HUMC-OPCO, LLC
(d/b/a HOBOKEN UNIVERSITY MEDICAL CENTER)

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

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

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(d/b/a HOBOKEN UNIVERSITY MEDICAL CENTER)
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
HUMC-OPCO, LLC
(d/b/a Hoboken University Medical Center)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of HUMC-OPCO, LLC (d/b/a Hoboken University Medical Center) (HUMC 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 HUMC-OPCO, LLC (d/b/a Hoboken University Medical Center) (HUMC 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 $29,396,949 and $30,381,798 at December 31, 2021 and 2020, respectively, and the statements of operations include related physician fees to the physicians' practice group of approximately $22,054,078 and $21,579,249 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

HUMC-OPCO, LLC
(d/b/a HOBOKEN UNIVERSITY MEDICAL CENTER)
Balance Sheets
As of December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 48,990,304	$ 58,622,934
Net patient accounts receivable, current portion	21,479,259	24,290,624
Due from related parties, current portion, net	530,732	3,256,574
Other receivables	812,458	532,444
Due from third-party payors	1,256,779	1,344,834
Other assets	4,067,338	4,427,167
Total current assets	77,136,870	92,474,577
Assets limited as to use	4,951,195	4,962,387
Net patient accounts receivable, less current portion	32,883,612	34,057,161
Due from related parties, less current portion	33,417,701	29,081,542
Investments in unconsolidated entities	1,002,804	1,002,804
Intangible assets, net	15,447,000	18,171,500
Property and equipment, net	35,051,334	38,508,648
Total assets	$ 199,890,516	$ 218,258,619
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	$ 2,676,957	$ 7,529,670
Accrued compensation and other accrued expenses	17,102,141	12,185,587
Deferred revenue	26,370,335	38,350,314
Due to related parties	5,383,193	7,065,638
Due to third-party payors, current portion	179,395	475,823
Current portion of capital lease	4,712,703	4,071,125
Loans payable	36,745,734	38,706,553
Current portion of note payable	126,395	123,091
Total current liabilities	93,296,853	108,507,801
Due to third-party payors, less current portion	10,732,198	13,722,586
Capital lease payable, less current portion	21,671,986	25,497,032
Note payable, less current portion	1,152,497	1,279,442
Total liabilities	126,853,534	149,006,861
Members' equity	73,036,982	69,251,758
Total liabilities and members' equity	$ 199,890,516	$ 218,258,619

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

HUMC-OPCO, LLC
(d/b/a HOBOKEN UNIVERSITY MEDICAL CENTER)
Statements of Income
For the Years Ended December 31, 2021 and 2020

	2021	2020
REVENUE		
Net patient service revenue	$ 150,540,821	$ 153,213,819
Charity care subsidy	11,088,306	11,013,701
Other revenue	30,052,502	16,582,670
Total revenue	191,681,629	180,810,190
EXPENSES		
Salaries and wages	59,867,610	62,662,505
Fringe benefits	16,417,228	13,631,791
Physician fees	1,700,506	1,689,688
Supplies and other expenses	71,787,423	74,089,235
Interest expense	6,931,004	7,930,234
Depreciation and amortization	8,065,759	8,408,842
Reserve for related-party receivable	462,797	(1,109,170)
Other transfers – funding to physician practice groups	22,054,078	21,579,249
Total expenses	187,286,405	188,882,374
Net income (loss)	$ 4,395,224	$ (8,072,184)

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

HUMC-OPCO, LLC
(d/b/a HOBOKEN UNIVERSITY MEDICAL CENTER)
Statements of Members' Equity
For the Years Ended December 31, 2021 and 2020

Members' equity, December 31, 2019	$ 90,128,306
Net loss	(8,072,184)
Member distributions	(12,804,364)
Members' equity, December 31, 2020	69,251,758
Net income	4,395,224
Member distributions	(610,000)
Members' equity, December 31, 2021	$ 73,036,982

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

HUMC-OPCO, LLC
(d/b/a HOBOKEN UNIVERSITY MEDICAL CENTER)
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 4,395,224	$ (8,072,184)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities		
Depreciation	5,341,259	5,654,342
Amortization	2,724,500	2,754,500
Reserve for related-party receivable	462,797	(1,109,170)
Changes in assets and liabilities		
(Increase) decrease in		
Net patient accounts receivable	3,984,914	14,410,514
Due from related parties	(2,073,114)	2,430,546
Other receivable	(280,014)	(40,665)
Due from third party	88,055	421,541
Other assets	359,829	257,893
Increase (decrease) in		
Accounts payable	(4,852,713)	(657,749)
Accrued compensation and other accrued expenses	4,916,554	1,858,919
Deferred revenue	(11,979,979)	36,604,366
Due to related parties	(1,682,445)	(6,204,170)
Due to third party	(3,286,816)	10,364,866
Net cash (used in) provided by operating activities	(1,881,949)	58,673,549
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,883,945)	(730,466)
Decrease (increase) in assets limited as to use	11,192	(2,224)
Net cash used in investing activities	(1,872,753)	(732,690)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member distributions	(610,000)	(12,804,364)
Repayment of loan	(1,960,819)	-
Repayment of long-term debt	(123,641)	(120,440)
Repayment of capital lease obligation	(3,183,468)	(4,342,218)
Net cash used in financing activities	(5,877,928)	(17,267,022)
Net (decrease) increase in cash and cash equivalents	(9,632,630)	40,673,837
Cash and cash equivalents, beginning of year	58,622,934	17,949,097
Cash and cash equivalents, end of year	$ 48,990,304	$ 58,622,934
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 5,835,334	$ 6,176,492

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

NOTE 1 DESCRIPTION OF THE ORGANIZATION

HUMC-OPCO, LLC (d/b/a Hoboken University Medical Center) (the Hospital) is a majority-owned subsidiary of HUMC Holdco, LLC (Holdco). The Hospital facilitates the operations of Hoboken University Medical Center (HUMC), which was acquired out of bankruptcy through an asset purchase agreement in 2011. The Hospital is a licensed 348-bed acute care facility that provides inpatient and outpatient services.

On May 9, 2022, the majority member of HUMC Holdco, along with a minority owner, donated its equity in HUMC 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. In March 2023, the New Jersey Department of Health approved the transfer of ownership to Systems.

NOTE 2 FINANCIAL CONSIDERATION

During 2019, the Hospital refinanced its line of credit by entering into a Term Loan in the amount of $30,000,000 with a financial institution and a demand loan in the amount of $8,706,553 funded by a private group (collectively, the Loans). In addition to providing the funds to make the final debt service payment on the line of credit ($19,469,378), the Loans provided a $19,237,175 cash infusion to the Hospital. Subsequent to year end, the Hospital paid $6,520,170 of the outstanding balance on the Term Loan and has modified the forbearance agreement for the Term Loan, extending the maturity date to June 1, 2023. The lender has extended the loan in 30-day increments through June 1, 2023, and management is working with the lender to expedite an extension. 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.

For the year ended December 31, 2022, the Hospital has unaudited earnings before interest, taxes, depreciation and amortization of $(12,327,690) and at June 1, 2023 had cash on hand of $5,569,942.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>

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, with the exceptions of amounts limited as to use as required by the letter of credit agreement with a financial institution.

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 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 asset, 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. 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 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.

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

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 whom 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, are as follows:

	December 31,	
	2021 (%)	2020 (%)
Medicare	10	8
Medicaid	13	7
Other third-party payors	77	85

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.

Recently Adopted Accounting Standard

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. 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.

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

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 its 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 industrywide and hospital-specific data. The Hospital has been audited and received final settlements on its Medicare cost reports through 2018 and tentative settlements through 2022.

NOTE 4 NET PATIENT SERVICE REVENUE *(continued)*

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	$ 24,000,000	$ 9,600,000	$ 14,400,000	10 years
Trade name	1,800,000	1,800,000	-	10 years
Medical records	1,745,000	698,000	1,047,000	10 years
Total	$ 27,545,000	$ 12,098,000	$ 15,447,000	

NOTE 5 INTANGIBLE ASSETS, NET *(continued)*

	December 31, 2020			
	Gross Balance	Accumulated Amortization	Net Value	Useful Life
Licenses	$ 24,000,000	$ 7,200,000	$ 16,800,000	10 years
Trade name	1,800,000	1,650,000	150,000	10 years
Medical records	1,745,000	523,500	1,221,500	10 years
Total	$ 27,545,000	$ 9,373,500	$ 18,171,500	

During the years ended December 31, 2021 and 2020, amortization expense was $2,724,500 and $2,754,500, respectively. 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	$ 54,844,332	$ 54,844,332
Building improvements	19,215,998	19,082,767
Moveable and fixed equipment	34,980,544	33,145,680
	109,040,874	107,072,779
Less: Accumulated depreciation	(74,047,097)	(68,705,838)
	34,993,777	38,366,941
Construction-in-progress	57,557	141,707
Property and equipment, net	$ 35,051,334	$ 38,508,648

During 2021 and 2020, the Hospital had property and equipment additions of $1,883,945 and $730,466, respectively.

The Hospital is obligated under capital leases covering building and equipment that expire at various dates through 2026. The gross amount of building and equipment and the related accumulated depreciation recorded under capital lease were as follows at December 31:

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

	2021	2020
Building	$ 54,844,332	$ 54,844,332
Building improvements	2,885,276	2,885,276
Movable and fixed equipment	16,737,397	15,765,938
	74,467,005	73,495,546
Less: Accumulated depreciation	(55,104,708)	(51,044,694)
	$ 19,362,297	$ 22,450,852

NOTE 7 LOANS PAYABLE

On August 8, 2019, the Hospital as the borrower entered into a multi-draw Senior Secured-Term Loan facility (Term Loan), with a principal amount of $30,000,000. The Term Loan requires no amortization and a stated maturity date of June 26, 2020. The lender granted consecutive 45-day extensions through November 19, 2021, and management is pursuing a current extension.

Interest on the Term Loan accrues at 9.00% per year and is payable in cash monthly in arrears. At December 31, 2021 and 2020, the outstanding amount of the term loan was $28,039,181 and $30,000,000, 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 was classified as current liabilities.

The Term Loan is collateralized primarily by the Hospital's eligible accounts receivable and contains affirmative and negative covenants usual and customary for transactions of this type. As of June 1, 2023, the Hospital has made all required principal and interest payments and is compliant with the covenant ratios. The Hospital has not provided timely audited financial statements in compliance with this agreement.

As of June 1, 2023, the Hospital has paid down $6,520,170 of the amount loaned under the Term Loan.

In addition, on June 1, 2019, the Hospital entered a multi-draw demand promissory note (Note) in an aggregate amount of $8,706,533 funded by a private group. The Note requires no amortization and bears an interest rate of 10% in arrears. The holder of the Term Loan has precluded the Hospital from paying the interest on the Note, and the Hospital has accrued this interest in the accompanying balance sheets in the amount of $2,504,758 and $1,425,309 at December 31, 2021 and 2020, respectively.

NOTE 7 LOANS PAYABLE *(continued)*

In conjunction with entering the Term Loan and Note, 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.

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 and interest rates ranging from 3% to 8% 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	$ 7,568,258
2023	7,559,879
2024	7,460,612
2025	7,262,079
2026	6,659,374
Total minimum lease payments	36,510,202
Less: Amount representing interest	(10,125,513)
Present value of net minimum lease payments	26,384,689
Less: Current portion	(4,712,703)
	$ 21,671,986

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

The Hospital has allocated a letter of credit in the amount of $4,946,209 at December 31, 2021 as security to the lease property. The letter of credit expires on October 29, 2023.

NOTE 9 NOTE PAYABLE

Promissory Note

In accordance with the asset purchase agreement transacted with the Hoboken Municipal Hospital Authority (the Authority) dated November 4, 2011, the Hospital was required to pay $2,500,000 for pension withdrawal liability obligations through the execution of a promissory note to be paid in full within 20 years from inception of the asset purchase agreement.

Required principal payments on the note payable at December 31, 2021 are as follows:

Year Ending	Amounts
2022	$ 126,395
2023	129,826
2024	133,390
2025	137,091
2026	140,935
Thereafter	611,255
Total	$ 1,278,892

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 $11,888,056, and $10,622,560 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.

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 IJKG-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.

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 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 was $747,672 and $920,903, 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	$ 29,396,949	$ 30,381,798
CarePoint Health Medical Group	258,779	259,289
CarePoint Health Management Associates, LLC	3,095,881	1,463,096
Quality Care Associates, LLC	987,807	-
Hoboken University Medical Center-Propco	209,017	233,933
	33,948,433	32,338,116
Quality Care Associates, LLC	-	(1,671,945)
Sequoia Healthcare Management, LLC	(3,591,207)	(3,591,207)
Hoboken University Medical Center - Holdco	(1,391,986)	(1,402,486)
Other related parties	(400,000)	(400,000)
	(5,383,193)	(7,065,638)
	$ 28,565,240	$ 25,272,478

Reserve for Related Party Receivable

The Hospital analyzed the amounts due from a related party 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 $12,568,798 against the receivable from Hudson Hospital Opco, LLC, which is adjusted to effectively maintain the carrying value of $0. The Hospital retains its rights to collect amounts due from Hudson Hospital Opco, LLC should its financial situation change in the future.

Capital Lease

On November 4, 2011, the Hospital entered into a capital lease agreement with a healthcare real estate investment trust that has a non-controlling interest in the Hospital for use of the buildings attained through a separate asset purchase agreement. Effective November 8, 2019, the land and buildings of the Hospital were sold to another entity who assumed the lessor’s rights of the lease agreement, as amended, dated November 4, 2011. Lease payments made by the Hospital totaled $7,232,459 and $7,148,021 for the years ended December 31, 2021 and 2020, respectively. The lease also provides for annual increases of the Consumer Price Index, which the Hospital estimates to be 2%.

NOTE 13 RELATED-PARTY TRANSACTIONS *(continued)*

Investment in McCabe Ambulance Service, 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 recorded 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 $263,486 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.

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%.

NOTE 13 RELATED-PARTY TRANSACTIONS *(continued)*

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	$ 1,953,751
2023	1,953,751
2024	29,110,194
Total minimum note payments	33,017,696
Less: Amount representing interest	(3,620,747)
Present value of net minimum note payments	29,396,949
Less: Current portion	(530,732)
	$ 28,866,217

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 was $3,591,207 and $3,591,207, respectively. Management fee expense was $0 for both the years ended December 31, 2021 and 2020.

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 approximates 31% of CarePoint's annual expenses. The amount charged to the Hospital for these services was $11,723,541 and $14,428,367 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, $3,095,881 and $1,463,096, respectively, was 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 $22,054,078 and $21,579,249 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, $987,807 and $1,671,946, respectively was due from Quality.

NOTE 14 OPERATING LEASES

The Hospital has entered into various operating lease agreements for equipment expiring in varying years through 2024. Rental expense for the years ended December 31, 2021 and 2020 was $4,096,160 and $5,218,601, respectively. Future minimum payments on noncancelable leases are:

Year Ending	Amounts
2022	$ 5,533,133
2023	3,062,749
2024	2,257,929
Total	$ 10,853,811

NOTE 15 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. 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 16 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 revenue 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.

NOTE 16 RISKS AND UNCERTAINTIES *(continued)*

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 the CARES Act. The CARES Act, among other things, authorized $100 billion in funding to hospitals and other healthcare providers to be distributed through the Provider Relief Fund (PRF). These funds are not required to be repaid, provided the recipients attest to, and comply with, certain terms and conditions, including among other things, that the funds are being used for lost operating revenues and COVID-19-related expenses. The U.S. Department of Health and Human Services (HHS) initially distributed $30 billion of this funding based on each provider’s share of total Medicare fee-for-service reimbursement in 2019.

Subsequently, HHS distributed an additional $20 billion in CARES Act funding based on an allocation proportional to the providers’ share of 2018 net patient revenue. Distributions of the additional $50 billion were targeted primarily to hospitals in COVID-19 high-impact areas, to rural providers, safety net hospitals, skilled nursing facilities and to reimburse providers for COVID-19-related treatment of uninsured patients. During the calendar year 2021 and 2020, the Hospital received payments of $47,901,739 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 $9,406,000 of accelerated payments, which were recorded as a liability given that Medicare applied these funds to claims as they were adjudicated between April 2021 and August 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 revenue as defined as net patient care operating income, net of healthcare related expenses previously applied.

NOTE 16 RISKS AND UNCERTAINTIES *(continued)*

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 2020 and 2019 actual patient care revenue.

NOTE 17 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.