IJKG - OPCO, LLC AND SUBSIDIARIES
(d/b/a Bayonne Medical Center)

Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of IJKG - OPCO, LLC and Subsidiaries (d/b/a Bayonne Medical Center) (the Hospital), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IJKG - OPCO, LLC and Subsidiaries (d/b/a Bayonne Medical Center) as of December 31, 2021 and 2020, 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.

Basis for Qualified Opinion

The Hospital contracts with a related-party physicians' practice group. The consolidated balance sheets include a due from its physicians' practice group of $16,868,022 and $17,322,096 at December 31, 2021 and 2020, respectively, and the consolidated statements of operations include related physician fees to the physicians' practice group of approximately $15,727,127 and $14,375,343 for the years then ended, respectively. We were unable to obtain documentation to support the collectability of the balance due from the physicians' practice group, nor were we able to reconcile the activity recorded during the year by other auditing procedures.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other 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 qualified audit opinion.

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MITCHELL TITUS

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued or are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the 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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Mitchell & Titus, LLP

June 23, 2023

IJKG - OPCO, LLC
(d/b/a Bayonne Medical Center)
Consolidated Balance Sheets
As of December 31, 2021 and 2020

	2021	2020
ASSETS		
Current		
Cash and cash equivalents	$ 5,769,117	$ 2,543,163
Net patient accounts receivable, current portion	24,996,020	24,397,468
Due from related parties, current portion	9,902,136	7,783,403
Other assets	4,219,169	3,418,056
Total current assets	44,886,442	38,142,090
Restricted cash	26,771,299	63,084,223
Net patient accounts receivable, less current portion	1,490,682	5,326,181
Investments in unconsolidated entities	1,073,831	1,073,831
Due from related parties, less current portion	16,551,035	16,844,903
Property and equipment, net	27,611,349	32,987,548
	$ 118,384,638	$ 157,458,776
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	$ 11,756,039	$ 13,935,774
Accrued compensation and other accrued expenses	3,748,287	3,998,622
Deferred revenue	15,015,999	33,279,696
Due to third-party payors, current portion	291,920	750,032
Term loans payable	10,067,651	10,067,651
Capital lease payable, current portion	5,440,715	3,954,960
Total current liabilities	46,320,611	65,986,735
Due to third-party payors, less current portion	15,722,723	22,471,896
Capital lease payable, less current portion	20,060,402	26,298,658
Total liabilities	82,103,736	114,757,289
COMMITMENTS AND CONTINGENCIES (Note 12)		
Members' equity	36,280,902	42,701,487
Total liabilities and members' equity	$ 118,384,638	$ 157,458,776

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

IJKG - OPCO, LLC
(d/b/a Bayonne Medical Center)
Consolidated Statements of Operations
For the Years Ended December 31, 2021 and 2020

	2021	2020
REVENUE		
Net patient service revenue	$ 133,657,138	$ 143,720,301
Charity care subsidy	518,724	718,208
Other revenue	24,048,126	3,977,816
Total revenue	158,223,988	148,416,325
COSTS AND EXPENSES		
Salaries and wages	58,138,179	56,171,417
Fringe benefits	7,597,044	7,953,106
Physician fees	3,230,442	3,543,890
Supplies and other expenses	69,174,897	59,711,376
Interest expense	4,434,458	5,071,094
Depreciation and amortization	6,342,426	6,606,341
Other transfers – funding to physician practice groups	15,727,127	14,375,343
Total expenses	164,644,573	153,432,567
Net loss	$ (6,420,585)	$ (5,016,242)

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

IJKG - OPCO, LLC
(d/b/a Bayonne Medical Center)
Consolidated Statements of Members' Equity
For the Years Ended December 31, 2021 and 2020

Members' equity, December 31, 2019	$ 47,717,729
Net loss	(5,016,242)
Members' equity, December 31, 2020	42,701,487
Net loss	(6,420,585)
Members' equity, December 31, 2021	$ 36,280,902

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

IJKG - OPCO, LLC
(d/b/a Bayonne Medical Center)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (6,420,585)	$ (5,016,242)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation	6,342,426	6,606,341
Changes in assets and liabilities		
Decrease (increase) in		
Net patient accounts receivable	3,236,947	(1,486,341)
Due from related parties	(1,824,865)	1,830,620
Other assets	(801,113)	860,479
Increase (decrease) in		
Accounts payable	(2,179,735)	7,341,766
Accrued compensation and other accrued expenses	(250,335)	(1,467,209)
Deferred revenue	(18,263,697)	32,683,769
Due to third party	(7,207,285)	18,648,118
Net cash (used in) provided by operating activities	(27,368,242)	60,001,301
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(966,227)	(1,310,197)
Net cash used in investing activities	(966,227)	(1,310,197)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loans	-	1,216,040
Repayments of term loans	-	(7,108,339)
Repayment of capital lease obligation	(4,752,501)	(4,622,010)
Net cash used in financing activities	(4,752,501)	(10,514,309)
Net (decrease) increase in cash and cash equivalents	(33,086,970)	48,176,795
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS		
Beginning of year	65,627,386	17,450,591
End of year	$ 32,540,416	$ 65,627,386
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 4,308,748	$ 4,963,877

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

NOTE 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 Operating Agreement. The Hospital is a licensed 278-bed acute care facility that provides inpatient and outpatient services.

Effective October 27, 2020, IJKG sold a 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.

On May 9, 2022, the majority member of Bayonne Intermediate Holdco, LLC, along with a minority owner, donated its equity in Bayonne Intermediate Holdco, LLC to CarePoint Health Systems, Inc. (Systems), a non-profit organization incorporated on November 12, 2021 for the purpose of holding the CarePoint hospitals. Systems is qualified under Internal Revenue Service Code Section 501(c)3. Bayonne Intermediate Holdco, LLC currently has one other minority owner. Effective March 2023, the New Jersey Department of Health approved the transfer of ownership to Systems.

NOTE 2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the activities of IJKG - OPCO, LLC 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.

NOTE 3 FINANCIAL AND LIQUIDITY CONSIDERATION

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 (see 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. On November 20, 2020, 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

NOTE 3 FINANCIAL AND LIQUIDITY CONSIDERATION *(continued)*

February 1, 2022. The Hospital has entered into a consulting agreement with a healthcare entity to focus on initiatives to lower expenses through a reduction of employment levels and renegotiation of significant contracts and generate additional revenue through new business and the enhancement of existing service lines. The 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 (see Note 15). 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 U.S. Department of Health and Human Services (HHS) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (see Note 15). 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, 2022, the Hospital has projected earnings before interest, taxes, depreciation, and amortization of $10,475,000 and at the time of the issuance of these consolidated financial statements, the Hospital has cash on hand of $10,546,000 as of March 31, 2023.

On December 11, 2020, the current lessor of the land and building of BMC (see 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 and in eviction proceedings. In addition to the issues related to the lease default and termination, the Hospital asserts numerous additional claims against the lessor and its affiliates. The Hospital remains in possession of the premises. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Hospital’s consolidated financial position, results of operations, or liquidity.

NOTE 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 (U.S. 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.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 exception of amounts required by financing arrangements with a financial institution to issue letters of credit.

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

	2021	2020
Cash	$ 5,769,117	$ 2,543,163
Restricted funds by financing arrangements	26,771,299	63,084,223
	$ 32,540,416	$ 65,627,386

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.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair Value Measurements

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 consist primarily 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, using the cost method of accounting where its investment is less than 20%. Any earnings distributions received are included in the net income or loss during the year. The Hospital has other insignificant related party investments (See Note 13) that are not accounted for in accordance with U.S. GAAP.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2021 and 2020, 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.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. In addition, the Hospital has not taken an uncertain tax position that would require provision of a liability in accordance with U.S. GAAP.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. 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:

	% 2021	% 2020
Medicare	20.5	24.4
Medicaid	12.2	5.9
Other third-party payors	67.3	69.7

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.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recently Adopted Accounting Standard

Revenue from Contracts with Customers

During fiscal year 2021, the Hospital adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 eliminated transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replaced it with a principle-based approach for determining revenue recognition. ASU 2014-09 requires an entity to recognize revenue based on the value of transferred goods or services as they occur in the contract. ASU 2014-09 also required additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The majority of the Hospital’s revenue is generated via net patient service revenue for providing quality healthcare services to the public. Revenue is earned as performance of this service is accomplished on a yearly basis. Based on the above, the adoption of ASU 2014-09 has no impact on the current revenue recognition policies.

Recent Accounting Pronouncements Issued but Not Yet Adopted

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.

NOTE 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 2019 and tentative settlements through 2021.

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.

Regulations 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, 2021 and 2020 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.

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following:

	2021	2020
Building	$ 62,662,124	$ 62,662,124
Building improvements	3,894,938	3,894,938
Fixed equipment	14,291,950	14,286,172
Major moveable equipment	42,885,927	41,905,021
Construction-in-progress	3,242,797	3,263,253
	126,977,736	126,011,508
Less: Accumulated depreciation	(99,366,387)	(93,023,960)
Property and equipment, net	$ 27,611,349	$ 32,987,548

During 2021 and 2020, the Hospital had property and equipment additions of $966,227 and $1,310,197, respectively.

The Hospital is obligated under capital leases covering building and equipment that expire at various dates over the next 6 years. The gross amount of building and equipment and related accumulated depreciation recorded under capital leases were as follows:

	2021	2020
Building	$ 62,662,124	$ 62,662,124
Major moveable equipment	10,980,835	10,980,835
	73,642,959	73,642,959
Less: Accumulated depreciation	(56,632,742)	(52,266,085)
	$ 17,010,217	$ 21,376,874

NOTE 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).

NOTE 7 TERM LOANS PAYABLE *(continued)*

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.

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.

NOTE 8 CAPITAL LEASE OBLIGATIONS

The Hospital leases a building and equipment under capital leases that expire at various dates through November 2026. The leases, which are secured by the underlying assets, require monthly payments of principal with interest rates ranging from 8% to 10% per year. The schedule of future minimum lease payments, including interest under the term of the leases, together with the present value of the net minimum lease payments, is as follows as of December 31, 2021.

Year Ending	Amounts
2022	$ 8,599,029
2023	8,599,029
2024	8,599,029
2025	8,599,029
Thereafter	1,004,517
Total minimum lease payments	35,400,633
Less: Amount representing interest	(9,899,516)
Present value of net minimum lease payments	25,501,117
Less: Current portion	(5,440,715)
	$ 20,060,402

The Hospital is required to comply with certain covenants under its major lease agreement, one of which is timely annual audited consolidated financial statements, which have not been provided according to that timeline.

NOTE 9 OPERATING LEASES

The Hospital has entered into various operating lease agreements for equipment expiring in varying years through 2025. Rental expense for the years ended December 31, 2021 and 2020 were $3,062,996 and $2,299,871, respectively.

Future minimum payments on noncancelable leases are:

Years Ending	Amount
2022	$ 3,707,592
2023	2,872,861
2024	710,977
2025	52,553
Total	$ 7,343,983

NOTE 10 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 $3,347,041 and $3,963,460 for the years ended December 31, 2021 and 2020, respectively. The estimated cost of charity care is based on the ratio of cost-to-charges, as determined by hospital-specific data.

The Charity care subsidy received from the State of New Jersey was $518,724 and $718,208 for the years ended December 31, 2021 and 2020, respectively.

NOTE 11 MALPRACTICE CONTINGENCIES

Effective June 15, 2014, the Hospital is covered on a claims-made basis by CarePoint Health Captive Assurance Company, LLC (the Captive), a related captive insurance provider. For the period September 1, 2019 through August 31, 2021, retention was $250,000 per claim and $750,000 in the aggregate; September 1, 2021 through August 31, 2022, retention changed to $250,000 per claim and $1,250,000 in the aggregate. The aggregate is shared with related healthcare providers HUMC-Opco, LLC and Hudson Hospital Opco, LLC, such that losses from all three entities would erode the 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.

NOTE 11 MALPRACTICE CONTINGENCIES *(continued)*

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 consolidated financial position, results of operations or liquidity.

NOTE 12 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 based on the financial performance of the Hospital for the year. During both years ended December 31, 2021 and 2020, the maximum allocation that a participant can receive is 3% of the participant's compensation, respectively. Total employer contributions payout for the years ended December 31, 2021 and 2020 was $571,961 and $691,000, respectively.

NOTE 13 RELATED-PARTY TRANSACTIONS

Due from (to) Related Parties

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

	2021	2020
Jersey Health Alliance, LLC	$ 16,868,022	$ 17,322,096
CarePoint Health Management Associate:	6,522,783	5,187,625
Sequoia Healthcare Management, LLC	390,326	390,326
Quality Care Associates, LLC	3,338,178	2,324,439
Other related parties	333,862	403,820
	$ 27,453,171	$ 25,628,306
IJKG Holdco	$ (1,000,000)	$ (1,000,000)
	$ (1,000,000)	$ (1,000,000)

NOTE 13 RELATED-PARTY TRANSACTIONS *(continued)*

Reserve for Related-Party Receivable

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 reserve required, not related to the operations of the Hospital, in the amount of $20,843,771 against the receivable from Hudson Hospital Opco, LLC, which the Hospital adjusts to effectively maintain the carrying value of $0. This reserve is reviewed and adjusted periodically. The Hospital retains its rights to collect amounts due from Hudson Hospital Opco, LLC, should its financial situation change in the future.

Investment in McCabe Ambulance Services, Inc.

On November 1, 2013, the Hospital, along with other related entities, 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 recorded in investments in unconsolidated entities in the accompanying consolidated balance sheets. While U.S. GAAP requires the equity method of accounting be used, management views the investment in McCabe as strategic and the services provided critical to Hospital operations. Some of the operating losses of McCabe have not been recorded against the investment in an effort to show the intrinsic value of McCabe.

Investment in Dialysis venture

On June 11, 2018, the Hospital entered into a contribution agreement with a medical provider to obtain a 10% interest in a joint venture for the provision of outpatient dialysis services. The investment in the amount of $334,513 is accounted for using the cost method of accounting and is included in investments in unconsolidated entities in the accompanying consolidated balance sheets.

Practice Management

The Hospital provided advances to Jersey Health Alliance, LLC (JHA), predecessor to Quality Care Associates, LLC (collectively, Practice Management), related to the Hospital through ownership. 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 that provide primary and specialty care to the Hospital's patients primarily in offices located in Hudson and nearby counties.

NOTE 13 RELATED-PARTY TRANSACTIONS *(continued)*

Practice Management *(continued)*

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, as discussed below under Quality Care Associates, LLC. There is no contract in place with Practice Management covering any funding process.

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%.

To secure the payment and performance in full, mandated by 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.

The following is a schedule of maturities of the loans receivable:

Year Ending	Amounts
2022	$ 1,119,072
2023	1,119,072
2024	16,707,868
Total minimum note payments	18,946,012
Less: Amount representing interest	(2,101,109)
Present value of net minimum note payments	16,844,903
Less: Current portion	(293,868)
	$ 16,551,035

Management Agreement

The Hospital has entered into a management service agreement with Sequoia Healthcare Management, LLC, which has a common majority ownership as the parent company of the Hospital. 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 of 4% of net patient service revenue. As of July 2019, the Hospital ceased accruing and paying the management fee. For both years ended December 31, 2021 and 2020, management fees payable was $390,326.

NOTE 13 RELATED-PARTY TRANSACTIONS *(continued)*

CarePoint Health Management Associates

CarePoint Health Management Associates (CarePoint) is related through ownership and provides administrative and accounting services, including revenue cycle, financial reporting, payroll, accounts payable, etc. to the Hospital. The Hospital pays a professional services fee based on operating expenses which is approximately 27% of CarePoint's annual expenses. The amounts charged to the Hospital for these services were $10,281,968 and $13,028,323 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, $6,522,738 and $5,187,625, respectively, were due from CarePoint.

Quality Care Associates, LLC

Quality Care Associates, LLC (Quality) is related through ownership and provides revenue cycle, office staff and other administrative functions to CarePoint Health Medical Group and Garden State Healthcare Associates, LLC, among others (collectively, Physician Practice Groups). The Hospital has committed to varying levels of subsidy to Quality to cover the monthly expenses of the Physician Practice Groups, when their expenses exceed cash collections. The Physician Practice Groups are not related to the Hospital through direct ownership. Carepoint Health Medical Group has an unwritten agreement with the Hospital to exclusively provide physician services that support patient care at specialty and primary care locations. The Hospital transferred funds totaling $15,727,127 and $14,375,343 to Quality during the years ended December 31, 2021 and 2020, respectively, which are included in the consolidated statements of operations as other transfers – funding to Physician Practice Groups. The debt holders do not consider these payments to be a violation of any of the debt covenants. At December 31, 2021 and 2020, $3,338,178 and $2,324,439, respectively, was due from CarePoint.

NOTE 14 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 was to ultimately prevail, a significant governmental inquiry or action under one of the above laws, regulations or rules could have a material adverse impact. The Hospital is involved in various other claims and legal actions arising in the ordinary course of its business.

NOTE 14 COMMITMENTS AND CONTINGENCIES *(continued)*

In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Hospital's consolidated financial position, results of operations, or liquidity.

NOTE 15 RISKS AND UNCERTAINTIES

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 when elective procedures were suspended. 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 that the pandemic will have on the Hospital's financial condition, liquidity, and future results of operations remains 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, then President Trump signed into law 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.

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 years 2021 and 2020, the Hospital received payments of $44,078,000 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 has attested that the funds are being used appropriately and believes it has complied with the terms and conditions.

NOTE 15 RISKS AND UNCERTAINTIES *(continued)*

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 made available accelerated payments of Medicare funds in order to increase cash flow to providers. The Hospital received $20,871,000 of advance payments, which were recorded as a liability given that Medicare applied these funds to claims as they were adjudicated between April 2021 and September 2022.

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 had until June 30, 2021 to use the PRF toward expenses attributable to COVID-19 and complied with the requirement. The Hospital has reported the use of PRF payments by submitting healthcare-related expenses attributable to the coronavirus that another source has not reimbursed and believes is not obligated to repay PRF amounts. The Hospital chose to apply PRF payments toward lost revenue based on the difference between 2020 budgeted and actual patient care revenue and incremental COVID-19-related expenses.

NOTE 16 MINORITY INTEREST

On June 1, 2020, the Hospital entered into an Asset Purchase and Sale Agreement with a healthcare entity. Under the agreement, the healthcare entity desires to acquire a less than majority interest in the assets of the Hospital and to assume certain related liabilities. The agreement requires approval by the New Jersey Department of Health. On October 27, 2020, the same healthcare entity purchased a 9.9% membership interest in 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.

NOTE 17 SUBSEQUENT EVENTS

The Hospital has performed subsequent event procedures through June 23, 2023, which is the date when the consolidated financial statements were available to be issued. There were no other subsequent events requiring adjustment to the financial statements or disclosures.