AHS Hospital Corp.

Consolidated Financial Statements
As of and for the three months ended
March 31, 2025 and 2024

AHS Hospital Corp.

Consolidated Balance Sheets
As of March 31, 2025 and December 31, 2024
(in thousands)

ASSETS	Unaudited March 31, 2025	Audited December 31, 2024
Current assets:		
Cash and cash equivalents	$ 222,614	$ 244,580
Assets limited as to use	67,536	67,872
Patient accounts receivable, net	461,596	465,950
Other current assets	230,699	278,957
Total current assets	982,445	1,057,359
Assets limited as to use, net of current portion	2,769,648	2,804,958
Long-term investments and other assets	601,690	601,626
Property, plant and equipment, net	1,541,395	1,534,904
Right of use assets, net	339,466	347,760
Total assets	$ 6,234,644	$ 6,346,607
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 19,136	$ 19,136
Current portion of lease liability	49,916	49,576
Accounts payable and accrued expenses	412,689	565,117
Estimated amounts due to third party payers	57,785	57,841
Total current liabilities	539,526	691,670
Accrued employee benefits and other, net of current portion	290,855	291,637
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	1,365,476	1,366,897
Long-term lease liability, net of current portion	299,597	308,001
Total liabilities	2,495,454	2,658,205
Net assets:		
Without donor restrictions controlled by the Hospital	3,510,126	3,460,230
Without donor restrictions attributable to noncontrolling interest	4,204	4,244
Without donor restrictions	3,514,330	3,464,474
With donor restrictions	224,860	223,928
Total net assets	3,739,190	3,688,402
Total liabilities and net assets	$ 6,234,644	$ 6,346,607

AHS Hospital Corp.

Consolidated Statements of Operations
For the three months ended March 31, 2025 and 2024
(in thousands)

	Unaudited March 31, 2025	Unaudited March 31, 2024
Revenues, gains and other support		
Net patient service revenue	$ 1,153,692	$ 1,020,403
Other revenue	12,308	11,261
Net assets released from restrictions	3,398	2,943
Total revenues, gains and other support	1,169,398	1,034,607
Expenses		
Salaries	519,923	482,033
Supplies and other expenses	443,494	384,069
Employee benefits	106,974	90,018
Depreciation and amortization	50,067	46,139
Interest	12,545	12,958
Total operating expenses	1,133,003	1,015,217
Operating income	36,395	19,390
Change in net unrealized gains	(8,344)	82,910
Investment income (loss), net	21,245	21,280
Nonoperating gain (loss), net	786	487
Excess of revenues over expenses	50,082	124,067
Other changes in net assets without donor restrictions		
Noncontrolling interest	(39)	339
Equity transfers to related parties	(1,809)	(34,682)
Net assets released from restrictions for capital purposes	1,370	409
Government grants used for capital purchases	252	14,637
Increase in net assets without donor restrictions	$ 49,856	$ 104,770

AHS Hospital Corp.

Consolidated Statements of Changes in Net Assets
For the three months ended March 31, 2025 and 2024
(in thousands)

	Unaudited March 31, 2025	Unaudited March 31, 2024
Net assets without donor restrictions		
Excess of revenues over expenses	$ 50,082	$ 124,067
Equity transfers to related parties	(1,809)	(34,682)
Noncontrolling interest	(39)	339
Net assets released from restrictions for capital purposes	1,370	409
Government grants used for capital purchases	252	14,637
Increase in net assets without donor restrictions	49,856	104,770
Net asset with donor restictions		
Contributions	5,423	4,211
Investment income	2,638	390
Change in net unrealized gain	(2,361)	2,291
Net assets released from restrictions for operations	(3,398)	(2,943)
Net assets released from restrictions for capital purposes	(1,370)	(409)
Increase (decrease) in net assets with donor restrictions	932	3,540
Increase in net assets	50,788	108,310
Net assets		
Beginning of year	3,688,402	3,423,920
End of period	$ 3,739,190	$ 3,532,230

AHS Hospital Corp.

Consolidated Statements of Cash Flows
For the three months ended March 31, 2025 and 2024

(in thousands)	Unaudited March 31, 2025	Unaudited March 31, 2024
Cash flows from operating activities		
Change in net assets	$ 50,788	$ 108,310
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Equity transfers to related parties	1,809	34,682
Depreciation and amortization	50,067	46,139
Noncontrolling interest	(39)	339
Net realized and unrealized loss (gain) on investments	3,683	(90,063)
(Gain) loss in value of swap agreements	(309)	24
Amortization of deferred financing costs and bond premium/discounts	(588)	(588)
Amortization of right of use assets	12,772	10,891
Contributions restricted for capital and permanent investments	(1,043)	(15,243)
Changes in assets and liabilities		
Decrease (Increase) in net patient accounts receivable	4,354	(188,833)
Decrease (Increase) in other assets	49,308	(52,886)
Decrease in accounts payable, accrued expenses, est. amounts due from third party payers, lease liability, and other liabilities	(160,852)	(120,759)
Net cash provided by (used in) operating activities	9,950	(267,987)
Cash flows from investing activities		
Purchases of investments	(276,312)	(350,771)
Proceeds from sales of investments	306,276	334,929
Repayment of loan receivables due from AHSIC	1,676	1,614
Intercompany loans issued to related parties	-	(10,000)
Contribution to venture capital private equity funds	(1,707)	-
Acquisition of Advanced Care Oncology and Hematology Associates, net of cash acquired	(2,195)	-
Additions to property, plant and equipment	(59,009)	(77,954)
Net cash used in investing activities	(31,271)	(102,182)
Cash flows from financing activities		
Principal payments on long-term debt and line of credit	(834)	(834)
Equity transfers to related parties	(1,809)	(38,327)
Contributions restricted for capital purposes and permanent investments	1,998	15,634
Net cash used in financing activities	(645)	(23,527)
Decrease in cash and cash equivalents	(21,966)	(393,696)
Cash and cash equivalents, beginning of year	244,580	516,839
Cash and cash equivalents, end of the period	$ 222,614	$ 123,143

AHS Hospital Corp.
For the three months ended March 31, 2025 and 2024

	Period Ended March 31,	
	2025	**2024**
Licensed Beds (1)		
MMC	735	735
OMC	513	513
NMC	148	148
CMC	260	260
HMC	111	111
Total Acute Care	1,767	1,767
Admissions		
MMC	11,524	11,290
OMC	5,598	5,455
NMC	1,990	1,964
CMC	2,547	2,282
HMC	1,101	954
Total Acute Care	22,760	21,945
Observations		
MMC	2,473	2,052
OMC	1,627	1,247
NMC	493	463
CMC	893	822
HMC	258	239
	5,744	4,823
Admissions + Observations		
MMC	13,997	13,342
OMC	7,225	6,702
NMC	2,483	2,427
CMC	3,440	3,104
HMC	1,359	1,193
	28,504	26,768

AHS Hospital Corp.
For the three months ended March 31, 2025 and 2024

	Period Ended March 31,	
	2025	**2024**
Patient Days		
MMC	65,445	61,522
OMC	28,440	28,371
NMC	11,674	11,120
CMC	13,085	10,904
HMC	6,572	5,031
Total Acute Care	125,216	116,948
Average Length of Stay		
Acute Avg LOS	5.5	5.3
Inpatient Surgeries		
MMC	3,281	3,294
OMC	960	993
NMC	164	265
CMC	359	291
HMC	135	145
	4,899	4,988
Outpatient Surgeries		
MMC (2)	6,598	6,444
OMC	3,390	3,099
NMC	525	458
CMC	1,156	1,162
HMC	373	300
	12,042	11,463
Total Surgeries		
MMC	9,879	9,738
OMC	4,350	4,092
NMC	689	723
CMC	1,515	1,453
HMC	508	445
	16,941	16,451

AHS Hospital Corp.
For the three months ended March 31, 2025 and 2024

	Period Ended March 31,	
	2025	**2024**
Outpatient Visits		
MMC	211,798	198,350
OMC	84,390	81,650
NMC	26,066	24,643
CMC	33,921	32,406
HMC	19,168	18,778
	375,343	355,827
Emergency Room Visits (3)		
MMC	26,987	26,683
OMC (4)	28,182	27,184
NMC	9,692	9,301
CMC	11,960	11,527
HMC	5,984	5,466
	82,805	80,161
Deliveries (5)		
MMC	1,405	1,354
OMC	491	499
NMC	101	125
CMC	143	149
	2,140	2,127
HomeCare Visits	60,117	57,122
Full time equivalents (6) Hospital divisions, AVN, and AMG	18,346	17,011

Notes:
(1) Excludes newborn bassinets.
(2) Includes outpatient surgeries from 111 Madison Ave and Rockaway.
(3) Includes visits resulting in admission.
(4) Includes ER Visits from Union.
(5) Includes multiple births.
(6) Calculation of FTE is as of period end and assumes 37.5-hour work week.

1. Organization

AHS Hospital Corp. and subsidiaries (the "Hospital") is a New Jersey not-for-profit entity comprised of five hospital facilities, the Morristown Medical Center ("Morristown Division"), the Overlook Medical Center ("Overlook Division"), the Newton Medical Center ("Newton Division"), the Chilton Medical Center ("Chilton Division"), and the Hackettstown Medical Center ("Hackettstown Division"). Atlantic Visiting Nurse ("AVN"), which provides comprehensive home health and hospice and palliative care services as well as adult day care services and various community health services, is also included within the Hospital. Each of the above operate as divisions within AHS Hospital Corp. and not as separate corporations. Also, included in the Hospital is the Foundation for the Morristown Medical Center ("MMCF"), a wholly owned subsidiary and not-for-profit fundraising organization. The Hospital is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Hospital provides regional health care services including a broad range of adult, pediatric, obstetrical/gynecological, psychiatric, oncology, intensive care, cardiac care and newborn acute care services to patients from the counties of Morris, Essex, Passaic, Sussex, Bergen, Hunterdon, Union, Warren and Somerset in New Jersey, Pike County in Pennsylvania and southern Orange County in New York. The Hospital is also a regional health trauma center that provides tri-state coverage and provides numerous outpatient ambulatory services, rehabilitation and skilled care and emergency care.

Also included in the Hospital is Practice Associates Medical Group doing business as Atlantic Medical Group, P.A. ("AMG"), the captive physician practice serving all of the Hospital divisions. It is a nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code. Originally formed to provide billing and collection services for fees generated by physicians employed by the hospital divisions, AMG now serves as a physician-governed group practice entity with over 1,700 providers. AMG supports the Hospital by improving consistency, enhancing collaboration among those delivering care and optimizing care system operations.

MMCF solicits funds in its general appeal to primarily support the Morristown Division and the community as MMCF's Board may deem appropriate. The by-laws of MMCF were amended on November 19, 2015, to provide that funds received by MMCF after the date of the amendment may be used for the benefit of Atlantic Health System, Inc. (the "Parent") and the Hospital, including all subsidiaries, upon approval of the Executive Committee of the Board of MMCF.

In June 2019, Atlantic Rehabilitation Institute ("ARI") began operations under a joint venture between the Hospital and Kindred Healthcare ("Kindred"). ARI is a two-story, 38-bed rehabilitation facility, located in Madison, NJ and provides patient-focused rehabilitation dedicated to the treatment and recovery of individuals through intensive specialized rehabilitation services for patients who have experienced a loss of function from an injury or illness. The Hospital contributed the existing rehabilitation business for a 55% ownership investment. The Hospital consolidates the joint venture's operations and records an adjustment for the noncontrolling interest within other changes in net assets without donor restrictions on the consolidated statements of operations and separates Kindred's equity as noncontrolling interest within net assets without donor restrictions on the consolidated balance sheet.

The Hospital is a wholly controlled subsidiary of the Parent, a not-for-profit organization. The Parent wholly owns the following for-profit entities; Atlantic Health Management Corp., a for-profit holding company, which owns AHS Investment Corporation and Subsidiaries ("AHSIC"); AHS Insurance Company, Ltd. (the "Captive"), a for-profit insurance company licensed under the provisions of the Cayman Islands Insurance Law; AHS Health Network LLC, a for-profit established to provide a vehicle to report risk contracting under the requirements of the banking and insurance regulations; Primary Care Partners, LLC, Atlantic Health Partners, LLC, and Atlantic Brain and Spine, LLC, for-profit physician practice entities; AHS ACO, LLC, Care Better ACO LLC and Premier Health ACO, LLC, for-profit limited liability companies established for the purpose of participating in the Medicare Shared Savings Program under the Patient Protection and Affordable and Accountable Care Act of 2010 as well as participating in shared savings programs with certain commercial carriers; and several urgent care and advanced urgent care centers located within the Hospital's geographic regions. AHSIC holds real estate interests and manages health care businesses including magnetic resonance imaging, durable medical equipment and private duty home care services. The Captive's principal activity is to provide for professional and commercial general liability insurance to the Parent and its subsidiaries beginning January 1, 2002. In addition, the Parent wholly owns the following not-for-profit entities: Atlantic Ambulance Corp., a not-for-profit company established to provide emergency and nonemergency medical transportation to the Parent and its subsidiaries; North Jersey Health Care Properties which owns commercial buildings; Prime Care, Inc. which provides various wellness, health education and other health services; and Newton Medical Center Foundation, Inc. and the Chilton Medical Center Foundation, Inc., both not-for-profit fund raising organizations for the benefit of their respective Hospital Divisions.

The Overlook Foundation and the Foundation for the Hackettstown Medical Center are not-for-profit fundraising organizations affiliated with the Overlook and Hackettstown Divisions, respectively, however, they are not controlled subsidiaries of the Parent or the Hospital.

Effective January 1, 2022, the Parent and CentraState Healthcare System ("CentraState"), a nonprofit health system with a continuum of care operating one acute care hospital in Freehold, New Jersey in Monmouth County, completed their newly expanded partnership, creating a unique model for health system co-ownership under which the Parent became the 51% majority corporate member in CentraState and CentraState joined the System's network of care. The partnership is structured to deliver benefits to patients, physicians, and caregivers in CentraState's communities by strengthening its integrated clinical services, physician network and infrastructure through capital investments. The transaction was accounted for by the Parent in accordance with ASC Topic 958-805, *Not-for-profit Entities: Business Combinations*. No consideration was exchanged to complete the partnership.

In January 2024, the Parent and Saint Peter's Healthcare System ("SPHS") signed a Letter of Intent ("LOI") to establish a strategic partnership, subsequently a Member Substitution Agreement on June 25, 2024. Under the terms of the Member Substitution Agreement, the Parent will become the sole member of SPHS. The new relationship will benefit both organizations and enhance healthcare services. Processes to obtain the required approvals from state and federal officials, and the Bishop of Diocese of Metuchen, currently the sole member of SPHS, are currently underway.

SPHS is a private, not-for-profit health system sponsored by the Roman Catholic Diocese of Metuchen. A major clinical affiliate of Rutgers Biomedical Health and Sciences, it includes Saint

(Dollar amounts in thousands) (Unaudited)

Peter's University Hospital in New Brunswick, ambulatory facilities, Saint Peter's Physician Associates, and a charitable foundation.

Under the terms of the Member Substitution Agreement, the Parent will invest in Saint Peter's University Hospital and the surrounding region, expanding service and access to greater Middlesex County. The two systems will work collaboratively to create significant synergies between the two organizations including transitioning SPHS onto the Parent's electronic medical record system. Additionally, SPHS will continue to carry on its Catholic mission and abide by the Ethical and Religious Directives for Catholic Health Care Services pursuant to a Catholic Identity Agreement to which the Parent will be a party.

2. Basis of Presentation

The consolidated financial statements included herein are unaudited and include all adjustments (consisting of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. These financial statements should be read in conjunction with the Hospital's audited financial statements for the year ended December 31, 2024.

3. Net Patient Service Revenue

The components of net patient service revenue for the Hospital (including AVN and AMG) for the three months ended March 31, 2025 and 2024 are as follows:

	March 31, 2025	March 31, 2024
Gross charges		
Inpatient	$ 2,731,066	$ 2,413,418
Outpatient	2,742,365	2,366,100
Physician Practices	430,702	370,180
Total gross charges	5,904,133	5,149,698
Net additions (deductions) from gross charges		
Contractual discounts and implicit price concessions	(4,701,657)	(4,092,446)
Charity care discount	(53,850)	(40,423)
State subsidies	5,066	3,574
	(4,750,441)	(4,129,295)
Net patient service revenue	$ 1,153,692	$ 1,020,403

The Hospital recorded $44,474 and $46,409 of implicit price concessions as a direct reduction of patient service revenues during the three months ended March 31, 2025 and 2024, respectively.

(Dollar amounts in thousands) (Unaudited)

The mix of Hospital net patient service revenue (excluding net revenue recorded by AMG), net of contractual discounts and implicit price concessions by payer for the three months ended March 31, 2025 and 2024 is as follows:

	March 31, 2025	March 31, 2024
Medicare	20.9 %	23.5 %
Medicaid	0.6	1.1
Managed care and other third party payers	76.6	73.9
Self pay	1.4	1.1
State subsidies	0.5	0.4
	100.0 %	100.0 %

Net patient service revenue recorded by AMG's physician practices amounted to $149,184 and $127,284 for the three months ended March 31, 2025 and 2024, respectively. AMG's net patient service revenue by payer for the three months ended March 31, 2025 and 2024, is as follows:

	March 31, 2025	March 31, 2024
Medicare	22.0 %	21.7 %
Medicaid	0.4	0.4
Managed Care and other third party payers	77.5	77.4
Self Pay	0.1	0.5
	100.0 %	100.0 %

4. Federal Legislative Relief Funds

Congress has appropriated funds to reimburse eligible health care providers for healthcare expenses incurred and/or loss in revenue due to Covid-19.

During 2024 and 2023, the Hospital applied for and received approval from FEMA for the reimbursement of qualifying capital and non-capital COVID-19 related expenses. The Hospital recognized $872 and $29,424 within operating revenue in the consolidated statements of operations for the years ended December 31, 2024 and 2023. FEMA can and does retrospectively adjust grant distribution formulas and may adjust funding already received which may impact the amount the Hospital has recorded, in future financial statement periods. No such funding has been received in 2025.

(Dollar amounts in thousands) (Unaudited)

5. Pension Plan Contribution

The Hospital contributed $15,000 to the cash balance pension plan during the three months ended March 31, 2025 and 2024. The service cost component of annual pension expense for the year ended December 31, 2025 is expected to be $32,856, as compared to $34,950 for the year ended December 31, 2024.

6. Assets Limited as to Use

Assets limited as to use at March 31, 2025 and December 31, 2024, consist of the following:

	March 31, 2025	December 31, 2024
Board designated		
Short-term investments including money market funds	$ 238,926	$ 254,899
Equity securities	415,856	416,132
Fixed income funds	628,518	648,941
Mutual funds	1,541,319	1,542,043
Alternative investments - equity	14	28
	2,824,633	2,862,043
Under bond indenture agreements		
Short-term investments including money market funds		
Interest account	1,599	3,167
Principal account	10,275	6,949
Debt service reserve fund	677	671
	12,551	10,787
Total assets whose use is limited	2,837,184	2,872,830
Less, assets limited as to use and are required for current liabilities	67,536	67,872
Noncurrent assets limited as to use	$ 2,769,648	$ 2,804,958

Assets limited as to use under bond indenture agreements represent certain funds that are controlled by trustees for as long as any of the bonds remain outstanding. These funds, including interest income, are held by bank trustees who administer the trusts as required under the bond indenture agreements.

(Dollar amounts in thousands) (Unaudited)

7. Long-Term Investments and Other Assets

Long-term investments and other assets at March 31, 2025 and December 31, 2024 are as follows:

	March 31, 2025	December 31, 2024
Long-term investments		
Short term investments including money market funds	$ 8,053	$ 4,703
Mutual funds	76,582	82,423
Alternative investments - equity	8,130	7,946
	92,765	95,072
Other assets		
CentraState intercompany loan	113,816	113,816
AHSIC intercompany loans	111,018	112,200
Professional and general liability insurance recoveries	118,516	118,516
Workers compensation liability insurance recoveries	8,300	8,300
Accrued employee benefit asset	37,841	37,841
Due from Overlook Medical Center Foundation	40,481	40,481
Due from Newton Medical Center Foundation	3,385	3,385
Due from Chilton Medical Center Foundation	6,276	6,407
Due from the Foundation for Hackettstown Medical Center	2,328	2,328
Venture capital private equity funds	25,960	24,253
Equity method investments	4,601	3,842
Life interest in real estate	9,000	9,000
Beneficial interest in trusts	2,634	2,634
Goodwill - Advanced Care Oncology & Hematology Associates	14,633	14,633
Other	10,136	8,918
	508,925	506,554
Total long-term investments and other assets	$ 601,690	$ 601,626

On August 17, 2022, the Hospital entered into a secured loan agreement with CentraState in the amount of $103,497, whereby the proceeds were utilized by CentraState to pay off or legally defease all of its financed obligations as of that date. CentraState will pay interest to the Hospital monthly at a fixed rate of 3.21% with the full principal amount due to the Hospital on May 17, 2037. The loan is collateralized by the gross receipts of CentraState as well as its owned properties. In addition, certain financial covenants must be maintained by CentraState. On July 1, 2024, CentraState sold the Center for Aging, Inc. d/b/a Applewood, its wholly owned subsidiary to an unrelated entity. Upon sale, CentraState transferred $19,681 to the Hospital to pay off the portion of the secured loan related to Applewood.

On August 31, 2023, the Hospital entered into a revolving credit loan agreement with CentraState in the amount of $30,000, whereby drawdowns were utilized by CentraState to pay working capital requirements to meet its obligations. CentraState will pay interest to the Hospital monthly at a fixed annual rate of 5% with the full principal amount due to the Hospital on August 31, 2028. As of March 31, 2025, CentraState had drawn down the full $30,000 on the revolving credit loan.

The Hospital accrues an estimate of the ultimate cost of claims under all insurance policies whether the policy is fully insured or a self-insurance policy, with any insurance recoverable under such policies recorded as a receivable. As of March 31, 2025 and December 31, 2024, the Hospital has recorded a corresponding liability for professional and general liability insurance claims within accounts payable and accrued expenses in the consolidated balance sheets. As of March 31, 2025 and December 31, 2024, the Hospital recorded liabilities related to estimated gross workers compensation claims totaling $27,850 and $26,300, respectively, within accounts payable and accrued expenses in the consolidated balance sheets.

Due from Overlook, Newton, Chilton and Hackettstown Medical Center Foundations relate to the amounts due from the Foundations for contributions received by the Foundations on behalf of the Overlook, Newton, Chilton and Hackettstown Divisions. The Foundations solicit funds in their general appeal to support the Hospital and for other health care purposes as the respective Foundation's individual Board of Trustees may deem appropriate. In the absence of donor restrictions, the Foundations' have discretionary control over the amounts to be distributed to the providers of health care services, the timing of such distributions, and the purposes for which such funds are used. The assets held at the affiliated foundations are comprised primarily of cash and cash equivalents, marketable equity securities and debt securities.

8. Long-Term Debt and Interest Rate Swaps

The Hospital is the sole member of the obligated group as defined in and established under the Master Trust Indenture. Neither the Parent nor any of its affiliates is liable to make any payment with respect to the bonds or any other obligations under the Master Indentures. Under the terms of the Master Trust Indenture, the Hospital is required to maintain certain deposits with a trustee, which are included with assets limited as to use in the consolidated balance sheets. The Master Trust Indenture also contain provisions whereby certain financial ratios are to be maintained and permit additional borrowings subject to the maintenance of specific financial ratios. The most restrictive covenant is for the Hospital to maintain a debt service coverage ratio in each year of at least 1.2 times the debt service requirement on all long-term debt in that year. The Hospital is compliant with its financial covenants at March 31, 2025 and December 31, 2024.

On May 31, 2022, the Hospital entered into a $100,000 taxable loan agreement with a commercial bank. The loan proceeds are to be used for general corporate purposes. Principal and interest, at a fixed rate of 3.21% on the outstanding balance, are due quarterly commencing September 1, 2022, with the remaining unpaid principal in the amount of approximately $50,833 due and payable on May 31, 2037. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants. Subsequently, the Hospital entered into a secured loan agreement with CentraState to enable CentraState to pay off or legally defease all if its financed obligations as of that date.

On January 27, 2021, the Hospital issued $450,000 Series 2021 Fixed Rate Taxable Bonds, the proceeds of which will be used for eligible corporate purposes of the Hospital and its affiliates. In addition, a portion of the proceeds were used to pay the costs of issuance. The Hospital also utilized the proceeds of the bonds to repay $50,000 that was outstanding on its $200,000 revolving line of credit. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants.

On April 21, 2020, the Hospital entered into a $200,000 revolving credit agreement with a commercial bank to provide for additional liquidity. The line was set to expire on April 19, 2025. The line incurs interest at a rate of SOFR adjusted by 0.75% per annum on the amount drawn. Additionally, the line incurs a monthly fee of 0.15% on the unused portion of the line of credit. There were no amounts drawn on the line as of either December 31, 2024. However, the Hospital drew down $200,000 on April 4, 2024 which was fully repaid by October 30, 2024. The line of credit contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants. On April 1, 2025, the Hospital renewed the line for an additional year, with an interest at a rate of SOFR adjusted by 0.70% per annum on the amount drawn down and a monthly fee of 0.125% on the unused portion of the line of credit. No amounts have been drawn down on as of March 31, 2025.

In October 2016, the Hospital issued $224,800 Series 2016 Fixed Rate Tax-exempt Revenue Bonds through the NJHCFFA. The proceeds were used to refund a portion of the principal of its outstanding Revenue Bonds issued through the NJHCFFA in the amount of $114,255 (Series 2008A) and $120,115 (Series 2011), and to pay all of the cost of issuance in the amount of $1,782. In addition, the NJHCFFA released $14,260 of the Hospital's debt service reserve fund in connection with the bond refunding to pay down a portion of the aforementioned outstanding principal on the Series' 2008A and 2011 bonds.

In May 2015, the Hospital issued $200,000 Series 2015 Fixed Rate Taxable Bonds, the proceeds of which are to be used for eligible corporate purposes of the Hospital and its affiliates. In addition, a portion of the proceeds were used to pay the costs of issuance. Effective August 2017, the Hospital executed a "tap" on the Series 2015 Fixed Rate Taxable Issuance for an additional $225,000. The Hospital received total proceeds of $268,023, which included a premium of $43,023. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants.

In December 2013, the Hospital entered into a $50,000 taxable loan agreement with a commercial bank. The majority of the proceeds were used to legally defease Chilton Division's NJHCFFA Series 2009 Revenue Bonds, which were assumed by the Hospital in 2014, concurrent with the merger. In 2023, this loan agreement was extended for an additional five-year term, maturing on December 1, 2028. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants.

In May 2008, the Hospital issued, through the NJHCFFA, $177,110 Series 2008A Revenue Bonds (Fixed Rate) and $177,110 Series 2008B and 2008C Revenue Bonds (Variable Rate), collectively referred to as the 2008 Bonds, to pay in full the Hospital's obligations under the interim method of financing enabling the Hospital to redeem all of its outstanding bond issues and terminate a portion of its related swaps for the Series 2003, 2004, 2006 and 2007 Revenue Bonds. The proceeds of the 2008 Bonds were also used to pay the costs of issuance of the 2008 Bonds. The Series 2006 and Series 2007 Revenue Bonds were issued in part to pay for the costs of certain capital projects of the Hospital and construction trustee funds were set up for disbursement for the payment of such costs. Amounts equal to the amounts on deposit in such construction funds were deposited with the trustee for the 2008 proceeds to complete those projects. In connection with the issuance of the Series 2016 Refunding Bonds noted above, $114,255 of the outstanding principal was refunded in October 2016.

(Dollar amounts in thousands) (Unaudited)

The 2008 Variable Rate Bonds bear interest at weekly rates as determined by the remarketing agent. In the event that the purchase price of the corresponding Series of the Variable Bonds are not remarketed at the corresponding principal amount of such Series, the Variable Bonds are backed by a separate, irrevocable direct pay letters of credit by two banks, each expiring January 2026.

On April 9, 2008, the Hospital unwound and reissued two new barrier swaps: the 2008 Swap and the 2004 Swap. The 2008 Swap was reissued in place of the 2006A Swap when the Series 2006A Revenue Bonds were redeemed. This was a noncash transaction. The original notional amount of the swap was $91,550 subject to reduction in the principal amortization of a portion of the Hospital's Series 2008 variable rate debt and will expire on July 1, 2036, with an annual fee of 0.51%. The notional amount of the swap was $87,400 at March 31, 2025 and December 31, 2024. Under the terms of the swap agreement, if the Securities Industry and Financial Markets Association ("SIFMA"), formerly known as the Bond Market Association, Municipal Swap Index, exceeds 4.05% for 90 days, the Hospital will pay a fixed rate of 4.00% in addition to the annual fee of 0.51%. The Hospital will then receive 68% of SOFR and pay the counterparty 4.00%. Currently the swap is treated as an ineffective swap for accounting purposes until SIFMA exceeds 4.05% for 90 days, at that time the swap will be tested to determine if it qualifies as a cash flow hedge.

The 2004 Swap was reissued when the Series 2003 and 2004 Revenue Bonds were redeemed. This was a noncash transaction, and there were no changes to the terms of the swap. The notional amount of the swap was $97,525, subject to reduction in the principal amortization of a portion of the Hospital's Series 2008 variable rate debt and will expire on July 1, 2025, with an annual fee of 0.52%. The notional amount of the swap was $5,175 at March 31, 2025 and December 31, 2024. Under the terms of the swap agreement, if SIFMA exceeds 4.05% for 90 days, the Hospital will pay a fixed rate of 4.00% in addition to the annual fee of 0.52%. The Hospital will then receive 68% of SOFR and pay the counterparty 4.00%. Currently the swap is treated as an ineffective swap for accounting purposes until SIFMA exceeds 4.05% for 90 days, at that time the swap will be tested to determine if it qualifies as a cash flow hedge.

The following table presents the swap liabilities, recorded in accrued employee benefits and other, net of current portion, as of March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
2008 interest rate swap	$ 3,930	$ 4,232
2004 interest rate swap	9	16

(Dollar amounts in thousands) (Unaudited)

The following table sets forth the effect of the interest rate swap agreements on the consolidated statements of operations for the three months ended March 31, 2025 and 2024:

	Amount of gain (loss) recognized in the performance indicator	
	March 31, 2025	March 31, 2024
Derivative in Non-Hedging Relationship		
Non operating gain (loss), net		
2008 interest rate swap	$ 302	$ (38)
2004 interest rate swap	$ 7	$ 14

In accordance with the above swap agreements, the Hospital is required to fund a cash collateral account if the market value of the combined swaps exceeds the trigger amount of $12,000. As of March 31, 2025 and December 31, 2024, the combined market value of the swaps was below the trigger and as such, no collateral was required by the counterparty.

9. Commitments and Contingencies

The Hospital is subject to complaints, subpoenas, claims and litigation which have risen in the normal course of business. In addition, the Hospital is subject to reviews and investigation by various federal and state government agencies to assure compliance with applicable laws, some of which are subject to different interpretations. While the outcome of such matters cannot be determined based upon information available at this time, management, based on advice from legal counsel, believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Hospital.

10. Subsequent Events

The Hospital performed an evaluation of subsequent events through May 14, 2025, the date that these unaudited consolidated financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the consolidated financial statements.