inc.'s consolidated tax return.

There was no provision for income taxes for the years ended December 31, 2021 and 2020.

Total deferred tax assets are calculated to affect future deductible temporary differences caused by the allowance for bad debts, fixed asset expenditures, and a net operating loss carryforward. Total deferred tax liability is calculated to reflect future taxable temporary differences caused by the use of different depreciation methods and lives for financial statement and income tax purposes. For both 2021 and 2020, deferred tax assets have been determined to not be material.

**NOTE 8 – CONCENTRATION OF CREDIT RISK**

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

***CASH***

The Companies maintain cash balances in one federally insured financial institution. The cash and cash equivalents exceeding federally insured limits totaled approximately \$553 thousand as of December 31, 2021.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 8 – CONCENTRATION OF CREDIT RISK (CONTINUED)**

***ACCOUNTS RECEIVABLE - PATIENTS***

The Corporation extends unsecured credit to its private patients and patients covered under third-party payer arrangements. Accounts receivable from private patients and third-party payors totaled \$1,985,482 and \$1,538,330, at December 31, 2021 and 2020, respectively. See Notes 2 and 3 for details of third- party payer arrangements and receivable balances, respectively.

***DUE FROM RELATED PARTIES***

The Companies extend unsecured credit to its affiliates and owners. The balance due from related parties totaled \$3,000 and \$168,873 at December 31, 2021 and 2020, respectively. See Note 4 for further details.

***OTHER RECEIVABLE***

At December 31, 2021, other receivables from non related parties totaling \$64,740 were for State COVID-19 testing. At December 31, 2020, other receivables from non-related parties totaled \$76,640 for State COVID-19 testing, and \$7,747 for vendor overpayments and other receivables related to the ordinary course of business.

***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 9 – 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 9 – CONTINGENCIES (CONTINUED)**

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

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

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

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

Effective October 1, 2016, the Corporation's Medicaid rate includes a direct-care add-on (DCA) component where the Corporation must spend the additional funding on eligible staff as compared to its base period. If the Corporation does not comply with the requirements, all unspent or impermissibly spent funds plus a 25% penalty will be due back to the Medicaid program. The DCA reporting period is from July 1, 2019 through June 30, 2020. In October 2020, the DCA program was changed to the Direct Care Cost Quotient (DCCQ) as a regulatory requirement. The Corporation filed its final report covering the period from October 1, 2020 through June 30, 2021 and in March 2022, filed an interim report covering the period from July 1, 2021 through December 31, 2021. Management believes as of December 31, 2021, the Corporation has met and exceeded all requirements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 9 – CONTINGENCIES (CONTINUED)**

As discussed in Note 1, the Corporation is part of a unified group (Group) for state income tax filing requirements. The Group's 2016 state income tax return was audited, resulting in a tax liability of approximately \$2,000 that was paid in September 2021.

**NOTE 10 – CAPITAL STOCK**

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

**NOTE 11 – 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 12 – 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 \$236,072 and \$243,929 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020. As a result, no adjustments for such expenses have been reflected in the consolidated financial statements as of each of December 31, 2021 and 2020.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 12 – SELF INSURANCE (CONTINUED)**

Effective November 1, 2019 through November 30, 2020, the Corporation replaced the Dental Benefits Plan under United Healthcare Services, Inc. with group dental insurance under Standard Insurance Company. As a result of this change the dental insurance was no longer covered under self-insurance for the period noted above. Effective December 1, 2020, the Corporation reverted the group dental insurance back to United Healthcare Services, Inc. and self-insurance.

**NOTE 13 – PROFESSIONAL AND GENERAL LIABILITY PROGRAM**

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

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

All coverage provided by the program is ultimately limited by the funds available in the custodial account. The Corporation estimates insured liability claims amount to \$150,000 and \$75,000 for the years ended December 31, 2021 and 2020, respectively. A receivable in the amounts of \$150,000 and \$75,000, respectively, has also been recorded as this is the amount that would be funded to the Corporation should the claim be settled against it. The professional and general liability expense charged to operations was \$213,509 for 2021 and 2020.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 14 – 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 \$2.003 million aggregate loss limit which covers all the plan participants.

**NOTE 15 – 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 16 – 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 2021 and 2020.

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 will be 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 16 – COVID-19 IMPACT (CONTINUED)**

COVID-19 may also impact various parts of the Corporation's 2022 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, 2021.



**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
**Arbetter Corporation d/b/a Oak Knoll Healthcare Center  
and Arbetter Associates Limited Partnership**

We have audited the financial statements of Arbetter Corporation d/b/a Oak Knoll Healthcare Center and Arbetter Associates Limited Partnership as of and for the year ended December 31, 2021 and have issued our report dated June 13, 2022, which appears on pages 1 through 2 and contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating balance sheets, statements of operations and cash flows, schedules of bed days and consolidating schedules of operating expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Marcum LLP*

Hartford, CT  
June 13, 2022

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

**CONSOLIDATING BALANCE SHEET**

**DECEMBER 31, 2021**

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

*See independent auditors' report on supplementary information.*

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

**CONSOLIDATING BALANCE SHEET (CONTINUED)**

**DECEMBER 31, 2021**

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

*See independent auditors' report on supplementary information.*

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

**CONSOLIDATING BALANCE SHEET**

**DECEMBER 31, 2020**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 1,264,877	\$ 424,312	\$ --	\$ 1,689,189
Accounts receivable, patients	1,538,330	--	--	1,538,330
Prepaid expenses	173,025	6,591	--	179,616
Other receivable	84,387	--	--	84,387
<b>Total Current Assets</b>	<u>3,060,619</u>	<u>430,903</u>	<u>--</u>	<u>3,491,522</u>
<b>Funded Reserves</b>				
Escrow deposits	--	93,244	--	93,244
Replacement reserves	--	535,849	--	535,849
<b>Total Funded Reserves</b>	<u>--</u>	<u>629,093</u>	<u>--</u>	<u>629,093</u>
<b>Property and Equipment</b>				
Land	--	118,177	--	118,177
Building	--	6,949,818	--	6,949,818
Improvements	808,833	254,958	--	1,063,791
Equipment	1,172,943	484,808	--	1,657,751
	1,981,776	7,807,761	--	9,789,537
Less accumulated depreciation	1,108,791	4,982,068	--	6,090,859
<b>Total Property and Equipment, net</b>	<u>872,985</u>	<u>2,825,693</u>	<u>--</u>	<u>3,698,678</u>
<b>Due from Related Parties</b>	<u>546,343</u>	<u>--</u>	<u>(377,470)</u>	<u>168,873</u>
<b>Other Assets</b>				
Software	3,679	--	--	3,679
Insurance claims receivable	75,000	--	--	75,000
<b>Total Other Assets</b>	<u>78,679</u>	<u>--</u>	<u>--</u>	<u>78,679</u>
<b>Total Assets</b>	<u>\$ 4,558,626</u>	<u>\$ 3,885,689</u>	<u>\$ (377,470)</u>	<u>\$ 8,066,845</u>

*See independent auditors' report on supplementary information.*

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

**CONSOLIDATING BALANCE SHEET (CONTINUED)**

**DECEMBER 31, 2020**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Liabilities and Equity (Deficit)</b>				
<b>Current Liabilities</b>				
Loan payable - current portion	\$ --	\$ 226,980	\$ --	\$ 226,980
Accounts payable	550,175	--	--	550,175
Accrued expenses	408,103	23,070	--	431,173
Accrued payroll and related costs	475,810	--	--	475,810
Deferred revenue	611,884	--	--	611,884
Due to third-party payors	99,694	--	--	99,694
<b>Total Current Liabilities</b>	2,145,666	250,050	--	2,395,716
<b>Litigation Obligations</b>	75,000	--	--	75,000
<b>Long-Term Debt, net</b>	--	4,453,784	--	4,453,784
<b>Due to Related Parties</b>	4,656,275	980,313	(377,470)	5,259,118
<b>Total Liabilities</b>	6,876,941	5,684,147	(377,470)	12,183,618
<b>Equity (Deficit)</b>				
Additional paid-in capital	1,158,756	--	--	1,158,756
Retained earnings/partnership interest	(3,477,071)	1,079	--	(3,475,992)
Noncontrolling interest in partnership	--	(1,799,537)	--	(1,799,537)
<b>Total Equity (Deficit)</b>	(2,318,315)	(1,798,458)	--	(4,116,773)
<b>Total Liabilities and Equity (Deficit)</b>	\$ 4,558,626	\$ 3,885,689	\$ (377,470)	\$ 8,066,845

*See independent auditors' report on supplementary information.*

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

**CONSOLIDATING STATEMENT OF OPERATIONS**

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

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Revenue</b>				
Private patients	\$ 2,957,675	\$ --	\$ --	\$ 2,957,675
Medicare patients, net of sequester	3,094,367	--	--	3,094,367
Publicly-aided patients	5,437,000	--	--	5,437,000
Ancillary income, net of sequester	302,831	--	--	302,831
Federal stimulus revenue	609,784	--	--	609,784
Interest income	6	1,389	--	1,395
Rental income	--	589,604	(589,604)	--
Other income	73,786	--	--	73,786
Prior year revenue adjustments	(350,140)	--	--	(350,140)
<b>Total Revenue</b>	<u>12,125,309</u>	<u>590,993</u>	<u>(589,604)</u>	<u>12,126,698</u>
<b>Operating Expenses</b>				
Administrative and general	2,182,033	7,875	--	2,189,908
Employee benefits	731,775	--	--	731,775
Property expense	705,121	563,206	(589,604)	678,723
Plant operations	466,804	--	--	466,804
Nursing	5,117,453	--	--	5,117,453
Medical services	166,076	--	--	166,076
Ancillary	1,235,501	--	--	1,235,501
Dietary	899,511	--	--	899,511
Laundry and linen	205,970	--	--	205,970
Housekeeping	450,734	--	--	450,734
Social services	198,237	--	--	198,237
Recreation	95,240	--	--	95,240
Consultants	79,741	--	--	79,741
<b>Total Operating Expenses</b>	<u>12,534,196</u>	<u>571,081</u>	<u>(589,604)</u>	<u>12,515,673</u>
<b>(Loss) Income Before Other Items</b>	<u>(408,887)</u>	<u>19,912</u>	<u>--</u>	<u>(388,975)</u>
<b>Other Items</b>				
Management fees	(742,770)	--	--	(742,770)
<b>Total Other Items</b>	<u>(742,770)</u>	<u>--</u>	<u>--</u>	<u>(742,770)</u>
<b>Net (Loss) Income</b>	<u>(1,151,657)</u>	<u>19,912</u>	<u>--</u>	<u>(1,131,745)</u>
<b>Noncontrolling Interest in Partnership</b>	<u>--</u>	<u>--</u>	<u>(19,713)</u>	<u>(19,713)</u>
<b>Arbetter Corporation Net (Loss) Income</b>	<u>\$ (1,151,657)</u>	<u>\$ 19,912</u>	<u>\$ (19,713)</u>	<u>\$ (1,151,458)</u>

*See independent auditors' report on supplementary information.*

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

**CONSOLIDATING STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Revenue</b>				
Private patients	\$ 2,619,290	\$ --	\$ --	\$ 2,619,290
Medicare patients, net of sequester	3,667,717	--	--	3,667,717
Publicly-aided patients	5,316,331	--	--	5,316,331
Ancillary income, net of sequester	297,010	--	--	297,010
Federal stimulus revenue	232,125	--	--	232,125
State stimulus revenue	870,818	--	--	870,818
Interest income	10	5,088	--	5,098
Rental income	--	597,786	(597,786)	--
Other income	168,894	--	--	168,894
Prior year revenue adjustments	15,810	--	--	15,810
<b>Total Revenue</b>	<u>13,188,005</u>	<u>602,874</u>	<u>(597,786)</u>	<u>13,193,093</u>
<b>Operating Expenses</b>				
Administrative and general	1,941,957	8,825	--	1,950,782
Employee benefits	784,509	--	--	784,509
Property expenses	694,315	581,403	(597,786)	677,932
Plant operations	470,965	--	--	470,965
Nursing	4,918,136	--	--	4,918,136
Medical services	256,025	--	--	256,025
Ancillary	1,255,775	--	--	1,255,775
Dietary	913,554	--	--	913,554
Laundry and linen	199,139	--	--	199,139
Housekeeping	416,787	--	--	416,787
Social services	111,033	--	--	111,033
Recreation	98,267	--	--	98,267
Consultants	114,555	--	--	114,555
<b>Total Operating Expenses</b>	<u>12,175,017</u>	<u>590,228</u>	<u>(597,786)</u>	<u>12,167,459</u>
<b>Income Before Other Items</b>	<u>1,012,988</u>	<u>12,646</u>	<u>--</u>	<u>1,025,634</u>
<b>Other Items</b>				
Management fees	(802,412)	--	--	(802,412)
<b>Total Other Items</b>	<u>(802,412)</u>	<u>--</u>	<u>--</u>	<u>(802,412)</u>
<b>Net Income</b>	210,576	12,646	--	223,222
<b>Noncontrolling Interest in Partnership</b>	--	--	(12,520)	(12,520)
<b>Arbetter Corporation Net Income</b>	<u>\$ 210,576</u>	<u>\$ 12,646</u>	<u>\$ (12,520)</u>	<u>\$ 210,702</u>

*See independent auditors' report on supplementary information.*

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

**CONSOLIDATING STATEMENT OF CASH FLOWS**

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

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

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

**CONSOLIDATING STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total
<b>Cash Flows from Operating Activities</b>				
Net income	\$ 210,576	\$ 12,646	\$ (12,520)	\$ 210,702
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	98,625	186,438	--	285,063
Amortization of debt issuance costs	--	4,419	--	4,419
Noncontrolling interest in partnership	--	--	12,520	12,520
Bad debts	252,366	--	--	252,366
Changes in operating assets and liabilities:				
Accounts receivable	(42,969)	--	--	(42,969)
Prepaid expenses	(453)	181	--	(272)
Other receivable	(84,387)	--	--	(84,387)
Accounts payable	(92,629)	--	--	(92,629)
Accrued expenses	(105)	(267)	--	(372)
Accrued payroll and related costs	50,972	--	--	50,972
Deferred revenue	608,736	--	--	608,736
Due to third-party payors	4,007	--	--	4,007
<b>Net Cash Provided by Operating Activities</b>	<u>1,004,739</u>	<u>203,417</u>	<u>--</u>	<u>1,208,156</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of property and equipment	(238,878)	--	--	(238,878)
<b>Net Cash Used in Investing Activities</b>	<u>(238,878)</u>	<u>--</u>	<u>--</u>	<u>(238,878)</u>
<b>Cash Flows from Financing Activities</b>				
Principal payments on long-term debt	--	(218,421)	--	(218,421)
Change in amounts due to related parties, net	166,033	45,526	--	211,559
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>166,033</u>	<u>(172,895)</u>	<u>--</u>	<u>(6,862)</u>
<b>Net Change in Cash and Restricted Cash</b>	931,894	30,522	--	962,416
<b>Cash and Restricted Cash - Beginning</b>	<u>332,983</u>	<u>1,022,883</u>	<u>--</u>	<u>1,355,866</u>
<b>Cash and Restricted Cash - End</b>	<u>\$ 1,264,877</u>	<u>\$ 1,053,405</u>	<u>\$ --</u>	<u>\$ 2,318,282</u>
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash paid for interest	\$ --	\$ 186,212	\$ --	\$ 186,212
<b>Reconciliation of Cash and Restricted Cash to Amounts Reported in the Balance Sheet at the End of the period</b>				
Cash and cash equivalents	\$ 1,264,877	\$ 424,312	\$ --	\$ 1,689,189
Restricted Cash				
Mortgage escrows	--	93,244	--	93,244
Replacement reserves	--	535,849	--	535,849
	<u>\$ 1,264,877</u>	<u>\$ 1,053,405</u>	<u>\$ --</u>	<u>\$ 2,318,282</u>

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

**SCHEDULES OF BED DAYS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021		2020	
	Bed Days	Percent	Bed Days	Percent
Occupancy				
Private and Insurance	7,440	22.1%	6,239	18.1%
Medicare	4,689	13.9%	5,634	16.4%
Publicly-aided	<u>21,552</u>	<u>64.0%</u>	<u>22,512</u>	<u>65.5%</u>
	<u>33,681</u>	<u>100.0%</u>	<u>34,385</u>	<u>100.0%</u>
Bed Days Available	<u>45,018</u>		<u>45,018</u>	
Percentage of Occupancy	<u>74.82%</u>		<u>76.38%</u>	

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

**CONSOLIDATING SCHEDULES OF OPERATING EXPENSES**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021					2020				
	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem
<b>Administrative and General</b>										
Salaries - Administration	\$ 152,914	\$ --	\$ --	\$ 152,914	\$ 4.54	\$ 150,472	\$ --	\$ --	\$ 150,472	\$ 4.38
Salaries - Clerical	363,202	--	--	363,202	10.78	344,967	--	--	344,967	10.03
User fee assessment	603,574	--	--	603,574	17.92	589,266	--	--	589,266	17.14
Insurance - other	213,509	--	--	213,509	6.34	213,509	--	--	213,509	6.21
Legal	207,215	--	--	207,215	6.15	86,503	--	--	86,503	2.52
Accounting	33,338	7,875	--	41,213	1.22	27,271	8,250	--	35,521	1.03
Professional fees	6,828	--	--	6,828	0.20	7,410	--	--	7,410	0.22
Data processing fees	128,134	--	--	128,134	3.80	118,398	--	--	118,398	3.44
Office supplies and expense	28,007	--	--	28,007	0.83	22,539	--	--	22,539	0.66
Central office expense	65,076	--	--	65,076	1.93	65,076	--	--	65,076	1.89
Telephone	12,936	--	--	12,936	0.38	12,023	--	--	12,023	0.35
Advertising	12,412	--	--	12,412	0.37	2,872	--	--	2,872	0.08
Travel and meetings	6,512	--	--	6,512	0.19	5,826	--	--	5,826	0.17
Licenses and dues	17,065	--	--	17,065	0.51	15,485	--	--	15,485	0.45
Tuition and education	3,587	--	--	3,587	0.11	3,866	--	--	3,866	0.11
Recruiting	1,783	--	--	1,783	0.05	752	--	--	752	0.02
Taxes	5,251	--	--	5,251	0.16	5,820	--	--	5,820	0.17
Fines and penalties	39,000	--	--	39,000	1.16	474	--	--	474	0.01
Miscellaneous expenses	8,379	--	--	8,379	0.25	14,610	575	--	15,185	0.44
Amortization of software	2,453	--	--	2,453	0.07	2,452	--	--	2,452	0.07
Bad debts	270,858	--	--	270,858	8.04	252,366	--	--	252,366	7.34
	<u>\$ 2,182,033</u>	<u>\$ 7,875</u>	<u>\$ --</u>	<u>\$ 2,189,908</u>	<u>\$ 65.00</u>	<u>\$ 1,941,957</u>	<u>\$ 8,825</u>	<u>\$ --</u>	<u>\$ 1,950,782</u>	<u>\$ 56.73</u>
<b>Employee Benefit</b>										
Group insurance	\$ 209,331	\$ --	\$ --	\$ 209,331	\$ 6.22	\$ 212,534	\$ --	\$ --	\$ 212,534	\$ 6.18
Payroll taxes	432,580	--	--	432,580	12.84	448,953	--	--	448,953	13.06
Workers compensation	66,855	--	--	66,855	1.98	96,037	--	--	96,037	2.79
Employee benefits	23,009	--	--	23,009	0.68	26,985	--	--	26,985	0.78
	<u>\$ 731,775</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 731,775</u>	<u>\$ 21.72</u>	<u>\$ 784,509</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 784,509</u>	<u>\$ 22.81</u>

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

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021					2020				
	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem
<b>Property Expenses</b>										
Rent	\$ 589,604	\$ --	\$ (589,604)	\$ --	\$ --	\$ 597,786	\$ --	\$ (597,786)	\$ --	\$ --
Interest expense	288	181,081	--	181,369	5.38	--	189,990	--	189,990	5.53
Real estate taxes	--	162,566	--	162,566	4.83	--	173,336	--	173,336	5.04
Property insurance	351	10,149	--	10,500	0.31	356	7,551	--	7,907	0.23
Mortgage insurance premium	--	22,973	--	22,973	0.68	--	24,088	--	24,088	0.70
Depreciation	114,878	186,437	--	301,315	8.95	96,173	186,438	--	282,611	8.22
	<u>\$ 705,121</u>	<u>\$ 563,206</u>	<u>\$ (589,604)</u>	<u>\$ 678,723</u>	<u>\$ 20.15</u>	<u>\$ 694,315</u>	<u>\$ 581,403</u>	<u>\$ (597,786)</u>	<u>\$ 677,932</u>	<u>\$ 19.72</u>
<b>Plant Operations</b>										
Salaries	\$ 59,629	\$ --	\$ --	\$ 59,629	\$ 1.77	\$ 90,772	\$ --	\$ --	\$ 90,772	\$ 2.64
Purchased services	145,804	--	--	145,804	4.33	126,781	--	--	126,781	3.69
Supplies and expense	16,651	--	--	16,651	0.49	19,805	--	--	19,805	0.58
Utilities	244,720	--	--	244,720	7.27	233,607	--	--	233,607	6.79
	<u>\$ 466,804</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 466,804</u>	<u>\$ 13.86</u>	<u>\$ 470,965</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 470,965</u>	<u>\$ 13.70</u>
<b>Nursing</b>										
Salaries - Director of Nursing	\$ 92,060	\$ --	\$ --	\$ 92,060	\$ 2.73	\$ 69,294	\$ --	\$ --	\$ 69,294	\$ 2.02
Salaries - registered nurses	461,771	--	--	461,771	13.71	270,298	--	--	270,298	7.86
Salaries - L.P.N.	1,148,703	--	--	1,148,703	34.11	1,285,957	--	--	1,285,957	37.40
Salaries - nurses aides	1,441,874	--	--	1,441,874	42.81	1,757,024	--	--	1,757,024	51.10
Salaries - clinical nurse	148,325	--	--	148,325	4.40	144,726	--	--	144,726	4.21
Purchased services	1,626,018	--	--	1,626,018	48.28	1,110,902	--	--	1,110,902	32.31
Supplies and expense	198,702	--	--	198,702	5.90	279,935	--	--	279,935	8.14
	<u>\$ 5,117,453</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,117,453</u>	<u>\$ 151.94</u>	<u>\$ 4,918,136</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,918,136</u>	<u>\$ 143.04</u>

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**ARBETTER CORPORATION  
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ARBETTER ASSOCIATES LIMITED PARTNERSHIP**

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021					2020				
	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem
<b>Medical Services</b>										
Salaries - Medical records	\$ 91,180	\$ --	\$ --	\$ 91,180	\$ 2.71	\$ 148,323	\$ --	\$ --	\$ 148,323	\$ 4.31
Salaries - Quality Assurance	40,787	--	--	40,787	1.21	63,897	--	--	63,897	1.86
Consultants - MDS	33,941	--	--	33,941	1.01	33,689	--	--	33,689	0.98
Agency Transcriptionist	168	--	--	168	0.00	10,116	--	--	10,116	0.29
	<u>\$ 166,076</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 166,076</u>	<u>\$ 4.93</u>	<u>\$ 256,025</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 256,025</u>	<u>\$ 7.44</u>
<b>Ancillary</b>										
Pharmacy	\$ 237,157	\$ --	\$ --	\$ 237,157	\$ 7.04	\$ 263,024	\$ --	\$ --	\$ 263,024	\$ 7.65
Physical therapy	299,974	--	--	299,974	8.91	305,859	--	--	305,859	8.90
Occupational therapy	397,587	--	--	397,587	11.80	418,994	--	--	418,994	12.19
Speech therapy	117,812	--	--	117,812	3.50	90,418	--	--	90,418	2.63
Ancillary - other	1,351	--	--	1,351	0.04	3,100	--	--	3,100	0.09
Medical supplies	15,292	--	--	15,292	0.45	14,087	--	--	14,087	0.41
Oxygen	22,968	--	--	22,968	0.68	40,686	--	--	40,686	1.18
IV therapy	43,146	--	--	43,146	1.28	22,422	--	--	22,422	0.65
Laboratory	41,853	--	--	41,853	1.24	59,063	--	--	59,063	1.72
Air fluid therapy	2,704	--	--	2,704	0.08	4,608	--	--	4,608	0.13
Ambulance	37,501	--	--	37,501	1.11	12,618	--	--	12,618	0.37
X-ray	18,156	--	--	18,156	0.54	20,896	--	--	20,896	0.61
	<u>\$ 1,235,501</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,235,501</u>	<u>\$ 36.67</u>	<u>\$ 1,255,775</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,255,775</u>	<u>\$ 36.53</u>
<b>Dietary</b>										
Salaries	\$ 489,822	\$ --	\$ --	\$ 489,822	\$ 14.54	\$ 470,134	\$ --	\$ --	\$ 470,134	\$ 13.67
Food	323,484	--	--	323,484	9.60	334,259	--	--	334,259	9.72
Purchased services	43,152	--	--	43,152	1.28	60,089	--	--	60,089	1.75
Supplies and expense	43,053	--	--	43,053	1.28	49,072	--	--	49,072	1.43
	<u>\$ 899,511</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 899,511</u>	<u>\$ 26.70</u>	<u>\$ 913,554</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 913,554</u>	<u>\$ 26.57</u>

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021					2020				
	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem	Arbetter Corporation	Arbetter Associates LP	Eliminations	Consolidated Total	Per Diem
<b>Laundry and Linen</b>										
Salaries	\$ 110,361	\$ --	\$ --	\$ 110,361	\$ 3.28	\$ 101,302	\$ --	\$ --	\$ 101,302	\$ 2.95
Purchased services	40,480	--	--	40,480	1.20	43,990	--	--	43,990	1.28
Linen and bedding	43,998	--	--	43,998	1.31	45,663	--	--	45,663	1.33
Supplies and expense	11,131	--	--	11,131	0.33	8,184	--	--	8,184	0.24
	<u>\$ 205,970</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 205,970</u>	<u>\$ 6.12</u>	<u>\$ 199,139</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 199,139</u>	<u>\$ 5.80</u>
<b>Housekeeping</b>										
Salaries	\$ 384,039	\$ --	\$ --	\$ 384,039	\$ 11.40	\$ 348,929	\$ --	\$ --	\$ 348,929	\$ 10.15
Supplies and expense	66,695	--	--	66,695	1.98	67,858	--	--	67,858	1.97
	<u>\$ 450,734</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 450,734</u>	<u>\$ 13.38</u>	<u>\$ 416,787</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 416,787</u>	<u>\$ 12.12</u>
<b>Social Services</b>										
Salaries	\$ 158,223	\$ --	\$ --	\$ 158,223	\$ 4.70	\$ 70,598	\$ --	\$ --	\$ 70,598	\$ 2.05
Consultant services	40,014	--	--	40,014	1.19	40,435	--	--	40,435	1.18
	<u>\$ 198,237</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 198,237</u>	<u>\$ 5.89</u>	<u>\$ 111,033</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 111,033</u>	<u>\$ 3.23</u>
<b>Recreation</b>										
Salaries	\$ 78,918	\$ --	\$ --	\$ 78,918	\$ 2.34	\$ 84,865	\$ --	\$ --	\$ 84,865	\$ 2.47
Purchased services	2,780	--	--	2,780	0.08	820	--	--	820	0.02
Supplies and expense	13,542	--	--	13,542	0.40	12,582	--	--	12,582	0.37
	<u>\$ 95,240</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 95,240</u>	<u>\$ 2.82</u>	<u>\$ 98,267</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 98,267</u>	<u>\$ 2.86</u>
<b>Consultants</b>										
Medical Director	\$ 72,000	\$ --	\$ --	\$ 72,000	\$ 2.14	\$ 107,200	\$ --	\$ --	\$ 107,200	\$ 3.12
Pharmacy	7,741	--	--	7,741	0.23	7,355	--	--	7,355	0.21
	<u>\$ 79,741</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 79,741</u>	<u>\$ 2.37</u>	<u>\$ 114,555</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 114,555</u>	<u>\$ 3.33</u>