HUDSON HOSPITAL-OPCO, LLC
(d/b/a CHRIST HOSPITAL)

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

MITCHELL TITUS
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HUDSON HOSPITAL-OPCO, LLC
(d/b/a CHRIST HOSPITAL)
Financial Statements
Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hudson Hospital-Opco, LLC
(d/b/a Christ Hospital)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Hudson Hospital-Opco, LLC (d/b/a Christ Hospital) (the Hospital), which comprise the balance sheets as of December 31, 2021 and 2020, the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Hudson Hospital-Opco, LLC (d/b/a Christ Hospital) as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The Hospital contracts with a related-party physicians' practice group. The balance sheets include a due from its physicians' practice group of $20,681,868 and $21,374,581 at December 31, 2021 and 2020, respectively, and the statements of operations include related physician fees to the physicians' practice group of approximately $19,632,970 and $18,341,166 for the years then ended, respectively. Consequently, 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.

80 Pine Street
New York, NY 10005
T +1 212 709 4500
F +1 212 709 4680
mitchelltitus.com

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Responsibilities of Management for the Financial Statements

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

In preparing the 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 financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.

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- 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

July 25, 2023

HUDSON HOSPITAL-OPCO, LLC
(d/b/a CHRIST HOSPITAL)
Balance Sheets
As of December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 26,481,638	$ 68,592,810
Net patient accounts receivable, current portion	13,921,248	19,903,743
Other receivables	110,348	52,341
Due from third-party payors	4,306,429	1,925,198
Due from related parties	360,966	343,602
Other assets	4,594,252	5,249,593
Total current assets	49,774,881	96,067,287
Net patient accounts receivable, less current portion	39,820,317	36,839,443
Intangible assets, net	5,872,600	7,069,700
Due from related parties	27,821,001	24,465,048
Investments in unconsolidated entities	3,047,611	3,047,611
Property and equipment, net	38,708,915	42,251,000
Total assets	$ 165,045,325	$ 209,740,089
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	$ 6,399,526	$ 12,726,702
Accrued compensation and other accrued expenses	6,742,392	2,016,638
Due to related parties	60,199,809	57,625,869
Deferred revenue	22,477,984	51,905,668
Due to third-party payors, current portion	192,434	556,041
Capital lease payable, current portion	5,662,059	5,335,486
Loan payable	24,356,395	31,471,435
Total current liabilities	126,030,599	161,637,839
Due to third-party payors, less current portion	14,265,836	17,767,381
Capital lease payable, less current portion	29,094,029	34,608,353
Total liabilities	169,390,464	214,013,573
Members' equity	(4,345,139)	(4,273,484)
Total liabilities and members' equity	$ 165,045,325	$ 209,740,089

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

HUDSON HOSPITAL-OPCO, LLC
(d/b/a CHRIST HOSPITAL)
Statements of Operations
For the Years Ended December 31, 2021 and 2020

	2021	2020
REVENUE		
Net patient service revenue	$ 130,990,838	$ 151,401,016
Charity care subsidy	9,685,469	10,912,226
Other revenue	41,586,420	23,504,205
Total revenue	182,262,727	185,817,447
EXPENSES		
Salaries and wages	57,436,733	62,966,845
Fringe benefits	11,509,712	12,738,443
Physician fees	1,860,031	1,587,777
Supplies and other expenses	80,396,958	83,204,777
Interest expense	5,941,937	8,618,814
Depreciation and amortization	7,483,320	7,270,510
Other transfers - funding to physician practice groups	19,632,970	18,341,166
Total expenses	184,261,661	194,728,332
OTHER INCOME (EXPENSE)		
Interest income	2,068,279	303,410
Net income (loss)	$ 69,345	$ (8,607,475)

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

HUDSON HOSPITAL-OPCO, LLC
(d/b/a CHRIST HOSPITAL)
Statements of Members' Equity
For the Years Ended December 31, 2021 and 2020

Members' equity, December 31, 2019	$ 4,333,991
Net loss	(8,607,475)
Member distributions	-
Members' equity, December 31, 2020	(4,273,484)
Net income	69,345
Member distributions	(141,000)
Members' equity, December 31, 2021	$ (4,345,139)

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

HUDSON HOSPITAL-OPCO, LLC
(d/b/a CHRIST HOSPITAL)
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 69,345	$ (8,607,475)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities		
Depreciation	6,286,220	6,073,410
Amortization	1,197,100	1,197,100
Changes in assets and liabilities		
(Increase) decrease in		
Net patient accounts receivable	3,001,621	10,343,772
Other receivables	(58,007)	(31,471)
Due from third-party payors	(2,381,231)	2,613,120
Due from related parties	(3,373,317)	1,335,130
Other assets	655,341	(1,175,743)
Increase (decrease) in		
Accounts payable	(6,327,176)	706,292
Accrued compensation and other accrued expenses	4,725,754	(4,465,373)
Due to related parties, net	2,573,940	(1,011,397)
Deferred revenue	(29,427,684)	50,416,085
Due to third-party payors	(3,865,152)	14,182,681
Net cash (used in) provided by operating activities	(26,923,246)	71,576,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,744,135)	(578,083)
Disposal of property and equipment	-	89,386
Investments in unconsolidated entity	-	-
Net cash used in investing activities	(2,744,135)	(488,697)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member distributions	(141,000)	-
Repayment of capital lease obligation	(5,187,751)	(5,075,798)
(Payments) proceeds from loan payable, net	(7,115,040)	(5,520,501)
Net cash used in financing activities	(12,443,791)	(10,596,299)
Net (decrease) increase in cash and cash equivalents	(42,111,172)	60,491,135
Cash and cash equivalents, beginning of year	68,592,810	8,101,675
Cash and cash equivalents, end of year	$ 26,481,638	$ 68,592,810
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 5,686,496	$ 7,625,459

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

NOTE 1 DESCRIPTION OF THE ORGANIZATION

Hudson Hospital-Opco, LLC (d/b/a Christ Hospital) (the Hospital) is a wholly owned subsidiary of CH Hudson Holdco, LLC (CH Hudson Holdco). The Hospital facilitates the operations of Christ Hospital, which was acquired out of bankruptcy through an asset purchase agreement in 2012. The Hospital is a licensed 349-bed, acute care facility that provides inpatient and outpatient services.

During 2022, the majority member of CH Hudson Holdco, along with a minority owner, donated their equity in CH Hudson Holdco 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. Effective March 2023, the New Jersey Department of Health approved the transfer of ownership to Systems.

NOTE 2 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 $20,000,000 and a Last-Out Term Loan in the amount of $17,951,721 (collectively, the Loans). In addition to providing the funds to make the final debt service payment on the line of credit $(12,231,021), the term loans provided a $25,750,700 cash infusion to the Hospital. On March 19, 2021, the Hospital paid the entire balance of $20,000,000 outstanding on the First-Out Term Loan and has modified the forbearance agreement for the Last-Out Term Loan, extending the maturity date to February 1, 2022. The Last-Out Term Loan is with a related party and no additional extensions have been executed. In addition, the Hospital has received payments of $70,662,000 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 (the CARES Act). 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 unaudited earnings before interest, taxes, depreciation and amortization of $9,691,000, and at June 1, 2023, there was cash on hand of $9.34 million.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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).

NOTE 3 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.

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 estimates of accounts expected to settle after 12 months from the 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 investments that are not accounted for in accordance with U.S. GAAP.

NOTE 3 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 assets and is computed using the straight-line method. The estimated useful lives of various asset classes are as follows:

Building and building improvements	5–15 years
Fixed equipment	10 years
Major moveable equipment	5–7 years

Intangible Assets

Intangible assets arising from business combinations are recognized at fair value at the date of acquisition and are being amortized using the straight-line method for a period of 10 years.

Revenue Recognition

Net operating revenue is recognized in the period services are performed and consist primarily of the 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 financial statements. Furthermore, as the Hospital is a solely owned limited liability company, it is considered to be 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 U.S. GAAP.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue 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 for all customers without collateral, most of who are local residents that are insured under various third-party payor insurance programs. Credit losses are provided for in the 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,	
	2021 (%)	**2020 (%)**
Medicare	12	18
Medicaid	6	8
Other third-party payors	82	74

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.

Adopted Accounting Pronouncements

Revenue from Contracts with Customers

During fiscal year 2021, the Hospital adopted Financial Accounting Standards Board (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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Adopted Accounting Pronouncements *(continued)*

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 to the current revenue recognition policies.

Recent Accounting Pronouncements Issued but Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, 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, a specified asset for the lease term. The FASB issued ASU 2020-05, which deferred the effective date for the Hospital until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of ASU 2016-02 on the Hospital's financial statements.

Intangible Assets

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350)*, to simplify how all entities assess goodwill for impairment by eliminating Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. The Hospital does not believe the pending adoption of ASU 2017-04 will have a material impact on the financial statements.

NOTE 4 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 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 2022.

Non-Medicare Payments

Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates that vary based on clinical, diagnostic and other factors. Revenue associated with commercial health plans and health maintenance organizations is based on contractual terms. Non-contracted health plan revenue is 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 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 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 5 INTANGIBLE ASSETS, NET

The composition of the intangible assets, net is summarized as follows:

	December 31, 2021			
	Gross Balance	**Accumulated Amortization**	**Net Value**	**Useful Life**
Licenses	$ 5,000,000	$ 2,000,000	$ 3,000,000	10 years
Trade name	2,400,000	2,270,000	130,000	10 years
Medical records	4,571,000	1,828,400	2,742,600	10 years
Total	$ 11,971,000	$ 6,098,400	$ 5,872,600	

	December 31, 2020			
	Gross Balance	**Accumulated Amortization**	**Net Value**	**Useful Life**
Licenses	$ 5,000,000	$ 1,500,000	$ 3,500,000	10 years
Trade name	2,400,000	2,030,000	370,000	10 years
Medical records	4,571,000	1,371,300	3,199,700	10 years
Total	$ 11,971,000	$ 4,901,300	$ 7,069,700	

During the years ended December 31, 2021 and 2020, amortization expense was $1,197,100 for both years. Finite lived intangible assets are amortized under the straight-line method.

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of December 31:

	2021	**2020**
Land and building	$ 78,053,827	$ 78,053,827
Building improvements	2,046,316	1,596,394
Moveable and fixed equipment	32,116,480	30,127,916
Construction-in-progress	1,482,655	1,177,007
	113,699,278	110,955,144
Less: Accumulated depreciation	(74,990,363)	(68,704,144)
Property and equipment, net	$ 38,708,915	$ 42,251,000

During 2021 and 2020, the Hospital had property and equipment additions of $2,744,135 and $488,697, respectively.

Costs incurred to date on projects included in construction-in-progress as of December 31, 2021 and 2020 represent approximately 90% and 96%, respectively, of the project construction costs.

NOTE 6 PROPERTY AND EQUIPMENT, NET *(continued)*

The Hospital is obligated under capital leases covering building and equipment that expire at various dates through 2027. The gross amount of building and equipment and related accumulated depreciation recorded under the capital lease were as follows as of December 31:

	2021	2020
Land and building	$ 75,611,105	$ 75,611,105
Equipment	6,533,503	6,533,503
	82,144,608	82,144,608
Less: Accumulated depreciation	(51,894,950)	(46,854,210)
	$ 30,249,658	$ 35,290,398

NOTE 7 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 an aggregate amount of $37,951,721, consisting of a) a senior secured multi-draw term loan facility in an aggregate principal amount of $20,000,000 funded by a lender (First-Out Term Loan) and b) a senior secured multi-draw term loan facility in an aggregate principal amount of $17,951,721 funded by a private group (Last-Out Term Loan). In conjunction with entering the credit agreement, the Hospital paid 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, 2021 and 2020, the outstanding amount of the term loans was $24,356,395 and $31,471,435, respectively. At December 31, 2021 and 2020, various covenants were not complied with nor waived by the financial institution. Therefore, the Hospital loans payable was in default and classified as current liabilities.

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.

NOTE 7 LOANS PAYABLE *(continued)*

Effective March 20, 2020, the Hospital entered into a forbearance agreement that, among other things, allowed for existing defaults to be offset by agreed to payments of principal, required the retention of a financial advisor as well as default interest at a rate of 14%. The forbearance agreement was amended and extended to March 31, 2021. As of March 31, 2021, the Hospital paid the entire $20,000,000 loaned under the First-Out Term Loan.

Also, on March 31, 2021, the Hospital entered into an amendment to the forbearance agreement with the Last-Out Term Loan lender extending the agreement to April 30, 2021. A second amendment was executed extending the forbearance agreement to July 31, 2021. The Last-Out Term Loan lender is a related party and no additional extensions have been executed.

NOTE 8 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. Since 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 $11,661,150 and $11,540,800 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 $9,685,469 and $10,912,226 for the years ended December 31, 2021 and 2020, respectively.

NOTE 9 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 IJKG-Opco, LLC and HUMC-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 9 MALPRACTICE CONTINGENCIES

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 10 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 the years ended December 31, 2021 and 2020, the maximum allocation that a participant can receive is 3% of the participant’s compensation. Total employer contributions for the years ended December 31, 2021 and 2020 were $554,978 and $879,611, respectively.

NOTE 11 RELATED-PARTY TRANSACTIONS

Due from (to) Related Parties

Amounts due from (to) related parties, net, are as follows at December 31:

	2021	2020
Jersey Health Alliance, LLC	$ 20,681,868	$ 21,374,581
CarePoint Health Management Associates, LLC	6,597,642	3,256,753
Quality Care Associates, LLC	845,156	-
Other related parties	57,301	177,316
	28,181,967	24,808,650
Quality Care Associates, LLC	-	(739,803)
Palisade Avenue Properties, LLC	(17,400)	(17,400)
Bayonne Medical Center	(20,840,565)	(21,863,173)
Hoboken University Medical Center	(12,568,798)	(13,738,971)
Hudson Hospital HOLDCO, LLC	(6,241,933)	(6,242,633)
Sequoia Healthcare Management, LLC	(4,869,214)	(4,869,214)
Hudson Hospital PROPCO, LLC	(15,661,899)	(10,154,675)
	(60,199,809)	(57,625,869)
	$ (32,017,842)	$ (32,817,219)

Capital Lease

The Hospital signed a 15-year lease agreement with Hudson Hospital Propco, LLC (Propco) for use of the building attained through the asset purchase on July 13, 2012. Lease payments made by the Hospital to Propco totaled $2,534,231 and $2,745,362 for the years ended December 31, 2021 and 2020, respectively. Propco and the Hospital are wholly owned subsidiaries of CH Hudson Holdco. During 2019, the Hospital had been precluded from making intercompany cash transfers by the lender; however, it is allowed to pay amounts suitable for Propco to make the related monthly mortgage payment, with a liability recorded for the difference between the lease amount and the payment. The lease also provides for annual increases of the Consumer Price Index, which the Hospital estimates to be 2%. The lease, which is secured by the building, requires monthly payments of principal and interest, with a rate at 5% per year.

NOTE 11 RELATED-PARTY TRANSACTIONS *(continued)*

Capital Lease *(Continued)*

The following is a 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, as of December 31, 2021.

Year Ending	Amounts
2022	$ 8,600,224
2023	9,131,682
2024	9,676,727
2025	10,237,415
2026	10,874,373
Thereafter	5,775,482
Total minimum lease payments	54,295,903
Less: Amount representing interest	(19,539,815)
Present value of net minimum lease payments	34,756,088
Less: Current portion	(5,662,059)
	$ 29,094,029

Management Agreement

The Hospital has entered into a management service agreement with Sequoia Healthcare Management, LLC, which has 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 the years ended December 31, 2021 and 2020, management fees payable were $4,869,241. There were no management fee expenses for the years ended December 31, 2021 and 2020.

Guaranty of Debt Service Payments

The Hospital has entered into Guaranty and Security agreements, whereby the Hospital, identified as the Guarantor, irrevocably and unconditionally guarantees the full, prompt and unconditional payment, when due, whether by acceleration or otherwise, of any and all obligations of Propco under the respective financing agreements. As of December 31, 2021 and 2020, the amount owed on this loan was $15,661,899 and $10,154,674, respectively.

NOTE 11 RELATED-PARTY TRANSACTIONS *(continued)*

Investment in McCabe Ambulance Services, Inc.

On November 1, 2013, the Hospital with other related entities entered into a stock purchase agreement to attain ownership in 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 included in investments in unconsolidated entities in the accompanying 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 $2,308,298 is accounted for using the cost-method of accounting and is included in investments in unconsolidated entities in the accompanying 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. 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 (Quality). There is no contract in place with Practice Management covering any funding process.

NOTE 11 RELATED-PARTY TRANSACTIONS *(continued)*

Practice Management *(continued)*

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	$ 1,374,584
2023	1,374,584
2024	20,513,545
Total minimum note payments	23,262,713
Less: Amount representing interest	(2,580,845)
Present value of net minimum note payments	20,681,868
Less: Current portion	(360,966)
	$ 20,320,902

CarePoint Health Management Associates

CarePoint Health Management Associates (CarePoint) is related to the Hospital 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 approximates 34% of CarePoint’s annual expenses. The amount charged to the Hospital for these services was $12,637,161 and $15,291,741 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, $6,597,642 and $3,256,753, respectively, was due from CarePoint.

NOTE 11 RELATED-PARTY TRANSACTIONS *(continued)*

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 $19,632,970 and $18,341,166 to Quality during the years ended December 31, 2021 and 2020, respectively, which are included in the 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, $845,156 and $739,803, respectively was due from Quality.

NOTE 12 OPERATING LEASES

The Hospital has entered into various operating lease agreements for equipment, expiring in varying years through 2023. Rental expense for the years ended December 31, 2021 and 2020 was $2,475,205 and $2,929,112 respectively.

Future minimum payments on noncancelable leases are:

Year Ending	Amounts
2022	$ 1,147,825
2023	1,141,700
2024	939,639
2025	693,348
Total	$ 3,922,512

NOTE 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. The Hospital is involved in various other claims and legal actions arising in the ordinary course of its 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.

NOTE 14 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, the President signed into law CARES Act. The CARES Act, among other things, authorized $100 billion in funding to hospitals and other healthcare providers to be distributed through the 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 the total Medicare fee-for-service reimbursement in 2019.

NOTE 14 RISKS AND UNCERTAINTIES *(continued)*

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 2021 and 2020, the Hospital received payments of $70,686,979 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 all other 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 made available accelerated payments of Medicare funds in order to increase cash flow to providers. The Hospital received $14,760,000 of accelerated payments, which were recorded as a liability given that recoupment will occur in the future. Recoupment of these funds by Medicare began in April 2021 and is still ongoing as of June 27, 2023.

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

NOTE 15 SUBSEQUENT EVENTS

The Hospital has performed subsequent events procedures through July 25, 2023, which is the date the financial statements were available to be issued. There were no other subsequent events requiring adjustment to the financial statements or disclosures.