

**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, 2022 AND 2021**

**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)

Opinion

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, 2022 and 2021 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 combined financial statements.

In our opinion, the accompanying 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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NJMHMC LLC and Affiliate d/b/a Hudson Regional Hospital and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NJMHMC LLC and Affiliate d/b/a Hudson Regional Hospital's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Marcum LLP

Hartford, CT
May 30, 2023

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

COMBINED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 651,373	\$ 4,266,987
Restricted cash	320,000	320,000
Patient accounts receivable	54,119,229	47,889,640
Other receivable	3,147,786	--
Supplies inventory	2,410,117	2,272,724
Prepaid expenses	645,747	749,905
Malpractice insurance	3,000,000	--
Total Current Assets	64,294,252	55,499,256
Other Assets		
Deposits	7,176	7,176
Property, plant and equipment, net	60,607,091	55,407,750
Operating lease, right-of-use asset	1,292,654	1,209,941
Loans to affiliate	44,569,418	45,373,084
Goodwill	444,747	518,872
Total Other Assets	106,921,086	102,516,823
Total Assets	\$ 171,215,338	\$ 158,016,079

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, 2022 AND 2021

	2022	2021
Liabilities and Members' Equity		
Current Liabilities		
Line of credit	\$ 5,000,000	\$ 5,000,000
Accounts payable and accrued expenses	34,706,607	23,776,445
Current portion of financing lease obligations	1,476,224	1,259,907
Current portion of operating lease liability	381,611	580,734
Current portion of note payable	1,267,453	1,341,940
Current portion of long-term debt	1,065,589	2,013,025
Estimated third-party settlements	178,745	56,340
Malpractice claims	3,000,000	--
Medicare advance	--	2,186,327
Unearned income - HHS stimulus	--	3,390,568
Total Current Liabilities	47,076,229	39,605,286
Long-Term Liabilities		
Financing lease obligations, net of current portion	2,192,309	2,639,572
Operating lease liability, net of current portion	788,699	642,655
Note payable, net of current portion	845,087	2,112,540
Long-term debt, net of current portion	46,561,915	47,583,896
Estimated third-party settlements	--	165,793
Total Long-Term Liabilities	50,388,010	53,144,456
Total Liabilities	97,464,239	92,749,742
Members' Equity	73,751,099	65,266,337
Total Liabilities and Members' Equity	\$ 171,215,338	\$ 158,016,079

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, 2022 AND 2021

	2022	2021
Operating Revenue		
Net patient service revenue	\$ 152,671,088	\$ 141,430,734
COVID stimulus revenue	3,390,568	11,025,236
Other revenue	<u>8,019,598</u>	<u>4,857,670</u>
Total Operating Revenue	<u>164,081,254</u>	<u>157,313,640</u>
Operating Expenses		
Salaries and wages	38,387,363	36,429,056
Payroll taxes and employee benefits	6,218,866	5,536,267
Physician fees	3,548,712	3,933,195
Supplies and other expenses	94,167,782	80,310,938
New Jersey corporate income tax	26,915	1,123,085
Interest	3,808,011	2,428,794
Depreciation and amortization	<u>3,696,237</u>	<u>3,514,752</u>
Total Operating Expenses	<u>149,853,886</u>	<u>133,276,087</u>
Income from Operations	14,227,368	24,037,553
Debt Forgiveness (Paycheck Protection Loan Program (PPP))	--	6,501,680
Other Non-Operating Loss	<u>(4,385,534)</u>	<u>(2,787,197)</u>
Net Income	<u>9,841,834</u>	<u>27,752,036</u>
Members' Equity - Beginning of year	65,266,337	33,546,634
Members' (Distributions) Contributions	<u>(1,357,072)</u>	<u>3,967,667</u>
Members' Equity - End of year	<u>\$ 73,751,099</u>	<u>\$ 65,266,337</u>

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, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Net income	\$ 9,841,834	\$ 27,752,036
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	3,696,237	3,514,752
Amortization of financing costs included in interest	43,610	(603,182)
Forgiveness of Paycheck protection program loan	--	(6,501,680)
Amortization of right of use asset	663,305	618,751
Changes in operating assets and liabilities:		
Patient accounts receivable	(6,229,589)	727,170
Other receivables	(3,147,786)	--
Supplies inventory	(137,393)	(269,572)
Prepaid expenses	104,158	9,525,672
Unearned income HHS stimulus funds	(3,390,568)	(11,025,236)
Accounts payable and accrued expenses	10,930,161	8,085,968
Operating lease liability	(135,792)	--
Estimated third-party settlements	(43,388)	(235,206)
Net Cash Provided by Operating Activities	12,194,789	31,589,473
Cash Flows from Investing Activities		
Purchases of property and equipment	(8,327,120)	(10,561,962)
Net Cash Used in Investing Activities	(8,327,120)	(10,561,962)
Cash Flows from Financing Activities		
Borrowings on lines of credit and long term debt	--	48,777,378
Payments on long term debt	(3,280,841)	(28,530,426)
Medicare advance repayments	(2,186,327)	(2,113,603)
Payments on financing leases	(1,462,709)	--
Loans to affiliate	--	(42,800,000)
Payments from affiliates for loan	803,666	--
Members' (distribution)/contributions	(1,357,072)	3,967,667
Net Cash Used in Financing Activities	(7,483,283)	(20,698,984)
Net Change in Cash and Restricted Cash	(3,615,614)	328,527
Cash and Restricted Cash - Beginning	4,586,987	4,258,460
Cash and Restricted Cash - End	\$ 971,373	\$ 4,586,987

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 (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 3,808,011</u>	<u>\$ 2,428,794</u>
Supplemental Disclosure of Noncash Financing Activities		
Equipment purchased under financing leases	<u>\$ 1,231,763</u>	<u>\$ 2,777,378</u>
Reconciliation of Cash and Restricted Cash to Amounts Report in the Combined Balance Sheets at the End of the Period		
Cash	\$ 651,373	\$ 4,266,987
Restricted Cash	<u>320,000</u>	<u>320,000</u>
	<u>\$ 971,373</u>	<u>\$ 4,586,987</u>

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, 2022 AND 2021

NOTE 1 - ORGANIZATION

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, and later refinanced with Cross River 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 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
(d/b/a Hudson Regional Hospital)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, amounts included in the combined financial statements are as follows:

	2022	2021
Assets:		
Cash	\$ 2,126	\$ 248,644
Restricted cash	320,000	320,000
Property, plant and equipment	54,187,474	48,233,619
Loan receivable	42,800,000	42,800,000
Liabilities:		
Accrued and other liabilities	\$ 374,975	\$ 213,853
Long term debt	47,627,503	48,596,920
Revenue	\$ 2,132,319	\$ 900,539
Expenses	\$ 4,806,505	\$ 3,766,452

The rental income 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
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

RESTRICTED CASH

The restricted cash of \$320,000 as of December 31, 2022 and 2021, has been set aside to cover unpaid property taxes and insurance premiums in accordance with the Hospital's debt agreement (Note 7).

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (CONTINUED)

Intangible assets are comprised of the following at December 2022:

	<u>2022</u>	<u>2021</u>
Capitalized computer software costs	\$ 940,182	\$ 940,182
Less: Accumulated amortization	<u>885,509</u>	<u>872,889</u>
Capitalized computer software costs, net	54,673	67,293
Goodwill	<u>444,747</u>	<u>518,872</u>
Total intangible assets, net	<u>\$ 499,420</u>	<u>\$ 586,165</u>

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 are 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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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, 2022 and 2021, 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.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHARITY CARE (CONTINUED)

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, 2022 and 2021, the Hospital received \$55,461 and \$76,159, respectively, from this fund, which is included in net patient service revenue in the accompanying combined 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 cost of charity care provided was estimated to be approximately \$310,000 and \$274,000 for the years ended December 31, 2022 and 2021, 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.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE (CONTINUED)

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 the Hospital's 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 the Hospital's 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.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE (CONTINUED)

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 collectability of the Hospital's 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 Hospital is treated as a disregarded entity for federal and state income tax purposes. The members of the 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 income taxes. The New Jersey Corporation Business Tax Act (CBTA) imposes a tax on partnerships that have nonresident owners. Accordingly, the combined financial statements reflect a provision for state income taxes for 2021, but no tax is due in 2022.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - 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 combined financial statements. If the Hospital or Landlord were to incur an income tax liability on uncertain tax positions 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) in 2021 and recognized as an income in 2022.

RECLASSIFICATION

Certain amounts in the 2021 financial statements have been reclassified to conform with the 2022 presentation. These reclassifications had no effect on net assets or the results of operations for 2021.

SUBSEQUENT EVENTS

In preparing these combined financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through May 30, 2023, 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.

NOTE 3 - COVID-19 PANDEMIC AND CARES ACT FUNDING

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).

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Through December 31, 2020, the Hospital received approximately \$14.4 million in total in Provider Relief funds which was recorded as unearned income. During the year ended December 31, 2021, \$11 million of this amount was recognized as revenue in the combined statements of income and changes in members equity. The remaining \$3.4 million was recorded as revenue for the year ended December 31, 2022.

The Hospital is required to report on the usage of the Provider Relief Funds to the U.S. Department of Health and Human Services (HHS) in subsequent periods in order for the funds to be retained with the reporting requirements beginning in 2021. Accordingly, in November 2021, the Hospital submitted the support for use of approximately \$11 million of these funds (Period 1 funding) through the HHS reporting portal. During the year ended December 31, 2022, the Hospital submitted the support for the use of the remaining funds of \$3.4 million (Period 2 funding) through the HHS portal.

In addition, in April 2020, the Hospital entered into a Promissory Note (the "PPP Note") with Popular Bank (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 ("SBA") in a principal amount of \$6.5 million pursuant to Title 1 of the CARES Act. The PPP Loan proceeds were 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 was a fixed rate of 1% per annum. In June 2021, the Hospital received approval from the SBA of forgiveness of the Payroll Protection Program loan and therefore, recognized \$6.5 million within non-operating income in the combined statement of income and changes in members equity for the year ended December 31, 2021.

To enhance liquidity, the Hospital was 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 was subject to repayment. As of December 31, 2021, the Hospital had a balance due for such advances of approximately \$2.2 million. Through December 31, 2022, the Centers for Medicare and Medicaid Services have recouped all \$4.3 million of the Medicare Advance through a reduction in payment remittances.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, respectively. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through fiscal year 2018.

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, 2020.

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, 2022 AND 2021

NOTE 4 - NET PATIENT SERVICE REVENUE (CONTINUED)

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

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

	2022	2021
Inpatient care	\$ 69,173,290	\$ 67,440,439
Outpatient care	83,497,798	73,990,295
Total net patient service revenue	\$ 152,671,088	\$ 141,430,734

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	
	2022	2021	2022	2021
Medicare	18%	17%	4%	4%
Medicaid	12%	13%	7%	7%
Other third party payors	68%	66%	76%	76%
Self Pay	<u>2%</u>	<u>4%</u>	<u>13%</u>	<u>13%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at December 31, 2022 and 2021 is as follows:

	2022	2021
Land	\$ 23,707,000	\$ 23,707,000
Building and building improvements	33,408,349	26,487,399
Computer equipment, software	1,100,112	1,100,112
Major movable equipment	14,185,952	12,329,059
	72,401,413	63,623,570
Less accumulated depreciation and amortization	(11,794,322)	(8,215,820)
	\$ 60,607,091	\$ 55,407,750

Depreciation and amortization expense on property, plant and equipment for the years ended December 31, 2022 and 2021 was \$4,359,542 and \$4,133,503 respectively.

The cost of the right of use asset is \$2,456,680 and \$1,828,692, with accumulated depreciation of \$1,164,026 and \$618,757 as of December 31, 2022 and 2021, respectively. These amounts are excluded from the table above. See Note 6 for further detail on leasing arrangements.

NOTE 6 - LEASE COMMITMENTS

FINANCING LEASES

The Hospital finances certain equipment under financing leases. Obligations under the financing leases are recorded in the accompanying combined financial statements at the present value of future minimum lease payments. The leases mature through June 2027 and have effective interest rates ranging from 4.25 percent to 9.5 percent. The net book value of this leased equipment included within property, plant and equipment at December 31, 2022 and 2021 was \$3,588,494 and \$3,849,353, respectively.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

FINANCING LEASES (CONTINUED)

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

2023	\$ 1,612,080
2024	1,117,818
2025	709,266
2026	421,522
2027	<u>74,084</u>
	3,934,769
Less, amounts representing interest	<u>(266,237)</u>
Present value of minimum lease payments	3,668,532
Less, current portion	<u>(1,476,224)</u>
Financing lease obligations, net of current portion	<u>\$ 2,192,309</u>

Interest expense associated with the above financing lease obligations for the years ended December 31, 2022 and 2021 was \$185,931 and \$204,056, respectively.

OPERATING LEASES

The Hospital leases certain medical offices, personnel, administrative offices and equipment under finance and operating leases. At the inception of a contract, a determination is made if the arrangement is or contains a lease. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. The Hospital has a right-of-use asset and operating lease liability totaling approximately \$1.2 million at December 31, 2022 and 2021, which are respectively recorded as operating lease right of use asset and operating lease liability on the accompanying audited combined balance sheet.

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

OPERATING LEASES (CONTINUED)

The Hospital's right-of-use asset pertaining to operating leases represents the right to use the underlying assets for the lease term, and the corresponding lease liability represents the obligation to make lease payments arising from the leases. Such right-of-use asset and lease liability are recognized at the lease's commencement date at the present value of lease payments over the lease term for leases with initial terms greater than a year. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Hospital has elected to use a discount rate comparable to the Hospital's incremental borrowing rate for financing over a comparable period. The average rate used as of December 31, 2022 and 2021, was 7% and 5%, respectively. A right-of-use asset and lease liability are not recognized for leases with an initial term of 12 months or less, and the Hospital recognizes lease expense for such leases on a straight-line basis over the lease term within supplies and other expenses on the accompanying audited combined statement of income.

The Hospital's operating leases have average remaining lease terms of 3 years for both the years ending December 31, 2022 and 2021. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the right-of-use leased assets and liabilities. The Hospital's leases may also include variable lease payments. Variable lease payments are excluded from the amounts used to determine the right-of-use leased assets and liabilities, unless the variable lease payments depend on an index, rate or are in substance fixed payments.

Operating expenses for the Hospital's leasing activity for the years ended December 31, 2022 and 2021 are as follows:

	Classification	2022	2021
Operating lease expense	Supplies and other expenses	\$ 755,042	\$ 792,494
Operating lease expense	Interest	<u>69,124</u>	<u>64,347</u>
Total lease cost		<u>\$ 824,166</u>	<u>\$ 856,841</u>

NJMHMC LLC AND AFFILIATE
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

OPERATING LEASES (CONTINUED)

Supplemental cash flow information is as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 799,097	\$ 605,304
Operating cash flows from financing leases	1,462,709	1,128,963
Total cash flows	\$ 2,261,806	\$ 1,734,267
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 746,019	\$ 1,828,692

The aggregate future minimum lease payments of operating leases as of December 31, 2022 were as follows:

<u>Year Ending December 31,</u>	
2023	\$ 473,586
2024	357,350
2025	357,877
2026	177,662
Total lease obligation	1,366,475
Less, imputed interest	(196,165)
Total liability	1,170,310
Less current portion	(381,611)
Long-term liability	\$ 788,699

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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 \$3,896,756 and \$3,820,349 for the years ended December 31, 2022 and 2021, 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>	
2023	\$ 3,974,691
2024	4,054,185
2025	4,135,268
2026	4,217,974
2027	4,302,333
Thereafter	<u>108,884,970</u>
	<u>\$ 129,569,421</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 was \$282,500 and the lease expires in August 2030. On July 23, 2021, this lease agreement was terminated and a new lease agreement was signed with the monthly rent of \$78,333. This lease expires on July 23, 2026. Rental expense for this lease for the Hospital was \$940,000 and \$2,369,167 for the years ended December 31, 2022 and 2021, respectively. 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. The Hospital terminated the lease agreement on January 2023. The last payment for this lease was made in January 2023 in the amount of \$78,333.

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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 \$2,112,540 and \$3,454,480 at December 31, 2022 and 2021, respectively.

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

<u>Year Ending December 31,</u>	
2023	\$ 1,267,453
2024	<u>845,087</u>
	<u>\$ 2,112,540</u>

The above note payable is secured by a guarantee from members of the Hospital and the Landlord.

The Hospital and Landlord had a \$18,655,000 mortgage since June 7, 2018 and a \$7,861,000 additional mortgage since November 21, 2019, both with Popular Bank. On July 27, 2021, the Hospital and the Landlord refinanced the Popular Bank mortgages with a Cross River Bank (CRB) term loan. The new term loan with CRB is a \$50 million loan that replaced the two mortgages with Popular Bank. This term loan is for thirty six (36) months with two twelve month extension options for 0.5% per extension. The rate is 1 month LIBOR plus 4.5% with a 0.50% floor on LIBOR. As such, the current rate is 8.62% as of December 31, 2022. The loan has 25 year mortgage amortization.

The above term loan is secured by a guarantee from members of the Hospital and the Landlord.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Future minimum payments by year and in the aggregate under the CRB \$50.0 million loan are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 1,065,589
2024	<u>47,590,383</u>
	48,655,972
Unamortized deferred financing costs	<u>(1,028,468)</u>
	<u>\$ 47,627,504</u>

The CRB \$50 million loan is subject to certain financial and non-financial covenants and other restrictions similar in financings of this type. The Hospital and the Landlord received a waiver of these covenants from CRB for the year ended December 31, 2022.

The Hospital and the Landlord had a \$10 million credit line with Popular Bank to be used for operating expenses. On July 27, 2021, this credit line was replaced with a \$10 million line of credit with CRB. The CRB line of credit has 1) a Collateral Management fee of 0.025-0.050% per month and 2) an Unused Line Fee of 0.042% per month. The interest rate at December 31, 2022 was 8.62%. As of December 31, 2022 and 2021, the Hospital had a \$5 million 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 \$160,870 and \$135,098 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 was \$23,224 and \$16,252, respectively.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 amounted to \$6,544,395 and \$4,958,989, respectively. As collectability cannot be reasonably assured, at December 31, 2022 the Hospital has fully reserved these amounts.

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 seven months. The interest rate was 5%. The monthly principal and interest payments were \$170,100. As of December 31, 2020, no principal payments were 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. As a result of CRB refinancing as disclosed in Note 7 above, the Hospital's intercompany loan of \$10.8 million was replaced by a \$42.8 million ten year loan from the Landlord to 29 E. 29th Street Holdings LLC. This loan has 5% interest rate and interest only payments with the principal due at the maturity date of September 1, 2031.

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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's estimated the medical malpractice claims liability and related receivable from its insurance company for both asserted and unasserted claims at December 31, 2022. These amounts have been included in current assets and current liabilities in the accompanying combined balance sheets. The liability and receivable related to the malpractice insurance at December 31, 2022 was \$3 million. 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 \$200,000. The Hospital's estimated liability of \$449,700 and \$340,316 at December 31, 2022 and 2021, 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, 2022 and 2021, and have issued our report thereon dated May 30, 2023, which contained an unmodified opinion on those financial statements and which appears on pages 1 and 2. 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, 2022 and 2021 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 procedures in 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 30, 2023

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

SCHEDULE I – COMBINING BALANCE SHEET

DECEMBER 31, 2022

	NJMHMC LLC	55 Meadowlands Holding LLC	Eliminations	Total
Assets				
Current Assets				
Cash	\$ 649,247	\$ 2,126	\$ --	\$ 651,373
Restricted cash	--	320,000	--	320,000
Patient accounts receivable	54,119,229	--	--	54,119,229
Other receivable	3,147,786	--	--	3,147,786
Supplies inventory	2,410,117	--	--	2,410,117
Prepaid expenses	645,747	--	--	645,747
Malpractice insurance	3,000,000	--	--	3,000,000
Total Current Assets	<u>63,972,126</u>	<u>322,126</u>	<u>--</u>	<u>64,294,252</u>
Other Assets				
Deposits	7,176	--	--	7,176
Property, plant and equipment, net	6,419,617	54,187,474	--	60,607,091
Operating lease, right-of-use asset	1,292,654	--	--	1,292,654
Loans to affiliates	45,332,874	51,351,168	(52,114,624)	44,569,418
Goodwill	444,747	--	--	444,747
Total Other Assets	<u>53,497,068</u>	<u>105,538,642</u>	<u>(52,114,624)</u>	<u>106,921,086</u>
Total Assets	<u>\$ 117,469,194</u>	<u>\$ 105,860,768</u>	<u>\$ (52,114,624)</u>	<u>\$ 171,215,338</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, 2022

	NJMHMC LLC	55 Meadowlands Holding LLC	Eliminations	Total
Liabilities and Members' Equity				
Current Liabilities				
Line of credit	\$ 5,000,000	\$ --	\$ --	\$ 5,000,000
Accounts payable and financing accrued expenses	42,882,800	43,938,431	(52,114,624)	34,706,607
Current portion of lease obligations	1,476,224	--	--	1,476,224
Current portion of operating lease liability	381,611	--	--	381,611
Current portion of note payable	1,267,453	--	--	1,267,453
Current portion of long-term debt and loan from affiliate	--	1,065,589	--	1,065,589
Estimated third-party settlements	178,745	--	--	178,745
Malpractice claims	3,000,000	--	--	3,000,000
Total Current Liabilities	<u>54,186,833</u>	<u>45,004,020</u>	<u>(52,114,624)</u>	<u>47,076,229</u>
Long-Term Liabilities				
Financing lease obligation, net of current portion	2,192,309	--	--	2,192,309
Operating lease liability, net of current portion	788,699	--	--	788,699
Note payable, net of current portion	845,087	--	--	845,087
Long-term debt, net of current portion	--	46,561,915	--	46,561,915
Total Long-Term Liabilities	<u>3,826,095</u>	<u>46,561,915</u>	<u>--</u>	<u>50,388,010</u>
Total Liabilities	58,012,928	91,565,935	(52,114,624)	97,464,239
Members' Equity	<u>59,456,266</u>	<u>14,294,833</u>	<u>--</u>	<u>73,751,099</u>
Total Liabilities and Members' Equity	<u>\$ 117,469,194</u>	<u>\$ 105,860,768</u>	<u>\$ (52,114,624)</u>	<u>\$ 171,215,338</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, 2022

	NJMHMC LLC	55 Meadowlands Holding LLC	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 152,671,088	\$ --	\$ --	\$ 152,671,088
COVID stimulus revenue	3,390,568	--	--	3,390,568
Rental income	--	3,896,756	(3,896,756)	--
Other revenue	5,887,279	2,132,319	--	8,019,598
Total Operating Revenues	<u>161,948,935</u>	<u>6,029,074</u>	<u>(3,896,756)</u>	<u>164,081,254</u>
Operating Expenses				
Salaries and wages	38,387,363	--	--	38,387,363
Payroll taxes and employee benefits	6,218,866	--	--	6,218,866
Physician fees	3,548,712	--	--	3,548,712
Supplies and other expenses	97,405,060	659,478	(3,896,756)	94,167,782
New Jersey corporate income tax	26,915	--	--	26,915
Interest	671,687	3,136,324	--	3,808,011
Depreciation and amortization	2,685,533	1,010,704	--	3,696,237
Total Operating Expenses	<u>148,944,136</u>	<u>4,806,506</u>	<u>(3,896,756)</u>	<u>149,853,886</u>
Income from Operations	13,004,799	1,222,568	--	14,227,367
Other Non-Operating Loss	<u>(4,385,534)</u>	<u>--</u>	<u>--</u>	<u>(4,385,534)</u>
Net Income	<u>\$ 8,619,265</u>	<u>\$ 1,222,568</u>	<u>\$ --</u>	<u>\$ 9,841,833</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, 2021

	NJMHMC LLC	55 Meadowlands Holding LLC	Eliminations	Total
Assets				
Current Assets				
Cash	\$ 4,018,343	\$ 248,644	\$ --	\$ 4,266,987
Restricted cash	--	320,000	--	320,000
Patient accounts receivable	47,889,640	--	--	47,889,640
Supplies inventory	2,272,724	--	--	2,272,724
Prepaid expenses	749,905	--	--	749,905
Total Current Assets	<u>54,930,612</u>	<u>568,644</u>	<u>--</u>	<u>55,499,256</u>
Other Assets				
Deposits	7,176	--	--	7,176
Property, plant and equipment, net	7,174,131	48,233,619	--	55,407,750
Operating lease, right-of-use asset	1,209,941	--	--	1,209,941
Loans to affiliates	40,826,723	52,596,618	(48,050,257)	45,373,084
Goodwill	518,872	--	--	518,872
Total Other Assets	<u>49,736,843</u>	<u>100,830,237</u>	<u>(48,050,257)</u>	<u>102,516,823</u>
Total Assets	<u>\$ 104,667,455</u>	<u>\$ 101,398,881</u>	<u>\$ (48,050,257)</u>	<u>\$ 158,016,079</u>

See independent auditors' report on supplementary information.

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

SCHEDULE III – COMBINING BALANCE SHEET (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

	NJMHMC LLC	55 Meadowlands Holding LLC	Eliminations	Total
Liabilities and Members' Equity				
Current Liabilities				
Accounts payable and financing accrued expenses	\$ 32,637,006	\$ 39,189,696	\$ (48,050,257)	\$ 23,776,445
Current portion of lease obligations	1,259,907	--	--	1,259,907
Current portion of operating lease liability	580,734	--	--	580,734
Current portion of note payable	1,341,940	--	--	1,341,940
Current portion of long-term debt and loan from affiliate	1,000,000	1,013,025	--	2,013,025
Estimated third-party settlements	56,340	--	--	56,340
Line of credit	5,000,000	--	--	5,000,000
Medicare advance	2,186,327	--	--	2,186,327
Unearned income - HHS stimulus	3,390,568	--	--	3,390,568
Total Current Liabilities	<u>47,452,822</u>	<u>40,202,721</u>	<u>(48,050,257)</u>	<u>39,605,286</u>
Long-Term Liabilities				
Financing lease obligation, net of current portion	2,639,572	--	--	2,639,572
Operating lease liability, net of current portion	642,655	--	--	642,655
Note payable, net of current portion	2,112,540	--	--	2,112,540
Long-term debt, net of current portion	--	47,583,896	--	47,583,896
Estimated third-party settlements	165,793	--	--	165,793
Total Long-Term Liabilities	<u>5,560,560</u>	<u>47,583,896</u>	<u>--</u>	<u>53,144,456</u>
Total Liabilities	53,013,382	87,786,617	(48,050,257)	92,749,742
Members' Equity	<u>51,654,073</u>	<u>13,612,264</u>	<u>--</u>	<u>65,266,337</u>
Total Liabilities and Members' Equity	<u>\$ 104,667,455</u>	<u>\$ 101,398,881</u>	<u>\$ (48,050,257)</u>	<u>\$ 158,016,079</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, 2021

	NJMHMC LLC	55 Meadowlands Holding LLC	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 141,430,734	\$ --	\$ --	\$ 141,430,734
COVID stimulus revenue	11,025,236	--	--	11,025,236
Rental income	--	3,820,349	(3,820,349)	--
Other revenue	3,957,131	900,539	--	4,857,670
Total Operating Revenues	<u>156,413,101</u>	<u>4,720,888</u>	<u>(3,820,349)</u>	<u>157,313,640</u>
Operating Expenses				
Salaries and wages	36,429,056	--	--	36,429,056
Payroll taxes and employee benefits	5,536,267	--	--	5,536,267
Physician fees	3,933,195	--	--	3,933,195
Supplies and other expenses	83,532,618	598,669	(3,820,349)	80,310,938
New Jersey corporate income tax	1,123,085	--	--	1,123,085
Interest	540,175	1,888,619	--	2,428,794
Depreciation and amortization	2,235,588	1,279,164	--	3,514,752
Total Operating Expenses	<u>133,329,984</u>	<u>3,766,452</u>	<u>(3,820,349)</u>	<u>133,276,087</u>
Income from Operations	23,083,117	954,436	--	24,037,553
Debt Forgiveness (PPP Loan)	6,501,680	--	--	6,501,680
Other Non-Operating Loss	<u>(2,787,197)</u>	<u>--</u>	<u>--</u>	<u>(2,787,197)</u>
Net Income	<u>\$ 26,797,600</u>	<u>\$ 954,436</u>	<u>\$ --</u>	<u>\$ 27,752,036</u>

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