

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

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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

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Supplementary Combining Information

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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 combined financial statements of NJMHMC LLC and Affiliate, d/b/a Hudson Regional Hospital, which comprise the combined balance sheets as of December 31, 2020 and 2019 and the related combined 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of NJMHMC LLC and Affiliate d/b/a Hudson Regional Hospital as of December 31, 2020 and 2019, and the combined 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 11, 2021

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

COMBINED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash	\$ 4,258,460	\$ 792,835
Patient accounts receivable	48,616,810	44,382,309
Supplies inventory	2,003,152	1,881,375
Prepaid expenses and other current assets	929,661	227,380
Loans to affiliate, current portion	<u>2,746,863</u>	<u>--</u>
Total Current Assets	<u>58,554,946</u>	<u>47,283,899</u>
Other Assets		
Deposits	7,176	7,176
Property, plant and equipment, net	50,115,107	43,171,182
Loans to affiliate, net of current portion	9,172,137	623,167
Goodwill	<u>592,996</u>	<u>667,121</u>
Total Other Assets	<u>59,887,416</u>	<u>44,468,646</u>
Total Assets	<u>\$ 118,442,362</u>	<u>\$ 91,752,545</u>

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

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

COMBINED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2020 AND 2019

	2020	2019
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 15,690,478	\$ 18,680,745
Current portion of capital lease obligations	999,707	560,630
Current portion of note payable	1,312,670	1,283,693
Current portion of long-term debt and loan from affiliate	801,885	2,165,846
Estimated third-party settlements	457,339	77,038
Line of credit	10,000,000	10,000,000
Paycheck protection program loan	6,501,680	--
Medicare advance - current portion	2,025,000	--
Unearned income - HHS stimulus	14,415,804	--
Total Current Liabilities	52,204,563	32,767,952
Long-Term Liabilities		
Capital lease obligations, net of current portion	3,080,049	2,323,920
Note payable	3,352,310	4,565,010
Long-term debt, net of current portion	23,983,876	24,674,595
Loan from affiliate, net of current portion	--	5,772,448
Medicare advance - long term	2,274,930	--
Total Long-Term Liabilities	32,691,165	37,335,973
Total Liabilities	84,895,728	70,103,925
Members' Equity	33,546,634	21,648,620
Total Liabilities and Members' Equity	\$ 118,442,362	\$ 91,752,545

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

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

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

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating Revenue		
Net patient service revenue	\$ 120,027,946	\$ 100,410,854
Other revenue	730,126	965,133
Total Operating Revenue	120,758,072	101,375,987
Operating Expenses		
Salaries and wages	33,537,550	30,678,664
Payroll taxes and employee benefits	3,870,350	3,762,667
Physician fees	9,808,025	8,644,748
Supplies and other expenses	55,539,287	45,537,427
Interest	2,093,593	1,644,714
Depreciation and amortization	2,568,931	1,982,197
Total Operating Expenses	107,417,736	92,250,417
Income from Operations	13,340,336	9,125,570
Other Non-Operating Loss	(1,442,322)	(351,268)
Net Income	11,898,014	8,774,302
Members' Equity - Beginning of year	21,648,620	12,874,318
Members' Equity - End of year	\$ 33,546,634	\$ 21,648,620

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

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

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Net income	\$ 11,898,014	\$ 8,774,302
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,568,931	1,982,197
Changes in operating assets and liabilities:		
Patient accounts receivable	(4,234,501)	(11,195,799)
Supplies inventory	(121,777)	(337,124)
Prepaid expenses and other assets	847,242	1,566,692
Deposits	(926,356)	--
Accounts payable and accrued expenses	(2,990,267)	645,232
Estimated third-party settlements	380,301	(122,962)
Net Cash Provided by Operating Activities	7,421,587	1,312,538
Cash Flows from Investing Activities		
Purchases of property and equipment	(9,438,731)	(7,213,358)
Net Cash Used in Investing Activities	(9,438,731)	(7,213,358)
Cash Flows from Financing Activities		
Borrowings on lines of credit and long term debt	2,054,550	17,083,568
Payments on long term debt	(9,981,360)	(11,143,757)
Paycheck protection program loan	6,501,680	--
Medicare advance payments	4,299,930	--
HHS stimulus funds	14,415,804	--
Loans to affiliate	(11,919,000)	--
Net change of deferred financing costs	111,165	(23,225)
Net Cash Provided by Financing Activities	5,482,769	5,916,586
Net Increase in Cash	3,465,625	15,766
Cash - Beginning	792,835	777,069
Cash - End	\$ 4,258,460	\$ 792,835
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 2,093,593	\$ 1,644,714
Supplemental Disclosure of Noncash Financing Activities		
Equipment purchased under capital leases	\$ 2,054,550	\$ 2,222,568

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 COMBINATION

The combined financial statements include the financial statements of the Hospital and the Landlord. All significant intercompany balances and transactions have been eliminated upon combination. As discussed above, the Hospital leases the facility from the Landlord, which is a related party through common ownership; the Hospital does not own any interest in the related party entity. Such entity is a variable interest entity (VIE), and the Hospital is considered to be the primary beneficiary of such entity. 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 combined financial statements. The Hospital's involvement with the Landlord is limited to leasing the real estate and guaranteeing the mortgage loan payable.

The Hospital has elected to follow the accounting alternative provided in Accounting Standards Codification Topic 810, *Consolidation* (Topic 810). Topic 810 permits private business entities to not consolidate variable interest entities when certain conditions have been met.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 - ORGANIZATION (CONTINUED)

PRINCIPLES OF COMBINATION (CONTINUED)

Accordingly, the Hospital does not consolidate its VIE and alternatively is presenting the Hospital and the Landlord on a combined basis. In addition, the Hospital believes that this method provides the most accurate depiction of its financial position and results of operations.

The assets, liabilities, revenues and expenses of the Landlord have been included in the accompanying combined financial statements. As of December 31, 2020 and 2019, amounts included in the combined financial statements are as follows:

	<u>2020</u>	<u>2019</u>
Assets:		
Cash	\$ 2,823	\$ 18,292
Property, plant and equipment	43,158,573	37,378,030
Liabilities:		
Accrued and other liabilities	\$ 102,151	\$ 73,976
Long term debt	24,785,760	26,708,840
Expenses	\$ 2,419,092	\$ 1,880,528

The Revenue amounts have been excluded from this table as they eliminate upon combination.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Hospital's combined 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 COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - 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 combined balance sheets.

Intangible assets are comprised of the following at December 31:

	2020	2019
Capitalized computer software costs	\$ 862,629	\$ 862,629
Less: Accumulated amortization	<u>847,680</u>	<u>737,335</u>
Capitalized computer software costs, net	14,949	125,294
Goodwill	<u>592,996</u>	<u>667,121</u>
Total intangible assets, net	<u>\$ 607,945</u>	<u>\$ 792,415</u>

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - 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 long-term debt are presented as a reduction of the carrying amount of the debt 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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - 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, 2020 and 2019, respectively.

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.

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, 2020 and 2019, the Hospital received approximately \$35,149 and \$37,917, respectively, from this fund, which is included in net patient service revenue in the accompanying combined statements of income and changes in members' equity.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHARITY CARE (CONTINUED)

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 \$364,000 and \$619,000 for the years ended December 31, 2020 and 2019, 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).

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.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE (CONTINUED)

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.

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 combined 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.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE (CONTINUED)

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 collectability 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.

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 combined 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.

UNEARNED INCOME – HHS STIMULUS

Unearned income includes amounts received for unrecognized CARES Act Funds (Note 3).

SUBSEQUENT EVENTS

In preparing these combined financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through May 11, 2021, the date the combined financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these combined financial statements.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 3 – COVID-19 PANDEMIC AND CARES ACT FUNDING

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. Federal, state and local government policies resulted in a substantial portion of the population to remain at home and forced the closure of certain businesses, which had an impact on the Hospital's patient volumes and revenues for most services.

Starting in mid-March, the Hospital deferred all nonessential medical and surgical procedures and suspended elective procedures, which resumed at different dates across the Hospital during fiscal year 2020. During this time, the Hospital has also experienced significant price increases in, and utilization of, medical supplies, particularly personal protective equipment, as global supply lines were disrupted by the pandemic.

In response to COVID-19, the CARES Act was signed into law on March 27, 2020. The CARES Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to COVID-19, and shall reimburse the recipient for health care related expenses or lost revenues attributable to COVID-19 and are not required to be repaid except where Provider Relief Funds received exceed the limits on eligible health care related expenses or lost revenues as defined by the U.S. Department of Health and Human Services (HHS), provided the recipients attest to and comply with the terms and conditions.

HHS distributions from the Provider Relief Fund include general distribution and targeted distributions to support hospitals in high impact areas and rural providers for service periods through December 31, 2020, and, if necessary, June 30, 2021. Additionally, funds are available to reimburse providers for COVID-19 related treatment of uninsured patients. In April and May 2020, the Hospital received approximately \$14 million in funding from both general and targeted distributions. As a result of the changing regulations surrounding the provider relief funds, as further described below, the total amount of the Provider Relief Fund distributions is recorded as unearned income in the Hospital's combined balance sheet at December 31, 2020.

HHS has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs) regarding the Provider Relief Fund distributions. The guidance contained in the Post-Payment Notice of Reporting Requirements and FAQs is subject to interpretation by the recipient entity of Provider Relief Fund distributions. Management will continue to monitor communications from HHS applicable to the Provider Relief Fund distributions.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 3 – COVID-19 PANDEMIC AND CARES ACT FUNDING (CONTINUED)

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 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. At December 31, 2020, the outstanding balance on the PPP Note is \$6,501,680. As of the date of this report, the amounts owed under the PPP Note have not been forgiven.

To enhance liquidity, the Hospital is a participant in the Centers for Medicare and Medicaid Services’ Accelerated and Advance Payment Program, designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. This program allows eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. Under this program, the Hospital received approximately \$4.3 million in expedited payments for future services, which is subject to repayment and included as a contract liability as of December 31, 2020. On October 1, 2020, the terms and conditions of this program were revised whereby recoupment would begin 12 months after the date of receipt, and 25% of Medicare payment amounts would be withheld for the first 11 months, increasing to 50% of Medicare payment amounts for the next 6 months, with the full amount due 29 months after date of receipt, at which time any remaining unpaid amounts would be subject to interest of 4%.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, respectively. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through fiscal year 2019.

Medicaid: Medicaid Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are paid based upon a cost reimbursement methodology and certain services are paid based on a Medicaid fee schedule. The Hospital is paid for reimbursable costs at a tentative rate with final settlement determined after submission of the annual cost report by the Hospital and audit thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited and finalized by the Medicaid fiscal intermediary through December 31, 2017.

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.

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4 - NET PATIENT SERVICE REVENUE (CONTINUED)

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

	2020	2019
Inpatient care	\$ 63,499,867	\$ 44,948,616
Outpatient care	56,528,079	55,462,238
Total net patient service revenue	\$ 120,027,946	\$ 100,410,854

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	
	2020	2019	2020	2019
Medicare	20%	21%	3%	4%
Medicaid	13%	14%	4%	4%
Other third party payors	63%	61%	80%	82%
Self Pay	4%	4%	13%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at December 31, 2020 and 2019 is as follows:

	2020	2019
Land	\$ 23,707,000	\$ 23,707,000
Building and building improvements	20,620,256	14,279,589
Computer equipment, software	1,022,559	1,022,559
Major movable equipment	10,167,212	7,180,312
	55,517,027	46,189,460
Less accumulated depreciation and amortization	(5,401,920)	(3,018,278)
	\$ 50,115,107	\$ 43,171,182

Depreciation and amortization expense on property, plant and equipment for the years ended December 31, 2020 and 2019 was \$2,568,931 and \$1,982,197 respectively.

NOTE 6 - LEASE COMMITMENTS

CAPITAL LEASES

The Hospital finances certain equipment under capital leases. Obligations under the capital leases are recorded in the accompanying combined 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, 2020 and 2019 was \$4,132,192 and \$3,005,113, respectively.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

CAPITAL LEASES (CONTINUED)

Future minimum lease payments for the years ending December 31 are as follows:

2021	\$ 1,172,724
2022	1,164,063
2023	1,022,396
2024	620,982
2025	349,514
Thereafter	<u>165,260</u>
	4,494,939
Less, amounts representing interest	<u>(415,183)</u>
Present value of minimum lease payments	4,079,756
Less, current portion	<u>(999,707)</u>
Capital lease obligations, net of current portion	<u><u>\$ 3,080,049</u></u>

Interest expense associated with the above capital lease obligations for the years ended December 31, 2020 and 2019 was \$200,617 and \$126,720, 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, 2020 are as follows:

<u>Year ending December 31,</u>	
2021	\$ 744,043
2022	574,229
2023	<u>298,690</u>
	<u><u>\$ 1,616,962</u></u>

Rent expense related to the operating leases was \$761,989 and \$705,953 for the years ended December 31, 2020 and 2019, respectively.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

OPERATING LEASES (CONTINUED)

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 with 2% annual increase. The rental income for the Landlord and rental expense for the Hospital was \$3,745,440 and \$3,672,000 for the years ended December 31, 2020 and 2019, respectively. These amounts have been eliminated upon combination. The future minimum rental payments under the above lease are as follows:

<u>Year ending December 31,</u>	
2021	\$ 3,820,349
2022	3,896,756
2023	3,974,691
2024	4,054,185
2025	4,135,268
Thereafter	<u>121,667,298</u>
	<u>\$ 141,548,547</u>

In August 2020, the Hospital leased additional space located at 43 Meadowlands Parkway from 43 Meadowlands Holding, LLC, (“43 Meadowlands”), a related party through common ownership. The monthly rent is \$282,500 and the lease expires in August 2030. Rental expense for this lease for the Hospital was \$1,412,500 for the year ended December 31, 2020. The Hospital does not own any interest in the related party entity. 43 Meadowlands is a variable interest entity and the Hospital is considered to be the primary beneficiary of such entity. Except for amounts contractually required under the lease agreement between the Hospital and 43 Meadowlands, the Hospital did not provide any further financial or other support to 43 Meadowlands. The Hospital has elected not to consolidate 43 Meadowlands as a result of the accounting alternative disclosed in Note 1.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

OPERATING LEASES (CONTINUED)

The future minimum rental payments under the above lease are as follows:

<u>Year ending December 31,</u>	
2021	\$ 3,390,000
2022	3,390,000
2023	3,390,000
2024	3,390,000
2025	3,390,000
Thereafter	<u>14,690,000</u>
	<u>\$ 31,640,000</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 combined financial statements.

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 \$4,664,980 and \$5,848,703 at December 31, 2020 and 2019, respectively.

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

<u>Year Ending December 31,</u>	
2021	\$ 1,312,670
2022	1,240,669
2023	1,267,988
2024	<u>843,653</u>
	<u>\$ 4,664,980</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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, 2020 and 2019 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, 2020 and 2019, the balance on the Mortgage and additional mortgage was \$25,254,656 and \$25,946,900, respectively.

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

<u>Year Ending December 31,</u>	
2021	\$ 801,885
2022	841,048
2023	16,400,200
2024	200,729
2025	211,194
Thereafter	<u>6,799,600</u>
	25,254,656
Unamortized deferred financing costs	<u>(468,895)</u>
	<u>\$ 24,785,761</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, 2020 and 2019, respectively.

In 2019, the Hospital and Landlord had three loans outstanding with an unconsolidated affiliate related by common ownership. All three of these loans totaling \$7.2 million were paid off in 2020.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 March 1, 2021 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, 2020 and 2019 was 4.75% and 4.95%, respectively. As of December 31, 2020 and 2019, the Hospital had a \$10 million outstanding balance 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. The line matures on March 1, 2021. The interest rate at December 31, 2020 and 2019 was 4.75%. As of December 31, 2020 and 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 \$121,596 and \$119,088 for the years ended December 31, 2020 and 2019, 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 combined statements of income and changes in members' equity for the years ended December 31, 2020 and 2019 was \$19,187 and \$21,516, respectively.

NOTE 9 - TRANSACTIONS WITH AFFILIATED ENTITIES

The Hospital has unsecured amounts due from various affiliated entities related by common ownership. Amounts due from affiliates at December 31, 2020 and 2019 amounted to \$1,531,649 and \$623,167, respectively. As collectability cannot be reasonably assured, at December 31, 2020 the Hospital has fully reserved this amount.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 9 - TRANSACTIONS WITH AFFILIATED ENTITIES (CONTINUED)

On July 31, 2020, the Hospital entered into a \$9 million loan receivable agreement with 29 E. 29th Street Holdings LLC, a related party through common ownership. This is a 5 year loan with interest only for the first 7 months. The interest rate is 5%. The monthly principal and interest payments are \$170,100. As of December 31, 2020, there have been no principal payments made. On December 31, 2020, an addendum was signed related to this agreement allowing for an additional \$1.8 million and an additional \$35,050 in monthly principal and interest payments.

On December 31, 2020, the Hospital entered into a \$1.1 million loan receivable with the managing member of the Hospital. The loan bears an interest rate of 5% and is payable on demand.

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 made 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, 2020 and 2019. Management believes that any claims, if asserted, would be settled within the limits of its insurance coverage.

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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 \$65,549 and \$164,683 at December 31, 2020 and 2019, respectively, is included in accounts payable and accrued expenses in the accompanying combined balance sheets.

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

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

We have audited the combined financial statements of NJMHMC LLC and Affiliate, d/b/a Hudson Regional Hospital as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated May 11, 2021, 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 combined financial statements as a whole. The accompanying supplementary combining information consisting of the combining balance sheets and the combining statements of income as of December 31, 2020 and 2019 and for the years then ended 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 combining information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Marcum LLP

Hartford, CT
May 11, 2021

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

SCHEDULE I – COMBINING BALANCE SHEET

DECEMBER 31, 2020

	NJMHMC LLC	55 Meadowlands Holding LLC	Eliminations	Total
Assets				
Current Assets				
Cash	\$ 4,255,637	\$ 2,823	\$ --	\$ 4,258,460
Patient accounts receivable	48,616,810	--	--	48,616,810
Supplies inventory	2,003,152	--	--	2,003,152
Prepaid expenses and other current assets	929,661	--	--	929,661
Loans to affiliates, current portion	2,746,863	--	--	2,746,863
Total Current Assets	<u>58,552,123</u>	<u>2,823</u>	<u>--</u>	<u>58,554,946</u>
Other Assets				
Deposits	7,176	--	--	7,176
Property, plant and equipment, net	6,956,534	43,158,573	--	50,115,107
Loans to affiliates, net of current portion	29,074,729	8,832,600	(28,735,192)	9,172,137
Goodwill	592,996	--	--	592,996
Total Other Assets	<u>36,631,435</u>	<u>51,991,173</u>	<u>(28,735,192)</u>	<u>59,887,416</u>
Total Assets	<u>\$ 95,183,558</u>	<u>\$ 51,993,996</u>	<u>\$ (28,735,192)</u>	<u>\$ 118,442,362</u>

See independent auditors' report on supplementary information.

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

SCHEDULE I – COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2020

	NJMHMC LLC	55 Meadowlands Holding LLC	Eliminations	Total
Liabilities and Members' Equity				
Current Liabilities				
Accounts payable and accrued expenses	\$ 24,420,929	\$ 20,004,741	\$ (28,735,192)	\$ 15,690,478
Current portion of capital lease obligations	999,707	--	--	999,707
Current portion of note payable	1,312,670	--	--	1,312,670
Current portion of long-term debt	--	801,885	--	801,885
Estimated third-party settlements	457,339	--	--	457,339
Line of credit	10,000,000	--	--	10,000,000
Paycheck protection program loan	6,501,680	--	--	6,501,680
Medicare advance - current portion	2,025,000	--	--	2,025,000
Unearned income - HHS stimulus	14,415,804	--	--	14,415,804
Total Current Liabilities	<u>60,133,129</u>	<u>20,806,626</u>	<u>(28,735,192)</u>	<u>52,204,563</u>
Long-Term Liabilities				
Capital lease obligation, net of current portion	3,080,049	--	--	3,080,049
Note payable	3,352,310	--	--	3,352,310
Long-term debt, net of current portion	--	23,983,876	--	23,983,876
Medicare advance - long term	2,274,930	--	--	2,274,930
Total Long-Term Liabilities	<u>8,707,289</u>	<u>23,983,876</u>	<u>--</u>	<u>32,691,165</u>
Total Liabilities	68,840,418	44,790,502	(28,735,192)	84,895,728
Members' Equity	<u>26,343,140</u>	<u>7,203,494</u>	<u>--</u>	<u>33,546,634</u>
Total Liabilities and Members' Equity	<u>\$ 95,183,558</u>	<u>\$ 51,993,996</u>	<u>\$ (28,735,192)</u>	<u>\$ 118,442,362</u>

See independent auditors' report on supplementary information.

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

SCHEDULE II – COMBINING INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2020

	NJMHMC LLC	55 Meadowlands Holding LLC	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 120,027,946	\$ --	\$ --	\$ 120,027,946
Rental income	--	3,745,440	(3,745,440)	--
Other revenue	730,126	--	--	730,126
Total Operating Revenues	<u>120,758,072</u>	<u>3,745,440</u>	<u>(3,745,440)</u>	<u>120,758,072</u>
Operating Expenses				
Salaries and wages	33,537,550	--	--	33,537,550
Payroll taxes and employee benefits	3,870,350	--	--	3,870,350
Physician fees	9,808,025	--	--	9,808,025
Supplies and other expenses	58,792,047	492,680	(3,745,440)	55,539,287
Interest	838,469	1,255,124	--	2,093,593
Depreciation and amortization	1,897,643	671,288	--	2,568,931
Total Operating Expenses	<u>108,744,084</u>	<u>2,419,092</u>	<u>(3,745,440)</u>	<u>107,417,736</u>
Income from Operations	12,013,988	1,326,348	--	13,340,336
Other Non-Operating Loss	<u>(1,442,322)</u>	--	--	<u>(1,442,322)</u>
Net Income	<u>\$ 10,571,666</u>	<u>\$ 1,326,348</u>	<u>\$ --</u>	<u>\$ 11,898,014</u>

See independent auditors' report on supplementary information.

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

SCHEDULE III – COMBINING 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
Loans to affiliate	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 III – COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2019

	NJMHMC LLC	55 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	50,593,109	38,791,176	(19,280,360)	70,103,925
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 IV – COMBINING INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2019

	NJMHMC LLC	55 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.