

**NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

**NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)**

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INDEPENDENT AUDITORS' REPORT

To the Members
NJMHMC LLC and Affiliate
(d/b/a Hudson Regional Hospital)

We have audited the accompanying financial statements of NJMHMC LLC and Affiliate, d/b/a Hudson Regional Hospital (the Hospital), which comprise the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of income and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NJMHMC LLC and Affiliate d/b/a Hudson Regional Hospital as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Hartford, CT
May 29, 2020

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 792,835 | \$ 777,069 |
| Patient accounts receivable | 44,382,309 | 33,186,510 |
| Supplies inventory | 1,881,375 | 1,544,251 |
| Prepaid expenses and other current assets | <u>227,380</u> | <u>306,599</u> |
| Total Current Assets | <u>47,283,899</u> | <u>35,814,429</u> |
| Other Assets | | |
| Deposits | 7,176 | 7,176 |
| Property, plant and equipment, net | 43,171,182 | 37,865,899 |
| Due from affiliates | 623,167 | 1,806,890 |
| Loan to affiliate | -- | 303,750 |
| Goodwill | <u>667,121</u> | <u>741,245</u> |
| Total Other Assets | <u>44,468,646</u> | <u>40,724,960</u> |
| Total Assets | <u>\$ 91,752,545</u> | <u>\$ 76,539,389</u> |

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

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Liabilities and Members' Equity | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 18,680,745 | \$ 18,035,513 |
| Current portion of capital lease obligations | 560,630 | 319,795 |
| Current portion of note payable | 1,283,693 | 1,160,160 |
| Current portion of long-term debt and loan from affiliate | 2,165,846 | 5,267,598 |
| Estimated third-party settlements | 77,038 | 200,000 |
| Line of credit | 10,000,000 | -- |
| Total Current Liabilities | 32,767,952 | 24,983,066 |
| Long-Term Liabilities | | |
| Capital lease obligations, net of current portion | 2,323,920 | 758,155 |
| Note payable | 4,565,010 | 5,751,030 |
| Long-term debt, net of current portion | 24,674,595 | 12,832,099 |
| Loan from affiliate, net of current portion | 5,772,448 | 16,340,721 |
| Line of credit | -- | 3,000,000 |
| Total Long-Term Liabilities | 37,335,973 | 38,682,005 |
| Total Liabilities | 70,103,925 | 63,665,071 |
| Members' Equity | | |
| Controlling interest | 15,771,474 | 8,788,644 |
| Non-controlling interest | 5,877,146 | 4,085,674 |
| Total Members' Equity | 21,648,620 | 12,874,318 |
| Total Liabilities and Members' Equity | \$ 91,752,545 | \$ 76,539,389 |

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

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

**CONSOLIDATED STATEMENTS OF INCOME AND
CHANGES IN MEMBERS' EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|--|----------------------|---------------------|
| Operating Revenue | | |
| Net patient service revenue | \$ 100,410,854 | \$ 83,885,881 |
| Other revenue | 965,133 | 1,198,100 |
| Total Operating Revenue | <u>101,375,987</u> | <u>85,083,981</u> |
| Operating Expenses | | |
| Salaries and wages | 30,678,664 | 25,972,967 |
| Payroll taxes and employee benefits | 3,762,667 | 3,338,405 |
| Physician fees | 8,644,748 | 8,057,750 |
| Supplies and other expenses | 45,537,427 | 38,570,010 |
| Interest | 1,644,714 | 1,333,194 |
| Depreciation and amortization | 1,982,197 | 1,347,118 |
| Total Operating Expenses | <u>92,250,417</u> | <u>78,619,444</u> |
| Income from Operations | 9,125,570 | 6,464,537 |
| Other Non-Operating Loss | (351,268) | -- |
| Gain on Acquisition of Business | -- | 1,516,053 |
| Net Income | 8,774,302 | 7,980,590 |
| Less net income attributable to non-controlling interest | (1,791,472) | (4,085,674) |
| Net Income Attributable to NJMHMC LLC | 6,982,830 | 3,894,916 |
| Members' Equity - NJMHMC LLC at Beginning of Year | 8,788,644 | -- |
| Members' Contributions | -- | 4,893,728 |
| Members' Equity - NJMHMC LLC at End of Year | <u>\$ 15,771,474</u> | <u>\$ 8,788,644</u> |
| Members' Equity - Non-Controlling Interest at Beginning of Year | \$ 4,085,674 | \$ -- |
| Net Income Attributable to Non-Controlling Interest | 1,791,472 | 4,085,274 |
| Members' Equity - Non-Controlling Interest at End of Year | <u>\$ 5,877,146</u> | <u>\$ 4,085,274</u> |

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

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|--|--------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Net income | \$ 8,774,302 | \$ 7,980,590 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 1,982,197 | 1,347,118 |
| Gain on acquisition of business | -- | (1,516,053) |
| Changes in operating assets and liabilities: | | |
| Patient accounts receivable | (11,195,799) | (33,186,510) |
| Supplies inventory | (337,124) | (1,544,251) |
| Prepaid expenses and other assets | 1,566,692 | (306,599) |
| Deposits | -- | (7,176) |
| Accounts payable and accrued expenses | 645,232 | 18,035,513 |
| Estimated third-party settlements | (122,962) | 200,000 |
| Net Cash Provided by (Used in) Operating Activities | 1,312,538 | (8,997,368) |
| Cash Flows from Investing Activities | | |
| Net value of assets acquired in acquisitions | -- | (35,165,755) |
| Purchases of property and equipment | (7,213,358) | (3,985,735) |
| Net Cash Used in Investing Activities | (7,213,358) | (39,151,490) |
| Cash Flows from Financing Activities | | |
| Borrowings on lines of credit and long term debt | 17,083,568 | 45,429,558 |
| Payments on long term debt | (11,143,757) | (841,537) |
| Members' contributions | -- | 4,893,728 |
| Net change of deferred financing costs | (23,225) | (555,822) |
| Net Cash Provided by Financing Activities | 5,916,586 | 48,925,927 |
| Net Increase in Cash | 15,766 | 777,069 |
| Cash - Beginning | 777,069 | -- |
| Cash - End | \$ 792,835 | \$ 777,069 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for interest | \$ 1,644,714 | \$ 1,333,194 |
| Supplemental Disclosure of Noncash Financing Activities | | |
| Equipment purchased under capital leases | \$ 2,222,568 | \$ 1,018,882 |

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

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION

On December 29, 2017, NJMHMC LLC purchased the operations, building and certain other physical assets of Meadowlands Hospital Medical Center from MHA LLC (the Seller) for a total purchase price of \$12,200,000 with an effective date of January 1, 2018 (inception of operations). In addition, NJMHMC LLC also assumed various leases from the Seller.

NJMHMC LLC d/b/a Hudson Regional Hospital (the Hospital), is a for-profit acute care hospital with 204 licensed beds located in Secaucus, New Jersey. The Hospital provides inpatient, outpatient and emergency care services to residents of Secaucus, New Jersey and surrounding communities in New Jersey. The Hospital leases its space from 55 Meadowlands Holding LLC (the Landlord), which is a related party through common ownership.

The Landlord was formed for the purpose of owning and leasing a healthcare facility located in Secaucus, New Jersey and is considered to be a variable interest entity (VIE). On June 6, 2018, the Landlord acquired the lease option for the land the Hospital is located on. The purchase was financed through a mortgage with Popular Bank (see Note 7). As a result of the acquisition, the land and building were transferred to the Landlord.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Hospital and the Landlord. All significant intercompany balances and transactions have been eliminated in consolidation. The Hospital is the primary beneficiary of the Landlord, which qualifies as a VIE. The determination was based on the fact that the Hospital absorbs a majority of the VIE's expected losses and receives a majority of its expected residual returns. Except for amounts contractually required under the lease agreement between the Hospital and the Landlord, the Hospital did not provide any further financial or other support to the Landlord. The Hospital could be required to provide additional financial support to assist the Landlord in meeting its financial obligations if contractually required amounts were insufficient. Financing of the Landlord is accomplished through a mortgage loan as described in Note 7 to the consolidated financial statements. The Hospital's involvement with the Landlord is limited to leasing the real estate and guaranteeing the mortgage loan payable.

The assets, liabilities, revenues and expenses of the Landlord have been included in the accompanying consolidated financial statements. As of December 31, 2019 and 2018, amounts included in the consolidated financial statements are as follows:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-------------|-------------|
| Assets: | | |
| Cash | \$ 18,292 | \$ 24,910 |
| Property, plant and equipment | 37,378,030 | 34,218,836 |

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION (CONTINUED)

PRINCIPLES OF CONSOLIDATION (CONTINUED)

| | 2019 | 2018 |
|-------------------------------|------------|------------|
| Liabilities: | | |
| Accrued and other liabilities | \$ 73,976 | \$ 118,870 |
| Long term debt | 26,708,840 | 21,941,177 |
| Expenses | 1,880,528 | 1,100,744 |

The Revenue amounts have been excluded from this table as they eliminate in consolidation.

NOTE 2 - ACQUISITIONS

As stated in Note 1, on December 29, 2017, NJMHMC LLC entered into an asset purchase agreement with the Seller to purchase the Meadowland Hospital Medical Center's operations and facility (effective date of January 1, 2018). The assets and liabilities of the acquired business have been included in the Hospital's consolidated balance sheet based upon estimated fair values on the date of acquisition as determined in the purchase price allocation, using available information and making assumptions management believes are reasonable.

The Hospital's allocation of the purchase price and consideration paid for this acquisition is included in the table below, which summarizes the estimated fair value of the assets acquired, the liabilities assumed and the consideration paid at the date of acquisition:

| | |
|------------------------------|--------------|
| Assets acquired: | |
| Building and improvements | \$ 9,374,595 |
| Major movable equipment | 2,271,623 |
| Supplies inventory | 583,296 |
| Total assets acquired | 12,229,514 |
| Liabilities assumed: | |
| Capital lease liabilities | 156,518 |
| Other liabilities | 614,241 |
| Total assets acquired | 770,759 |
| Net value of assets acquired | 11,458,755 |

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - ACQUISITIONS (CONTINUED)

Consideration:

| | |
|------------------------------------|-------------------|
| Promissory note payable to seller | \$ 7,200,000 |
| Cash paid and loans made by member | <u>5,000,000</u> |
| | <u>12,200,000</u> |

| | |
|----------|-------------------|
| Goodwill | \$ <u>741,245</u> |
|----------|-------------------|

As stated in Note 1, on June 6, 2018, the Landlord acquired from the Hospital the lease option for the land the Hospital is located on. The assets and liabilities associated with the acquisition were included in the Landlord's balance sheet based upon estimated fair values on the date of the acquisition as determined in the purchase price allocation, using available information and making assumptions management believes are reasonable.

The Landlord's allocation of the purchase price and consideration paid for this acquisition is included in the table below, which summarizes the estimated fair value of the assets acquired and the consideration paid at the date of acquisition:

Assets acquired:

| | |
|------|---------------|
| Land | \$ 23,707,000 |
|------|---------------|

Consideration:

| | |
|------------------------------------|----------------------|
| Mortgage payable to bank | 16,000,000 |
| Cash paid and loans made by member | <u>6,190,947</u> |
| | <u>\$ 22,190,947</u> |

| | |
|---------------------------------|---------------------|
| Gain on acquisition of business | <u>\$ 1,516,053</u> |
|---------------------------------|---------------------|

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Hospital's consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of the related cash flows.

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH

The Hospital maintains its cash in major financial institutions that insure deposits with the Federal Deposit Insurance Corporation (FDIC). At times, balances may exceed the FDIC limits. The Hospital has suffered no losses in connection with its banking activity.

SUPPLIES INVENTORY

Supplies inventory is recorded at the lower of cost, using the first-in, first-out method, or net realizable value.

INTANGIBLE ASSETS

Intangible assets primarily consist of goodwill and capitalized computer software costs. Capitalized computer software costs are included in property, plant and equipment, net on the accompanying consolidated balance sheets.

Intangible assets are comprised of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|---------------------|
| Capitalized computer software costs | \$ 862,629 | \$ 849,834 |
| Less: Accumulated amortization | <u>737,335</u> | <u>359,391</u> |
| Capitalized computer software costs, net | 125,294 | 490,443 |
| Goodwill | <u>667,121</u> | <u>741,245</u> |
| Total intangible assets, net | <u>\$ 792,415</u> | <u>\$ 1,231,688</u> |

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (CONTINUED)

Intangible assets whose lives are indefinite, primarily goodwill, are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives.

DEFERRED FINANCING COSTS

Financing costs associated with the issuance of long-term obligations have been capitalized and are being amortized evenly over the term of the debt using the straight line amortization method which approximates the effective interest rate method. Debt issuance costs related to the mortgage loan are presented as a reduction of the carrying amount of the loan with the amortization of these costs included with interest expense.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquired in business combinations are recorded at fair value at the time of acquisition. All other property and equipment are recorded at cost. Property acquired under capital lease obligations is recorded at the net present value of required total minimum lease payments at the date of acquisition and depreciated over the lease term or estimated useful life, whichever is shorter. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments that increase the value of, or extend the life of, the related asset are capitalized. Depreciation and amortization is computed using the straight line method over the estimated useful lives of the related assets as follows:

| | <u>Useful Lives</u> |
|---------------------------|---------------------|
| Building and improvements | 39 years |
| Leasehold improvements | 15 years |
| Computer software | 3 – 5 years |
| Major movable equipment | 5 – 7 years |

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS

The Hospital 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 a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered impaired, the long-lived assets are then written down to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. Management believes no impairments have occurred and, therefore, no write-downs of the assets were necessary for the years ended December 31, 2019 and 2018, respectively.

NEW ACCOUNTING STANDARD ADOPTED

The Hospital adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective method of application, and its accounting policies related to revenues were revised accordingly during the year ended December 31, 2019, as discussed below. The most significant impact of adopting the new standard is to the presentation of the Hospital's consolidated statements of income and changes in members' equity, where the provision for doubtful accounts is no longer a separate line item and net patient service revenue is presented net of estimated implicit price concessions (formerly referred to as bad debt allowance). While the standard requires disclosure of the aggregate amount of transaction price allocated to performance obligations that are partially satisfied at the end of the reporting period and adjustments of expected consideration from patients and third-party payors for the effects of any financing components, management elected not to disclose as the effects of both are not considered significant. The adoption of the new standard did not have an impact on the Hospital's recognition of net revenues for any periods prior to adoption and eliminated the presentation of the allowance for doubtful accounts on the consolidated balance sheets.

CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHARITY CARE (CONTINUED)

The Hospital commits substantial resources to sponsor a broad range of services to the community. Community benefits provided to the indigent include the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. This type of community benefit includes the costs of traditional charity care, unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs, and services such as free clinics and meal programs for which a patient is not billed or for which a nominal fee has been assessed.

Traditional charity care is provided by the Hospital to patients who meet certain criteria defined by the State of New Jersey Department of Health and Senior Services without charge or at amounts less than established rates.

The Health Care Subsidy Fund was established by the State of New Jersey for various purposes including the distribution of charity care payments to hospitals statewide. During the years ended December 31, 2019 and 2018, the Hospital received approximately \$37,917 and \$31,989, respectively, from this fund, which is included in net patient service revenue in the accompanying consolidated statements of income and changes in members' equity.

The Hospital's management estimates its costs of care provided under its charity care programs utilizing a calculated ratio of costs to gross charges multiplied by the Hospital's gross charity care charges provided. The Hospital's gross charity care charges include only services provided to patients who are unable to pay and qualify under the Hospital's charity care policy. To the extent the Hospital receives reimbursement through the various governmental assistance programs in which it participates to subsidize its care of indigent patients, the Hospital does not include these patients' charges in its cost of care provided under its charity care program. The amount of charity care provided was approximately \$619,000 and \$447,000 for the years ended December 31, 2019 and 2018, respectively.

NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE

Net patient service revenue relates to contracts with patients and in most cases involve a third-party payor (governmental and commercial insurance carriers) in which the Hospital's performance obligations are to provide health care services. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments (see Note 4).

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE (CONTINUED)

Net patient revenue is reported at expected collectible amounts over the time in which obligations to provide health care services are satisfied. Revenue is accrued to estimate the amount of revenue earned to date for patients who have not been discharged and whose care services are not complete as of the reporting period. Substantially all of the Hospital's obligations are satisfied in one year.

The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with our charity care policy, and implicit price concessions provided primarily to uninsured patients. Patients who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to net patient service revenue and are based primarily on historical collection experience. Estimates of contractual adjustments and discounts are determined by major payor classes for inpatient and outpatient revenues based on contractual agreements, discount policies and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

Contracts, laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the future.

Settlements with third-party payors for retroactive revenue 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. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and our 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, or as years are settled or are no longer subject to such audits, reviews and investigations.

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE (CONTINUED)

The Hospital believes that it is in compliance with all applicable Medicare and Medicaid laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material adverse effect on its consolidated financial statements. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

Deductibles, copayments, and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the table disclosed in Note 4. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient deductibles and copayments remain outstanding.

Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed.

The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections of revenues and accounts receivable as a primary source of information in estimating the collectibility of our accounts receivable. Management updates the hindsight analysis at least quarterly, using primarily a rolling twelve-month collection history and write-off data. These routine, quarterly changes in estimates have not resulted in material adjustment to the valuations of accounts receivable or period-to-period comparisons of results of operations.

INCOME TAXES

The Members of the Hospital and Landlord have elected to be treated as a Partnership for federal and state income tax purposes. Accordingly, any income or loss generated by the Hospital and the Landlord is passed through to the Members. As a result, the accompanying financial statements do not reflect a provision for federal and state income taxes.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Management has concluded that the Hospital and the Landlord are pass-through entities for income tax purposes and there are no uncertain tax positions that would require recognition in the consolidated financial statements. If the Hospital or Landlord were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income tax expenses. 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. The Hospital and Landlord's tax returns are subject to examination by federal and state taxing authorities. Management has stated there are no examinations pending or in progress.

SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread through the United States. As of the date the consolidated financial statements were available to be issued, there were considerable uncertainty around the expected duration of this pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. At this point, the extent to which COVID-19 may impact the Hospital's financial condition and results of operations cannot be reasonably estimated at this time.

On March 27, 2020, the CARES Act was signed into law, which provided \$100 billion in relief funds to healthcare providers. In April 2020, the Hospital received \$11.1 million to support healthcare-related expenses or lost revenue attributable to COVID-19.

In addition, in April 2020, the Hospital entered into a Promissory Note (the "PPP Note") with Popular Bank as the lender (the "Lender"), pursuant to which the Lender agreed to make a loan to the Hospital under the Paycheck Protection Program (the "PPP Loan") offered by the U.S. Small Business Administration (the "SBA") in a principal amount of \$6.5 million pursuant to Title 1 of the CARES Act. The PPP Loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. The interest rate on the PPP Note is a fixed rate of 1% per annum. To the extent that the amounts owed under the PPP Loan, or a portion of them, are not forgiven, the Hospital will be required to make principal and interest payments in monthly installments beginning seven months from April 2020. The PPP Note matures in two years. The PPP Note includes events of default. Upon the occurrence of an event of default, the Lender will have the right to exercise remedies against the Hospital, including the right to require immediate payment of all amounts due under the PPP Note.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS (CONTINUED)

The Hospital is evaluating the impact, if any, that the CARES Act may have on the Hospital's future operations, financial position, and liquidity in fiscal year 2020. Management is actively monitoring its financial condition, liquidity, operations, suppliers, industry, and workforce.

In preparing these consolidated financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through May 29, 2020, the date the consolidated financial statements were available to be issued. Except as disclosed above, there were no other subsequent events that require recognition or disclosure in these consolidated financial statements.

NOTE 4 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors is as follows:

Medicare: Inpatient acute care and nonacute services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services provided to Medicare program beneficiaries are paid at prospectively determined amounts. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. Federal regulations provide for certain adjustments to the current and prior years' payment rates based on industry-wide and hospital-specific data. The Hospital has filed its Medicare cost report for the years ended December 31, 2019 and 2018, respectively.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. The Hospital is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Hospital has filed its Medicaid cost report for the years ended December 31, 2019 and 2018, respectively.

Other third-party payors: The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and other organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, published fee schedules and prospectively determined daily rates.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 - NET PATIENT SERVICE REVENUE (CONTINUED)

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform that has been enacted by the federal government, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Hospital.

Net patient service revenue for the years ended December 31 is as follows:

| | 2019 | 2018 |
|-----------------------------------|----------------|---------------|
| Inpatient care | \$ 44,948,616 | \$ 35,138,405 |
| Outpatient care | 55,462,238 | 48,747,476 |
| Total net patient service revenue | \$ 100,410,854 | \$ 83,885,881 |

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

Net patient service revenue earned by payor and significant concentrations of accounts receivable are as follows:

| | Net Patient Service Revenue | | Accounts Receivable | |
|--------------------------|--------------------------------|-------------|---------------------|-------------|
| | December 31 | | December 31 | |
| | 2019 | 2018 | 2019 | 2018 |
| Medicare | 21% | 20% | 4% | 21% |
| Medicaid | 14% | 11% | 4% | 11% |
| Other third party payors | 61% | 62% | 82% | 64% |
| Self Pay | 4% | 7% | 10% | 4% |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at December 31, 2019 and 2018 is as follows:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Land | \$ 23,707,000 | \$ 23,707,000 |
| Building and building improvements | 14,279,589 | 10,693,105 |
| Computer equipment, software | 1,022,559 | 1,009,764 |
| Major movable equipment | <u>7,180,312</u> | <u>3,677,399</u> |
| | 46,189,460 | 39,087,268 |
| Less accumulated depreciation and amortization | <u>(3,018,278)</u> | <u>(1,221,369)</u> |
| | <u>\$ 43,171,182</u> | <u>\$ 37,865,899</u> |

Depreciation and amortization expense on property, plant and equipment for the years ended December 31, 2019 and 2018 was \$1,982,197 and \$1,347,118, respectively. The 2018 depreciation and amortization expense amount included \$125,748 related to the Hospital building, prior to being transferred to the Landlord.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6 - LEASE COMMITMENTS

CAPITAL LEASES

The Hospital finances certain equipment under capital leases. Obligations under the capital leases are recorded in the accompanying consolidated financial statements at the present value of future minimum lease payments. The leases mature from May 2019 through August 2026 and have effective interest rates ranging from 4.25 percent to 9.5 percent. The net book value of this leased equipment at December 31, 2019 and 2018 was \$3,005,113 and \$1,260,216, respectively. Future minimum lease payments for the years ending December 31 are as follows:

| | | |
|--|---|----------------------------|
| | 2020 | \$ 708,564 |
| | 2021 | 674,483 |
| | 2022 | 660,071 |
| | 2023 | 576,526 |
| | 2024 | 266,301 |
| | Thereafter | <u>412,684</u> |
| | | 3,298,629 |
| | Less, amounts representing interest | <u>(414,079)</u> |
| | Present value of minimum lease payments | 2,884,550 |
| | Less, current portion | <u>(560,630)</u> |
| | Capital lease obligations, net of current portion | <u><u>\$ 2,323,920</u></u> |

Interest expense associated with the above capital lease obligations for the years ended December 31, 2019 and 2018 was \$126,720 and \$18,923, respectively.

OPERATING LEASES

The Hospital leases equipment under various operating leases, expiring at various dates throughout 2023. Future minimum rental commitments as of December 31, 2019 are as follows:

| | | |
|--|------|----------------------------|
| | 2020 | \$ 825,953 |
| | 2021 | 744,043 |
| | 2022 | 574,229 |
| | 2023 | <u>298,690</u> |
| | | <u><u>\$ 2,442,915</u></u> |

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

OPERATING LEASES (CONTINUED)

Rent expense related to the operating leases was \$705,953 and \$458,349 for the years ended December 31, 2019 and 2018, respectively.

As disclosed in Note 1, the Hospital leases its space from the Landlord under a lease that expires in April 2048 for \$306,000 per month. The rental income for the Landlord and rental expense for the Hospital was \$3,672,000 and \$3,600,000 for the years ended December 31, 2019 and 2018, respectively. These amounts have been eliminated in consolidation. The future minimum rental payments under the above lease are as follows:

| <u>Year ending December 31,</u> | |
|---------------------------------|-----------------------|
| 2020 | \$ 3,745,440 |
| 2021 | 3,820,349 |
| 2022 | 3,896,756 |
| 2023 | 3,974,691 |
| 2024 | 4,054,185 |
| Thereafter | <u>125,802,566</u> |
| | <u>\$ 145,293,987</u> |

In addition, the Hospital and the Landlord are lessors under certain operating lease agreements and lease space in the Hospital building to outside parties. These leases are immaterial to the consolidated financial statements.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 - LONG-TERM DEBT AND LINES OF CREDIT

The Hospital has a \$7,200,000 note payable with the Seller. This note was issued as part of the acquisition that occurred on December 29, 2017 as disclosed in Note 1. This note carries an interest rate of 2.18%, matures in 2024, and began amortization on October 1, 2018. The monthly principal and interest payments are \$108,445. The balance outstanding under this note payable is \$5,848,703 and \$6,913,225 at December 31, 2019 and 2018, respectively.

Future minimum payments by year and in the aggregate under the note payable are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|---------------------|
| 2020 | \$ 1,283,693 |
| 2021 | 1,213,939 |
| 2022 | 1,240,669 |
| 2023 | 1,267,988 |
| 2024 | <u>842,414</u> |
| | <u>\$ 5,848,703</u> |

The above note payable is secured by a guarantee from the member of the Hospital.

The Hospital and Landlord have entered into a mortgage, assignment of leases and rents and security agreement (the Mortgage) with Popular Bank for \$18,655,000 on June 7, 2018. The Mortgage is a five year loan with interest only payments due for the first six months. The interest rate at December 31, 2019 and 2018 was 4.75%.

On November 21, 2019, the Hospital and Landlord entered into an additional mortgage with Popular Bank for \$7,861,000. The mortgage is a 25 year loan with interest only for the first 6 months. The interest rate is fixed at 4.58%. The future minimum payments for the additional mortgage are included with the Mortgage payments disclosed below. As of December 31, 2019 and 2018, the balance on the Mortgage and additional mortgage was \$25,946,900 and \$18,653,484, respectively.

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 - LONG-TERM DEBT AND LINES OF CREDIT (CONTINUED)

Future minimum payments by year and in the aggregate under the Mortgage and additional mortgage are as follows:

| <u>Year Ending December 31,</u> | |
|--------------------------------------|----------------------|
| 2020 | \$ 692,245 |
| 2021 | 801,885 |
| 2022 | 841,048 |
| 2023 | 16,400,200 |
| 2024 | 200,729 |
| Thereafter | <u>7,010,793</u> |
| | 25,946,900 |
| Unamortized deferred financing costs | <u>(580,060)</u> |
| | <u>\$ 25,366,840</u> |

The Mortgage is secured by a guarantee by the member of the Hospital and Landlord as well as various affiliated entities with common ownership. The Mortgage is subject to certain financial and non-financial covenants and other restrictions similar in financings of this type. The Hospital and Landlord were in compliance with these covenants for the years ended December 31, 2019 and 2018, respectively.

The Hospital and Landlord have three loans outstanding with an unconsolidated affiliate related by common ownership. All three of these loans bear interest at 5.0% and have 5 year terms (starting at the January 2020 payment date). Amortization on these loans began in January 2020. The outstanding balance on these loans at December 31, 2019 is \$5,904,049 due from the Hospital and \$1,342,000 due from the Landlord.

Future minimum payments by year and in the aggregate under these loans are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|---------------------|
| 2020 | \$ 1,473,601 |
| 2021 | 1,549,990 |
| 2022 | 1,629,290 |
| 2023 | 1,712,648 |
| 2024 | <u>880,520</u> |
| | <u>\$ 7,246,049</u> |

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 - LONG-TERM DEBT AND LINES OF CREDIT (CONTINUED)

The Hospital and the Landlord have a \$10 million credit line with Popular Bank to be used for operating expenses. The line matures on July 31, 2020 and bears interest at a floating rate equal to the greater of (i) LIBOR plus the applicable margin (3.25%) and (ii) the floor rate (4.75%). The interest rate at December 31, 2019 and 2018 was 4.95% and 5.76%, respectively. As of December 31, 2019 and 2018, the Hospital had \$10 million and \$3 million outstanding balances, respectively, under the line.

Also on November 21, 2019, the Hospital and Landlord secured an additional \$5 million credit line with Popular Bank to be used to acquire medical practices. As of December 31, 2019, the Hospital has no outstanding balance under the line.

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Hospital sponsors a defined contribution 401(k) plan for its employees. This plan was established on May 1, 2011. All full-time and part-time employees who are at least 21 years of age are eligible for participation in the plan after completion of three months of employment and are encouraged to make contributions. The Hospital's contributions to the Plan were \$119,088 and zero for the years ended December 31, 2019 and 2018, respectively.

The Hospital contributes to a union pension plan under a collective bargaining agreement with the Operating Engineers Local No. 68 Union. Union pension expense included in payroll taxes and employee benefits in the accompanying consolidated statements of income and changes in members' equity for the years ended December 31, 2019 and 2018 was \$21,516 and \$16,913, respectively.

NOTE 9 - TRANSACTIONS WITH AFFILIATED ENTITIES

On November 15, 2018, the Hospital entered into a \$50,000 three month non-interest bearing loan with an affiliated entity. The entire balance was paid in January 2019.

On September 27, 2018, the Hospital entered into a \$300,000 credit line and security agreement with Alliance Community Healthcare, Inc. The secured credit line bears interest at a rate of 7.5% and matures on December 31, 2020. Payments of principal and interest are \$12,500 per month and commenced on December 31, 2018. This loan was written off as uncollectible in 2019 and therefore, the balance at December 31, 2019 is zero.

The Hospital has unsecured amounts due from various affiliated entities related by common ownership. Amounts due from affiliates at December 31, 2019 and 2018 amounted to \$623,167 and \$1,806,890, respectively.

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Hospital is involved in various litigation and regulatory inspections arising in the normal course of business. Management estimates that ongoing legal matters will be resolved without material adverse effect on the Hospital's future financial position or results of operations.

The health care industry is subject to numerous laws and regulations of federal, state and local government. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and healthcare fraud and abuse. Activity continues to increase with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

NOTE 11 - MEDICAL MALPRACTICE RESERVES

The Hospital has an internal risk management program and carries claims insurance coverage through a commercial carrier. The Hospital also has excess umbrella liability coverage, which provides coverage above the basic policy limits up to the amounts specified in the umbrella coverage. The Hospital reviewed the adequacy of its professional liability insurance coverage and has determined that a provision for estimated malpractice claims for both reported and incurred but not reported is not necessary at December 31, 2019 and 2018. Management believes that any claims, if asserted, would be settled within the limits of its insurance coverage.

NOTE 12 - HEALTH INSURANCE

The Hospital self-insures its employee health insurance coverage and accrues the estimated costs of incurred and reported and incurred and unreported claims, after consideration of its stop-loss insurance coverage, based upon data provided by the third-party administrator of the program and its historical claims experience. The insurance health plan has a stop loss policy for the employee health insurance claims, which covers the amount of each claim in excess of \$175,000. The Hospital's estimated liability of \$164,683 and \$100,000 at December 31, 2019 and 2018, respectively, is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

**INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING
SUPPLEMENTARY CONSOLIDATING INFORMATION**

To the Members
**NJMHMC LLC and Affiliate
(d/b/a Hudson Regional Hospital)**

We have audited the consolidated financial statements of NJMHMC LLC and Affiliate, d/b/a Hudson Regional Hospital as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated May 29, 2020, which contained an unmodified opinion on those financial statements and which appears on page 1. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating information consisting of the consolidating balance sheet and the consolidating statement of income as of and for the year ended December 31, 2019 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 audits 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 procedure sin accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Marcum LLP

Hartford, CT
May 29, 2020

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

SCHEDULE I – CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2019

| | NJMHMC LLC | 55 Meadowlands Holding LLC | Eliminations | Total |
|---|----------------------|-------------------------------|------------------------|----------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash | \$ 774,543 | \$ 18,292 | \$ -- | \$ 792,835 |
| Patient accounts receivable | 44,382,309 | -- | -- | 44,382,309 |
| Supplies inventory | 1,881,375 | -- | -- | 1,881,375 |
| Prepaid expenses and other current assets | 227,380 | 7,272,000 | (7,272,000) | 227,380 |
| Total Current Assets | <u>47,265,607</u> | <u>7,290,292</u> | <u>(7,272,000)</u> | <u>47,283,899</u> |
| Other Assets | | | | |
| Deposits | 7,176 | -- | -- | 7,176 |
| Property, plant and equipment, net | 5,793,152 | 37,378,030 | -- | 43,171,182 |
| Due from affiliates | 12,631,527 | -- | (12,008,360) | 623,167 |
| Goodwill | 667,121 | -- | -- | 667,121 |
| Total Other Assets | <u>19,098,976</u> | <u>37,378,030</u> | <u>(12,008,360)</u> | <u>44,468,646</u> |
| Total Assets | <u>\$ 66,364,583</u> | <u>\$ 44,668,322</u> | <u>\$ (19,280,360)</u> | <u>\$ 91,752,545</u> |

See independent auditors' report on supplementary information.

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2019

| | NJMHMC LLC | 555 Meadowlands Holding LLC | Eliminations | Total |
|--|----------------------|--------------------------------|------------------------|----------------------|
| Liabilities and Members' Equity | | | | |
| Current Liabilities | | | | |
| Accounts payable and accrued expenses | \$ 25,878,769 | \$ 12,082,336 | \$ (19,280,360) | \$ 18,680,745 |
| Current portion of capital lease obligations | 560,630 | -- | -- | 560,630 |
| Current portion of note payable | 1,283,693 | -- | -- | 1,283,693 |
| Current portion of long-term debt and loan from affiliate | 1,200,592 | 965,254 | -- | 2,165,846 |
| Line of credit | 10,000,000 | -- | -- | 10,000,000 |
| Estimated third-party settlements | 77,038 | -- | -- | 77,038 |
| Total Current Liabilities | <u>39,000,722</u> | <u>13,047,590</u> | <u>(19,280,360)</u> | <u>32,767,952</u> |
| Long-Term Liabilities | | | | |
| Capital lease obligation, net of current portion | 2,323,920 | -- | -- | 2,323,920 |
| Note payable | 4,565,010 | -- | -- | 4,565,010 |
| Long-term debt, net of current portion | -- | 24,674,595 | -- | 24,674,595 |
| Loan from affiliate, net of current portion | 4,703,457 | 1,068,991 | -- | 5,772,448 |
| Total Long-Term Liabilities | <u>11,592,387</u> | <u>25,743,586</u> | <u>--</u> | <u>37,335,973</u> |
| Total Liabilities | <u>50,593,109</u> | <u>38,791,176</u> | <u>(19,280,360)</u> | <u>70,103,925</u> |
| Members' Equity | | | | |
| Controlling interest | 15,771,474 | -- | -- | 15,771,474 |
| Non-controlling interest | -- | 5,877,146 | -- | 5,877,146 |
| Total Members' Equity | <u>15,771,474</u> | <u>5,877,146</u> | <u>--</u> | <u>21,648,620</u> |
| Total Liabilities and Members' Equity | <u>\$ 66,364,583</u> | <u>\$ 44,668,322</u> | <u>\$ (19,280,360)</u> | <u>\$ 91,752,545</u> |

See independent auditors' report on supplementary information.

NJMHMC LLC AND AFFILIATE
(d/b/a Hudson Regional Hospital)

SCHEDULE II – CONSOLIDATING INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2019

| | NJMHMC LLC | 555 Meadowlands Holding LLC | Eliminations | Total |
|-------------------------------------|---------------------|--------------------------------|--------------------|---------------------|
| Operating Revenues | | | | |
| Net patient service revenue | \$ 100,410,854 | \$ -- | \$ -- | \$ 100,410,854 |
| Rental income | -- | 3,672,000 | (3,672,000) | -- |
| Other revenue | 965,133 | -- | -- | 965,133 |
| Total Operating Revenues | <u>101,375,987</u> | <u>3,672,000</u> | <u>(3,672,000)</u> | <u>101,375,987</u> |
| Operating Expenses | | | | |
| Salaries and wages | 30,678,664 | -- | -- | 30,678,664 |
| Payroll taxes and employee benefits | 3,762,667 | -- | -- | 3,762,667 |
| Physician fees | 8,644,748 | -- | -- | 8,644,748 |
| Supplies and other expenses | 48,760,948 | 448,479 | (3,672,000) | 45,537,427 |
| Interest | 751,119 | 893,595 | -- | 1,644,714 |
| Depreciation and amortization | 1,443,743 | 538,454 | -- | 1,982,197 |
| Total Operating Expenses | <u>94,041,889</u> | <u>1,880,528</u> | <u>(3,672,000)</u> | <u>92,250,417</u> |
| Income from Operations | 7,334,098 | 1,791,472 | -- | 9,125,570 |
| Other Non-Operating Loss | <u>(351,268)</u> | <u>--</u> | <u>--</u> | <u>(351,268)</u> |
| Net Income | <u>\$ 6,982,830</u> | <u>\$ 1,791,472</u> | <u>\$ --</u> | <u>\$ 8,774,302</u> |

See independent auditors' report on supplementary information.