IJKG - OPCO, LLC and Subsidiaries
(d/b/a Bayonne Medical Center)

Consolidated Financial Statements
Years Ended December 31, 2019 and 2018

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
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IJKG – OPCO, LLC and Subsidiaries
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Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

The Board of Directors
IJKG – OPCO, LLC and Subsidiaries
(d/b/a Bayonne Medical Center)
Bayonne, New Jersey

We have audited the accompanying consolidated financial statements of IJKG – OPCO, LLC and Subsidiaries (d/b/a Bayonne Medical Center), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that IJKG-Opco, LLC and Subsidiaries (d/b/a Bayonne Medical Center) (the "Hospital") will continue as a going concern. As described in Note 3 to the consolidated financial statements, the Hospital's landlord has initiated eviction proceedings under its capital lease agreement for the land and building of Bayonne Medical Center. This raises substantial doubt about the Hospital's ability to continue as a going concern. Management's response and plans in regards to this matter is also described in Note 3. The consolidated financial statements do not include any adjustments, if any, that might result from the outcome of this uncertainty. Our opinion is not modified with respect to these matters.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IJKG – OPCO, LLC and Subsidiaries (d/b/a Bayonne Medical Center) as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

March 10, 2021

IJKG – OPCO, LLC and Subsidiaries
(d/b/a Bayonne Medical Center)

Consolidated Balance Sheets

December 31,	**2019**	2018
Assets		
Current		
Cash and cash equivalents	**$ 8,345,385**	$ 8,801,373
Net patient accounts receivable, current portion	**20,886,954**	21,669,610
Other receivables	**-**	7,643,000
Due from related parties, current portion	**10,258,470**	8,280,920
Other assets	**4,278,535**	4,504,777
Total Current Assets	**43,769,344**	50,899,680
Restricted Cash	**9,105,206**	9,393,120
Net Patient Accounts Receivable, less current portion	**7,350,354**	16,127,003
Investments in Unconsolidated Entities	**1,073,831**	1,073,831
Due from Related Parties, less current portion	**17,124,636**	17,384,030
Goodwill, Net	**-**	1,201,410
Property and Equipment, Net	**38,283,692**	44,597,459
	$ 116,707,063	$ 140,676,533
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	**$ 6,593,968**	$ 14,992,337
Accrued compensation and other accrued expenses	**5,465,831**	5,580,927
Due to related parties	**924,180**	1,809,251
Deferred revenue	**595,927**	106,000
Due to third-party payors, current portion	**53,530**	900,000
Line of credit	**-**	15,468,205
Term loans payable	**15,959,950**	-
Capital lease payable, current portion	**3,954,966**	4,148,742
Total Current Liabilities	**33,548,352**	43,005,462
Due to Third-Party Payors, less current portion	**4,520,280**	1,387,976
Capital Lease Payable, less current portion	**30,920,702**	35,203,936
Total Liabilities	**68,989,334**	79,597,374
Commitments and Contingencies (Note 13)		
Members' Equity	**47,717,729**	61,079,159
	$ 116,707,063	$ 140,676,533

See accompanying notes to consolidated financial statements.

IJKG – OPCO, LLC and Subsidiaries
(d/b/a Bayonne Medical Center)

Consolidated Statements of Operations

Year ended December 31,	**2019**	2018
Revenues		
Net patient service revenue	**$ 141,037,139**	$ 157,278,111
Charity care subsidy	**1,060,545**	947,604
Other revenue	**1,599,712**	2,217,226
Total Revenues	**143,697,396**	160,442,941
Costs and Expenses		
Salaries and wages	**53,444,067**	53,625,562
Fringe benefits	**9,359,022**	10,236,812
Physician fees	**16,407,629**	14,202,722
Supplies and other expenses	**65,238,439**	71,011,611
Interest expense	**5,495,334**	4,915,267
Depreciation and amortization	**6,688,219**	7,033,579
Non-recurring reserve for related-party receivable	**-**	23,258,956
Total Expenses	**156,632,710**	184,284,509
Loss from Operations, before loss from discontinuation of subsidiary	**(12,935,314)**	(23,841,568)
Loss from Discontinuation of Subsidiary	**(426,116)**	-
Net Loss	**$ (13,361,430)**	$ (23,841,568)

See accompanying notes to consolidated financial statements.

IJKG – OPCO, LLC and Subsidiaries
(d/b/a Bayonne Medical Center)

Consolidated Statements of Members' Equity

Members' Equity, December 31, 2017	$	84,920,727
Net loss		(23,841,568)
Members' Equity, December 31, 2018		61,079,159
Net loss		(13,361,430)
Members' Equity, December 31, 2019	$	47,717,729

See accompanying notes to consolidated financial statements.

IJKG – OPCO, LLC and Subsidiaries
(d/b/a Bayonne Medical Center)

Consolidated Statements of Cash Flows

Year ended December 31,	**2019**	2018
Cash Flows from Operating Activities		
Net loss	**$ (13,361,430)**	$ (23,841,568)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	**6,688,219**	6,900,093
Amortization	**-**	133,486
Non-recurring reserve for related-party receivable	**-**	23,258,956
Disposal of property and plant	**-**	227,892
Loss from discontinuation of subsidiary	**426,116**	-
Bad debts other receivables	**4,830,268**	-
Change in present value of related party receivables	**(897,347)**	1,311,837
Changes in assets and liabilities:		
Decrease (increase) in:		
Net patient accounts receivable	**9,498,804**	2,308,433
Other receivables	**2,043,000**	(4,844,000)
Due from related parties	**(205,426)**	(366,305)
Other assets	**216,561**	136,208
Increase (decrease) in:		
Accounts payable	**(7,316,802)**	1,747,974
Accrued compensation and other accrued expenses	**(115,096)**	274,449
Due to related party	**(885,071)**	(9,751,901)
Deferred revenue	**489,927**	106,000
Other current liabilities	**-**	(152,775)
Due to third party	**2,285,834**	(1,319,765)
Net Cash Provided by (Used in) Operating Activities	**3,697,557**	(3,870,986)
Cash Flows from Investing Activities		
Purchase of property and equipment	**(456,194)**	(1,089,432)
Investment in unconsolidated entity	**-**	(334,513)
Net Cash Used in Investing Activities	**(456,194)**	(1,423,945)
Cash Flows from Financing Activities		
Proceeds from (Repayment of) line of credit	**(15,468,205)**	538,362
Proceeds from term loans	**18,341,727**	-
Repayments of term loans	**(2,984,951)**	-
Capitalization of interest	**603,174**	-
Repayment of capital lease obligation	**(4,477,010)**	(4,261,056)
Net Cash Used in Financing Activities	**(3,985,265)**	(3,722,694)
Net Decrease in Cash and Cash Equivalents	**(743,902)**	(9,017,625)
Cash and Cash Equivalents and Restricted Cash Equivalents, beginning of year	**18,194,493**	27,212,118
Cash and Cash Equivalents and Restricted Cash Equivalents, end of year	**$ 17,450,591**	$ 18,194,493
Supplemental Disclosures of Cash Flow Information		
Noncash transactions related to investment in unconsolidated entity	**$ -**	$ 227,892
Cash paid during the year for interest	**5,495,334**	4,919,016

See accompanying notes to consolidated financial statements.

1. Description of the Organization

IJKG - OPCO, LLC and Subsidiaries (d/b/a Bayonne Medical Center) (the Hospital) is a wholly owned subsidiary of IJKG, LLC (IJKG). Upon the acquisition of Bayonne Medical Center (BMC) out of bankruptcy through an asset purchase agreement by IJKG, the Hospital was formed to facilitate the operations of BMC. IJKG is the Sole Member and Manager of the Hospital and, as such, maintains certain reserved powers under the IJKG Opco, LLC Operating Agreement. The Hospital is a licensed 278-bed acute care facility that provides inpatient and outpatient services.

Effective October 27, 2020, IJKG sold 9.9% membership interest in the Hospital to a healthcare entity.

Bayonne RadOnc Associates, LLC (Bayonne RadOnc) is a wholly owned subsidiary of the Hospital that provides radiation oncology services. Peninsula Surgery Center Management, LLC is a wholly owned subsidiary of the Hospital, which, in 2013, acquired full ownership interest in Peninsula Surgery Center, LLC (PSC), a healthcare organization that provides outpatient surgical services. In 2019, PSC ceased operation.

2. Principles of Consolidation

The consolidated financial statements include the activities of the Hospital and its majority-owned subsidiaries (collectively, the Hospital). Interests in majority-owned subsidiaries are reported using the full consolidation method, whereby the consolidated financial statements include 100% of the assets and liabilities of the subsidiary. All material intercompany transactions have been eliminated.

3. Financial and Liquidity Consideration

As both the inpatient and outpatient volumes continue to decline, the Hospital has taken various initiatives to remain financially viable and address liquidity concerns. During 2019, the Hospital refinanced its line of credit with a financial institution by entering into both a First-Out Term Loan in the amount of $10,000,000 and a Last-Out Term Loan in the amount of $8,341,727 (Note 7). In addition to providing the funds to make the final debt service payment on the line of credit ($2,162,840), the term loans provided a $16,178,887 cash infusion to the Hospital. Subsequent to year end the Hospital paid in full the outstanding balance on the First-Out Term Loan and has modified the financing arrangement for the Last-Out Term Loan extending the maturity date to February 1, 2022. The Hospital has entered into a consulting agreement with a healthcare entity to focus on initiatives to lower expenses through reduction of employment levels and renegotiation of significant contracts and generate additional revenue through new business and enhancement of existing service lines. That same healthcare entity has purchased a 9.9% membership interest in the Hospital with a Certificate of Need application filed with the state of New Jersey for an additional 39.1% membership interest (Note 14). Lastly, the Hospital has received payments of $43,583,000 from the general stimulus and safety net distributions of the Provider Relief Fund (PRF) from the US Department of Health and Human Services (HHS) as part of the Coronavirus Aid, Relief, and Economic Security Act (the Cares Act) (Note 14). The funds received from HHS are subject to specific terms, conditions and audit by HHS. Noncompliance with any of the terms or conditions is grounds for HHS to recoup some or all of the payments received by the Hospital. For the year ended December 31, 2021, the Hospital has projected earnings before interest, taxes, depreciation and amortization (EBITDA) of $13,000,000 and at the time of the issuance of these consolidated financial statements, has cash on hand of $59,625,203.

On December 11, 2020, the current lessor of the land and building of BMC (Note 8) issued a notice of default and termination letter purporting to terminate the lease as of December 31, 2020, based on certain alleged defaults under the capital lease agreement. The Hospital is and has been consistently current in its lease payments on the land and building, disputes the alleged defaults and objects to the current lessor's effort to terminate the lease and exercise rights thereunder. The Hospital and the lessor are in litigation in Delaware Chancery Court concerning, among other things, whether the Hospital is in default under the capital lease agreement. In addition to the issues related to the lease default and termination, the Hospital asserts numerous additional claims against the lessor and its affiliates. As of the date of this report, the current lessor has begun eviction proceedings, but the Hospital remains in possession of the premises. The ultimate disposition of this matter is unknown at this time. An unfavorable outcome could create substantial doubt on the Hospital's ability to continue as a going concern.

4. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Hospital have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP). In the consolidated balance sheets, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Cash and Cash Equivalents

The Hospital considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, with the exceptions of amounts limited as to use for capital purchases and as required by financing arrangements with a financial institution to issue letters of credit.

Cash, cash equivalents and restricted cash consist of the following at December 31:

	2019	2018
Cash	**$ 8,345,385**	$ 8,801,373
Restricted funds by financing arrangements	**9,105,206**	9,393,120
	$ 17,450,591	$ 18,194,493

Fair Value Measurements

Professional standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Hospital would use in pricing the Hospital's asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Hospital are traded. The Hospital estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who have investments in the same or similar assets would use, as determined by the money managers administering each investment based on best information available in the

circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Net Patient Accounts Receivable

Net patient accounts receivable are reported at estimated net realizable value. Management's estimate of net realizable value is based on historical collection patterns and does not distinguish between contractual allowances and allowances for doubtful accounts. Individual patient accounts are written off when they are determined to be uncollectible based upon management's periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages.

Net patient accounts receivable primarily consist of balances due from third-party insurers for services to patients. Management performs periodic analyses to evaluate the net realizable value of accounts receivable. These estimates were calculated based on the Hospital's previous subsequent collections history and ongoing collection efforts. The timing of collections and the ultimate amounts collected may materially differ from such estimates. The Hospital does not impute interest on its accounts receivable.

The Hospital's experience indicates that the normal collection cycle for certain accounts extends beyond 12 months. Accordingly, the estimate of accounts expected to settle after 12 months from the consolidated balance sheet dates are classified as noncurrent assets.

Investments in Unconsolidated Entities

The Hospital records its investment in unconsolidated entities utilizing the equity method of accounting, reporting its economic interest in the entities' assets and liabilities as a non-current asset on the consolidated balance sheets. These amounts are either increased or decreased by the Hospital's proportionate share of the entities' net income or loss and any distributions made during the year.

Goodwill

Goodwill represents the excess purchase price over the fair value of net assets acquired. The Hospital is required to review goodwill by reporting unit for impairment, and the Hospital has determined that its entire business represents one reporting unit.

Determining the fair value of a reporting unit requires the Hospital to make judgments and involves the use of significant estimates and assumptions. These estimates and assumptions relate to, among other things, revenue growth rates and operating margins used to calculate projected future cash

flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. The Hospital bases its fair value estimates on assumptions it believes to be reasonable but that are unpredictable and inherently uncertain. Actual results may differ from those estimates. Effective January 1, 2018, the Hospital adopted the provisions of Accounting Standards Update (ASU) ASU 2014-02 and ASU 2016-03, which allows a private company to elect the accounting alternative for amortizing goodwill. Goodwill is being amortized using the straight-line method for a period of 10 years. At December 31, 2019, PSC, ceased operation and goodwill was written-off.

Property and Equipment

Property and equipment are recorded at their aggregate purchase cost, apportioned to individual assets on the basis of fair market value at the date of acquisition. Depreciation is provided over the estimated useful life for each class of depreciable asset and is computed using the straight-line method. The estimated useful lives of various asset classes are as follows:

	Years
Building and building improvements	5-15
Fixed equipment	10
Major moveable equipment	5-7

Impairment of Long-Lived Assets

Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 360-10-35, “Accounting for the Impairment or Disposal of Long-Lived Assets,” requires the Hospital to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2019, and 2018, the Hospital did not recognize any impairment.

Revenue Recognition

Net operating revenues are recognized in the period services are performed and consist primarily of net patient service revenue that is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. Payment arrangements with third-party payors include prospectively determined rates per discharge, reimbursed costs, charges, discounted charges and per-diem payments.

Income Taxes

As a limited liability company, the net income of the Hospital passes through to the tax returns of the respective owners and income tax expense is not reported as an element of expense in the

Hospital's consolidated financial statements. The Hospital is considered a disregarded entity under the tax code and does not file a tax return. In addition, the Hospital has not taken an uncertain tax position that would require provision of a liability in accordance with GAAP.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Concentration of Credit Risk

The Hospital is located in the state of New Jersey. The Hospital extends credit based on financial condition for all customers without collateral, most of whom are local residents and are insured under various third-party payor insurance carriers. Credit losses are provided for in the consolidated financial statements and consistently have been within management's expectations.

The mix of receivables from primary payor sources, including patients and third parties, is as follows:

December 31,	**2019 (%)**	2018 (%)
Medicare	**11**	7
Medicaid	**1**	4
Other third-party payors	**88**	89

Financial instruments that potentially subject the Hospital to concentrations of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. At various times during the year, the Hospital may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation.

Recently Adopted Accounting Standards

Statement of Cash Flows (Topic 230)

In November 2016, the Financial Accounting Standards Board (FASB) issued 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018 and is required to be applied retrospectively. The Hospital adopted the standard for the year ended December 31, 2019 and included it for all periods presented.

Recent Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2020-05, which deferred the effective date until annual periods beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

Leases

On February 25, 2016, the FASB issued ASU 2016-02, *Leases,* which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, the lease. The FASB issued ASU 2020-05, which deferred the effective date until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

5. Net Patient Service Revenue

The Hospital has agreements with Medicare, Medicaid and other third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with third-party payors is as follows:

Medicare

Under the Medicare program, the Hospital receives reimbursement under a prospective payment system for inpatient and outpatient services. The Hospital's reimbursements from Medicare are subject to certain variations under Medicare's single bundled payment rate system, whereby reimbursements can be adjusted for certain patient characteristics and other factors. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data. The Hospital has been audited and received final settlements on its Medicare cost reports through 2015 and tentative settlements through 2018.

Non-Medicare Payments

Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates that vary based on clinical, diagnostic and other factors. Revenues associated with commercial health plans and health maintenance organizations are based on contractual terms. Non-contracted health plan revenues are based on historical collection experience.

Regulation and Reimbursement Contingencies

Regulations require annual retroactive settlements for cost-based reimbursements through cost reports filed by the Hospital. These retroactive settlements are estimated and recorded in the consolidated financial statements in the year in which they become known. The estimated settlements recorded at December 31, 2019 and 2018 could differ from actual settlements based on the results of the cost report audits.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying consolidated financial statements and believes it is in compliance, in all material respects, with the applicable laws and regulations. Action for noncompliance could result in repayment of amounts improperly reimbursed, fines, penalties and exclusion from Medicare and Medicaid programs.

6. Property and Equipment, Net

Property and equipment, net, consists of the following:

	2019	2018
Building	**$ 62,662,124**	$ 62,662,124
Building improvements	**3,894,938**	4,077,430
Fixed equipment	**14,322,099**	14,512,550
Major moveable equipment	**40,913,169**	41,829,980
Construction-in-progress	**2,908,982**	2,594,859
	124,701,312	125,676,943
Less: accumulated depreciation	**(86,417,620)**	(81,079,484)
Property and Equipment, Net	**$ 38,283,692**	$ 44,597,459

During 2019, the Hospital had property and equipment additions of $456,194.

The Hospital is obligated under capital leases covering building and equipment that expire at various dates over the next ten years. The gross amount of building and equipment and related accumulated depreciation recorded under capital leases were as follows:

December 31,	2019	2018
Building	**$ 62,662,124**	$ 62,662,124
Major moveable equipment	**10,980,835**	10,845,992
	73,642,959	73,508,116
Less: accumulated depreciation	**(47,899,428)**	(43,532,771)
	$ 25,743,531	$ 29,975,345

7. Term Loans Payable

On June 26, 2019, the Hospital entered into a First-Out Term Loan and Last-Out Term Loan (collectively, the credit agreement) in the aggregate amount of $18,341,726, consisting of a) a senior secured multi-draw term loan facility in an aggregate amount of $10,000,000 funded by a lender (First-Out Term Loan) and a secured multi-draw term loan facility in an aggregate principal amount of $8,341,727 funded by a private group (Last-Out Term Loan). In conjunction with entering the credit agreement, the Hospital repaid in full its previous line of credit with a financial institution and terminated all commitments and discharged all related guarantees. The Hospital deemed the refinancing to be an extinguishment of the old debt in accordance with FASB Accounting Standards Codification 470, *Debt*, which resulted in a write-off of the prior issuance costs and recognition of new issuance costs. Both the First-Out Term Loan and the Last-Out Term Loan require no amortization and have a stated maturity date of 12 months. During the term of the credit agreement, interest on the First-Out Term Loan accrues at 12.00% and is payable in cash monthly in arrears. Interest accrues on the Last-Out Term Loan at 12.50% and is capitalized and thereafter treated as principal. At December 31, 2019, the outstanding amount of the term loans was $15,959,950.

In addition to a structuring fee of 1.00% of the aggregate principal amounts of the commitments at the closing payable to the lender of the First-Out Term Loan, the Hospital will incur an exit fee of an equal amount when the loan is terminated. The Hospital will incur a monthly commitment fee based on the average daily balance of the remaining commitment under the First-Out Term Loan during the preceding month multiplied by 2.50% per annum. The Hospital’s obligations under the credit agreements are guaranteed by the Hospital’s existing and to be acquired assets and contains affirmative and negative covenants usual and customary for transactions of this type.

On November 30, 2020, the Hospital paid in full the outstanding balance on the First-Out Term Loan and was concurrently released from all related obligations and commitments. The transaction had no effect on the Last-Out Term Loan obligations, liens, security interests and other encumbrances granted to the private group. On January 20, 2021 the Hospital modified the financing arrangement for the Last-Out Term Loan extending the maturity date to February 1, 2022.

8. Capital Lease Obligations

The Hospital entered into a capital lease agreement for the land and building of BMC with a healthcare real estate investment trust on February 4, 2011. Effective November 5, 2019, the land and building of BMC were sold to another entity who assumed the lessor rights of the lease agreement dated February 4, 2011 as well as the Subordination of Management Agreement and the Security Agreement, both of which were also dated February 4, 2011. On August 10, 2020, the land and building of BMC were sold to the current lessor who also assumed the lessor rights of the lease agreement dated February 4, 2011 as well as the Subordination of Management Agreement and the Security Agreement, both of which were also dated February 4, 2011.The lease is secured by the land and building and requires monthly payments of principal and interest, at an imputed rate. The lease expires in February 2026.

The following is a schedule of future minimum lease payments, including interest under the terms of the lease, together with the present value of the net minimum lease payments, as of December 31, 2019:

2020	$ 7,261,149
2021	7,261,149
2022	7,261,149
2023	7,261,149
2024	7,261,149
Thereafter	7,866,246
Total Minimum Lease Payments	44,171,991
Less: amount representing interest	(9,296,323)
Present Value of Net Minimum Lease Payments	34,875,668
Less: current portion	(3,954,966)
	$ 30,920,702

9. Charity Care

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

The estimated cost of charity care provided was $2,648,273 and $4,572,784 for the years ended December 31, 2019 and 2018, respectively. The estimated cost of charity care is based on the ratio of cost to charges, as determined by hospital-specific data.

10. Malpractice Contingencies

Effective June 15, 2014, the Hospital purchased a claims-made policy from CarePoint Health Captive Assurance Company, LLC (the Captive), a related captive insurance provider. The policy includes no deductible for the Hospital and a $250,000 per claim and $750,000 in the aggregate deductible covered by the Captive, which is shared with related healthcare providers HUMC-Opco, LLC and Hudson Hospital Opco, LLC, such that losses from all three entities would erode the $750,000 aggregate deductible. The Hospital has also purchased excess coverage of up to $15,000,000 from the Captive with limits being shared among all three entities. The Captive reinsures 100% for the limits of the excess liability coverage.

Estimated malpractice liabilities are based upon actuarial valuation of the estimated effect of probable loss contingencies and determined policy deductibles. In the opinion of management, the final disposition of such claims will be within the available insurance coverage and will not have a material adverse effect on the Hospital's financial position, results of operations or liquidity.

Upon purchasing BMC, the Hospital initiated a provision to cover medical malpractice claims arising from events that had occurred prior to the transaction closing date of February 1, 2008. Since the establishment of the initial tail liability on the consolidated balance sheet in 2008, there have been no reported claims. The Hospital has taken the position that the probability of receiving claims

arising from events that occurred within that timeframe is unlikely. As a result, the Hospital amortized the recorded liability in 2014 for a period of three years until the liability was fully amortized in 2017. If subsequent claims are received, management will record any necessary liability in the year the claim is received. For both years ended December 31, 2019 and 2018, there were no reported claims arising from events that had occurred prior to the transaction closing date of February 1, 2008.

11. Retirement Plan

The Hospital sponsors a voluntary 401(k) Profit Sharing Plan (the Plan). All employees of the Hospital are eligible to participate in the Plan. Employees can contribute any amount of their compensation each pay period subject to annual limits imposed by the Internal Revenue Service and additional limits imposed by law. The employees' accounts are fully and immediately vested from their date of participation in the Plan. The Hospital also makes employer matching contributions to all eligible employees who have completed one year of service. However, the employer matching contribution is discretionary and is based on the financial performance of the Hospital for the year. During the year ended December 31, 2019, the maximum allocation that a participant can receive is 3% of the participant's compensation. Total employer contributions for the years ended December 31, 2019 and 2018 were $672,715 and $671,004, respectively.

12. Related-Party Transactions

Due from (to) Related Parties

Amounts due from (to) related parties are as follows:

December 31,	**2019**	2018
Jersey Health Alliance, LLC	**$ 17,390,912**	$ 17,491,162
HUMC-OPCO, LLC	**1,893,709**	4,587,275
CarePoint Health Management Associates, LLC	**7,145,927**	2,437,490
Sequoia Healthcare Management, LLC	**390,326**	390,326
Quality Care Associates, LLC	**-**	137,060
IJKG, LLC	**158,460**	-
Other related parties	**403,772**	621,637
	$ 27,383,106	$ 25,664,950
Quality Care Associates, LLC	**$ (845,863)**	$ -
Garden State Healthcare Associates, LLC	**(78,317)**	(1,588,543)
IJKG, LLC	**-**	(220,708)
	$ (924,180)	$ (1,809,251)

Non-Recurring Reserve for Related-Party Receivable

During 2018, the Hospital analyzed the amounts due from related parties relative to the ability of the Hospital to collect amounts due. This review resulted in a non-recurring reserve, not related to the operations of the Hospital, in the amount of $23,258,956 against the receivable from Hudson Hospital Opco, LLC, reducing the carrying value to $0. The Hospital retains its rights to collect amounts due from Hudson Hospital Opco, LLC, should its financial situation change in the future.

Management Agreement

Pursuant to the IJKG Opco, LLC Operating Agreement, the Hospital had entered into a management services agreement with its than sole member, IJKG. The manager is responsible for the operations and economics of the Hospital in compliance with all applicable laws, statutes, ordinances and regulations. In return for these services, the Hospital pays a management fee, which is generally structured as net income above a pre-determined level, with adjustments for certain other financial ratios. The management fee allocation was $0 for the year ended December 31, 2019.

Certain other expenses, shared among the Hospital and certain of its affiliates, are incurred by a separate company and are allocated accordingly.

Investment in McCabe Ambulance Services, Inc.

On November 1, 2013, the Hospital entered into a stock purchase agreement to attain ownership of McCabe Ambulance Services, Inc. (McCabe). McCabe is a comprehensive provider of emergency medical services, including both emergency and non-emergency ambulance transportation services. The Hospital invested $1,441,731, which equated to ownership of approximately 23% of McCabe's outstanding stock. The investment is accounted for using the equity method of accounting and is recorded within investments in unconsolidated entities in the accompanying consolidated balance sheets.

Practice Management

The Hospital has provided advances to Jersey Health Alliance, LLC (JHA), predecessor to Quality Care Associates, LLC (collectively, Practice Management). These advances include the provision for working capital needs of the physician groups managed by Practice Management. These groups include Garden State Healthcare Associates LLC, which employs all of the traditional hospital-based physician specialties working full-time at the Hospital, and New Jersey Medical and Health Associates LLC d/b/a CarePoint Health Medical Group, which employs physicians acquired to provide continuity of care to the Hospital's patients. The Hospital believes that the services provided by Practice Management have been beneficial to both the Hospital and its patients. Practice Management is a management service organization formed to provide both healthcare and technology expertise to affiliated physician groups.

In 2018, the Hospital and Practice Management have entered into agreements defining the method of repayment of advances made to JHA by the Hospital. These agreements include interest at an annual rate of 4.94% as of December 31, 2019. To secure the payment and performance in full of the agreements, they are collateralized by a continuing security interest in and lien upon all of its right, title and interest in the patient accounts receivable of Practice Management.

Below is a schedule of maturities of the loans receivable:

2020	$	1,119,072
2021		1,119,072
2022		1,119,072
2023		1,119,072
2024		16,707,868
Total Minimum Note Payments		21,184,156
Less: amount representing interest		(3,793,244)
Present Value of Net Minimum Note Payments		17,390,912
Less: current portion		(266,276)
	$	17,124,636

13. Commitments and Contingencies

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which would result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Even if the Hospital were to ultimately prevail, a significant governmental inquiry or action under one of the above laws, regulations or rules could have a material adverse impact on it.

The Hospital is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Hospital’s financial position, results of operations or liquidity.

14. Subsequent Events

The Hospital has performed subsequent event procedures through March 10, 2021, which is the date when the consolidated financial statements were available to be issued. During this period, there were no material subsequent events that required disclosure, other than the following:

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The COVID-19 pandemic substantially impacted the global economy, including significant volatility in financial markets. As a result of the COVID-19 pandemic, patient volumes and associated patient net revenues at the Hospital were significantly reduced in the months of March through June 2020. The Hospital began experiencing gradual and continued improvement in patient volumes in late June as stay-at-home restrictions were eased and hospitals were permitted to resume elective surgeries and procedures.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The full impact that the pandemic will have on the Hospital’s financial condition, liquidity and future results

of operations is uncertain. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act, among other things, authorized $100 billion in funding to hospitals and other healthcare providers to be distributed through the Provider Relief Fund (PRF). These funds are not required to be repaid, provided the recipients attest to, and comply with, certain terms and conditions, including among other things, that the funds are being used for lost operating revenues and COVID-19-related expenses. The U.S. Department of Health and Human Services (HHS) initially distributed $30 billion of this funding based on each provider's share of total Medicare fee-for-service reimbursement in 2019. Subsequently, HHS distributed an additional $20 billion in CARES Act funding based on an allocation proportional to the providers' share of 2018 net patient revenue. Distributions of the additional $50 billion were targeted primarily to hospitals in COVID-19 high-impact areas, to rural providers, safety net hospitals, skilled nursing facilities and to reimburse providers for COVID-19-related treatment of uninsured patients. During the calendar year 2020, the Hospital received payments of $43,583,000 from the general stimulus and safety net distributions of the PRF. The funds received from HHS are subject to specific terms, conditions and audit by HHS. Noncompliance with any of the terms or conditions is grounds for HHS to recoup some or all of the payments received by the Hospital. Management believes it has complied with the terms and conditions.

The CARES Act also made other forms of financial assistance available to healthcare providers, including through Medicare and Medicaid payment adjustments and an expansion of the Medicare Accelerated and Advanced Payment Program, which makes available accelerated payments of Medicare funds in order to increase cash flow to providers. The Hospital received $20,871,000 of advance payments, which will be recorded as a liability given that recoupment will occur at some point in the future.

On September 19, 2020, HHS issued a Post-Payment Notice of Reporting Requirements for the PRF that were disbursed under the CARES Act. This notice changed guidance that had previously been communicated in June and July 2020. Key differences include introduction of the concept of calendar year measurement as opposed to quarterly measurement, the requirement to first apply stimulus monies received to healthcare related expenses attributable to COVID-19 (net of reimbursements from other sources), and change (negative change comparing 2020 over 2019) from lost revenues as defined as net patient care operating income net of healthcare related expenses previously applied.

On January 15, 2021, HHS issued a Reporting Requirements Policy Update reverting back to the initial definition of lost revenues. These changing requirements may result in a change in the amount of CARES Act stimulus funds that the Hospital will be able to retain based on the terms and conditions. The Hospital has until June 30, 2021 to use the PRF towards expenses attributable to COVID-19. The Hospital will report their use of the PRF payments by submitting healthcare related expenses attributable to coronavirus that another source has not reimbursed and is not obligated to reimburse or PRF payments amounts not fully expended on healthcare related expenses attributable to coronavirus are then applied to patient care lost revenues. The Hospital may choose to apply PRF payments towards lost revenue using one of the following options a) of the difference between 2019 and 2020 actual patient care revenue b) of the difference between 2020 budgeted and 2020 actual patient care revenue. If the Hospital elect to use 2020 budgeted patient care revenue to calculate lost revenue, they must use a budget that was established and approved prior to March 27, 2020. Providers using 2020 budgeted patient care revenue to calculate the amount of lost revenues they

may permissibly claim will be required to submit additional documentation at the time of reporting; or calculated by any reasonable method of estimating revenue. If the Hospital wishes to use an alternate reasonable methodology for calculating lost revenues attributable to coronavirus, the Hospital must submit a description of the methodology, an explanation of why the methodology is reasonable, and establish how the identified lost revenues were in fact a loss attributable to coronavirus, as opposed to a loss caused by any other source. Management will continue to evaluate and monitor compliance with the terms and conditions through June 30, 2021.

On June 1, 2020, the Hospital entered into an Asset Purchase and Sale Agreement with a healthcare entity. Under the agreement, the healthcare entity, defined as the buyer, desires to acquire substantially all of the assets of the Hospital and to assume certain related liabilities. Currently, the agreement and related certificate of need is awaiting approval by the New Jersey Department of Health. On October 27, 2020, the same healthcare entity purchased a 9.9% membership interest with the Hospital for $1,000,000 and has a Certificate of Need filed with the New Jersey Department of Health for an additional 39.1% membership interest.