

AHS Hospital Corp.

**Consolidated Financial Statements
As of and for the Nine Months Ended
September 30, 2024 and 2023**

AHS Hospital Corp.

Consolidated Balance Sheets

As of September 30, 2024 and December 31, 2023

(in thousands)

	Unaudited		Audited
	September 30		December 31,
	2024		2023
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 222,792	\$	516,839
Assets limited as to use	68,246		68,070
Patient accounts receivable, net	458,290		386,450
Other current assets	269,175		231,841
Total current assets	1,018,503		1,203,200
Assets limited as to use, net of current portion	2,855,281		2,590,977
Long-term investments and other assets	527,794		532,377
Property, plant and equipment, net	1,503,841		1,406,676
Right of use assets, net	310,424		304,031
Total assets	\$ 6,215,843	\$	6,037,261
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	\$ 69,136	\$	18,486
Current portion of lease liability	45,949		42,107
Accounts payable and accrued expenses	428,152		529,614
Estimated amounts due to third party payers	62,156		67,193
Total current liabilities	605,393		657,400
Accrued employee benefits and other, net of current portion	301,106		299,337
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	1,368,319		1,386,033
Long-term lease liability, net of current portion	273,676		270,571
Total liabilities	2,548,494		2,613,341
Net assets:			
Without donor restrictions controlled by the Hospital	3,452,170		3,208,705
Without donor restrictions attributable to noncontrolling interest	4,310		4,244
Without donor restrictions	3,456,480		3,212,949
With donor restrictions	210,869		210,971
Total net assets	3,667,349		3,423,920
Total liabilities and net assets	\$ 6,215,843	\$	6,037,261

AHS Hospital Corp.

Consolidated Statements of Operations
For the nine months ended September 30, 2024 and 2023
(in thousands)

	Unaudited September 30, 2024	Unaudited September 30, 2023
Revenues, gains and other support		
Net patient service revenue	\$ 3,152,924	\$ 2,884,400
Other revenue	36,887	30,591
Legislative funding from CARES Act and FEMA	-	23,503
Net assets released from restrictions	10,458	11,840
Total revenues, gains and other support	<u>3,200,269</u>	<u>2,950,334</u>
Expenses		
Salaries	1,496,513	1,358,140
Supplies and other expenses	1,173,531	1,066,689
Employee benefits	284,626	254,447
Depreciation and amortization	138,416	134,519
Interest	42,384	38,941
Total operating expenses	<u>3,135,470</u>	<u>2,852,736</u>
Operating income	<u>64,799</u>	<u>97,598</u>
Change in net unrealized gains	199,649	107,173
Investment income (loss), net	74,286	35,532
Nonoperating gain (loss), net	<u>(438)</u>	<u>(2,521)</u>
Excess of revenues over expenses	<u>338,296</u>	<u>237,782</u>
Other changes in net assets without donor restrictions		
Noncontrolling interest	66	(148)
Equity transfers to related parties	(148,974)	(10,162)
Net assets released from restrictions for capital purposes	9,610	7,468
Government grants used for capital purchases	44,533	15,188
Increase in net assets without donor restrictions	<u>\$ 243,531</u>	<u>\$ 250,128</u>

AHS Hospital Corp.

Consolidated Statements of Changes in Net Assets
For the nine months ended September 30, 2024 and 2023
(in thousands)

	Unaudited September 30, 2024	Unaudited September 30, 2023
Net assets without donor restrictions		
Excess of revenues over expenses	\$ 338,296	\$ 237,782
Equity transfers to related parties	(148,974)	(10,162)
Noncontrolling interest	66	(148)
Net assets released from restrictions for capital purposes	9,610	7,468
Government grants used for capital purchases	44,533	15,188
Increase in net assets without donor restrictions	<u>243,531</u>	<u>250,128</u>
Net asset with donor restrictions		
Contributions	13,688	15,264
Investment income	1,330	1,171
Change in net unrealized gain	4,948	1,656
Net assets released from restrictions for operations	(10,458)	(11,840)
Net assets released from restrictions for capital purposes	(9,610)	(7,468)
Increase (decrease) in net assets with donor restrictions	<u>(102)</u>	<u>(1,217)</u>
Increase in net assets	243,429	248,911
Net assets		
Beginning of year	<u>3,423,920</u>	<u>2,866,604</u>
End of period	<u>\$ 3,667,349</u>	<u>\$ 3,115,515</u>

AHS Hospital Corp.

Consolidated Statements of Cash Flows
For the nine months ended September 30, 2024 and 2023

(in thousands)

	Unaudited September 30, 2024	Unaudited September 30, 2023
Cash flows from operating activities		
Change in net assets	\$ 243,429	\$ 248,911
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Equity transfers to related parties	148,974	10,162
Depreciation and amortization	138,416	134,519
Noncontrolling interest	66	(148)
Net realized and unrealized gain on investments	(226,212)	(108,683)
Change in value of swap agreements	(1,558)	(1,567)
Amortization of deferred financing costs and bond premium/discounts	(1,764)	(1,764)
Amortization of right of use assets	33,779	33,691
Contributions restricted for capital and permanent investments	(55,018)	(25,330)
Changes in assets and liabilities		
Increase in net patient accounts receivable	(71,840)	3,690
Increase in other assets	(12,121)	(56,913)
Decrease in liability from Medicare Advance	-	(6,418)
(Decrease) increase in accounts payable, accrued expenses, est. amounts due from third party payers, lease liability, and other liabilities	(131,006)	(134,540)
Net cash used in operating activities	<u>65,145</u>	<u>95,610</u>
Cash flows from investing activities		
Purchases of investments	(1,295,059)	(471,623)
Proceeds from sales of investments	1,246,218	462,549
Repayment of loan receivables due from AHSIC	4,888	3,880
Intercompany loans issued to related parties	(20,000)	(93,270)
Additions to property, plant and equipment	(237,099)	(183,019)
Net cash used in investing activities	<u>(301,052)</u>	<u>(281,483)</u>
Cash flows from financing activities		
Proceeds of \$200m LOC	200,000	-
Repayment of \$200m LOC	(150,000)	-
Principal payments on long-term debt and line of credit	(15,300)	(14,700)
Equity transfers to related parties	(140,880)	(10,162)
Contributions restricted for capital purposes and permanent investments	48,040	25,613
Net cash (used in) provided by financing activities	<u>(58,140)</u>	<u>751</u>
Decrease in cash and cash equivalents	(294,047)	(185,122)
Cash and cash equivalents, beginning of year	<u>516,839</u>	<u>680,644</u>
Cash and cash equivalents, end of the period	<u>\$ 222,792</u>	<u>\$ 495,522</u>

AHS Hospital Corp.
For the nine months ended September 30, 2024 and 2023

	Period Ended September 30,	
	2024	2023
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	34,435	33,023
OMC	16,574	16,523
NMC	5,870	5,870
CMC	6,815	6,343
HMC	2,824	2,772
Total Acute Care	66,518	64,531
Observations		
MMC	6,625	6,177
OMC	4,354	3,660
NMC	1,389	1,399
CMC	2,673	2,894
HMC	710	733
	15,751	14,863
Admissions + Observations		
MMC	41,060	39,200
OMC	20,928	20,183
NMC	7,259	7,269
CMC	9,488	9,237
HMC	3,534	3,505
	82,269	79,394

AHS Hospital Corp.
For the nine months ended September 30, 2024 and 2023

	Period Ended September 30,	
	2024	2023
Patient Days		
MMC	185,285	176,446
OMC	83,052	81,123
NMC	31,673	31,348
CMC	32,625	29,729
HMC	14,876	13,976
Total Acute Care	347,511	332,622
Average Length of Stay		
Acute Avg LOS	5.2	5.2
Inpatient Surgeries		
MMC	9,798	9,798
OMC	2,960	3,197
NMC	587	569
CMC	912	851
HMC	442	456
	14,699	14,871
Outpatient Surgeries		
MMC (2)	18,960	17,529
OMC	9,283	8,729
NMC	1,550	1,762
CMC	3,367	3,296
HMC	896	852
	34,056	32,168
Total Surgeries		
MMC	28,758	27,327
OMC	12,243	11,926
NMC	2,137	2,331
CMC	4,279	4,147
HMC	1,338	1,308
	48,755	47,039

AHS Hospital Corp.
For the nine months ended September 30, 2024 and 2023

	Period Ended September 30,	
	2024	2023
Outpatient Visits (3)		
MMC	615,513	572,258
OMC	246,319	234,428
NMC	77,958	76,201
CMC	99,724	95,802
HMC	58,055	56,479
	<hr/> 1,097,569	<hr/> 1,035,168
Emergency Room Visits (4)		
MMC	82,310	79,343
OMC (5)	80,652	76,343
NMC	29,252	27,487
CMC	35,283	34,315
HMC	17,284	17,100
	<hr/> 244,781	<hr/> 234,588
Deliveries (6)		
MMC	4,368	4,040
OMC	1,548	1,790
NMC	355	376
CMC	479	516
	<hr/> 6,750	<hr/> 6,722
HomeCare Visits	170,890	167,389
Full time equivalents (7) Hospital divisions, AVN, and AMG	17,814	16,631

Notes:

- (1) Excludes newborn bassinets.
- (2) Includes outpatient surgeries from 111 Madison Ave and Rockaway.
- (3) 10 COVID vaccinations during 2024 vs. 2,025 for the same period in 2023.
- (4) Includes visits resulting in admission.
- (5) Includes ER Visits from Union.
- (6) Includes multiple births.
- (7) Calculation of FTE is as of period end and assumes 37.5-hour work week.

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

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 1,500 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. 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 of \$6,618. 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.

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

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 and Atlantic Health Partners, LLC, for-profit physician practice entities; and AHS ACO, LLC, Healthcare Quality Partners LLC (ceased operations at December 21, 2021 and in September 2022, returned its full investment to the Parent including any earnings thereby inactivating the entity), and Care Better 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. 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.

On October 21, 2020, 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, reached a Definitive Agreement to expand their partnership to create a comembership model for the Parent and CentraState. Effective January 1, 2022, the Parent and CentraState 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 June 2024, the Parent and Saint Peter’s Healthcare System (“SPHS”) reached a Definitive Agreement to expand on a strategic partnership. 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 Peter’s University Hospital in New Brunswick, ambulatory facilities, Saint Peter’s Physician Associates and a charitable foundation. Under the terms of the Definitive Agreement, SPHS will join Atlantic Health System, which will become the sole corporate member of SPHS. SPHS will continue to maintain its Catholic mission and identity

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

to adhere to the Ethical and religious Directives for Catholic Health Care Services under the ecclesiastical sponsorship of the Most Reverend James F. Checchio, JCD, MBA, Bishop of Metuchen. As of September 30, 2024, both organizations are continuing to work toward obtaining the necessary federal, state, and Church approvals before the transaction is completed.

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, 2023.

3. Net Patient Service Revenue

The components of net patient service revenue for the Hospital (including AVN and AMG) for the nine months ended September 30, 2024 and 2023 are as follows:

	September 30, 2024	September 30, 2023
Gross charges		
Inpatient	\$ 7,132,500	\$ 6,386,395
Outpatient	7,441,510	6,516,611
Physician Practices	1,149,083	1,034,806
Total gross charges	<u>15,723,093</u>	<u>13,937,812</u>
Net additions (deductions) from gross charges		
Contractual discounts and implicit price concessions	(12,458,656)	(10,957,825)
Charity care discount	(124,215)	(104,683)
State subsidies	12,702	9,096
	<u>(12,570,169)</u>	<u>(11,053,412)</u>
Net patient service revenue	<u>\$ 3,152,924</u>	<u>\$ 2,884,400</u>

The Hospital recorded \$115,583 and \$98,000 of implicit price concessions as a direct reduction of patient service revenues during the nine months ended September 30, 2024 and 2023, respectively.

AHS Hospital Corp.

Notes to Consolidated Financial Statements (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 nine months ended September 30, 2024 and 2023 is as follows:

	September 30, 2024	September 30, 2023
Medicare	25.2 %	25.0 %
Medicaid	1.1	1.0
Managed care and other third party payers	72.6	73.3
Self pay	0.6	0.3
State subsidies	0.5	0.4
	<u>100.0 %</u>	<u>100.0 %</u>

Net patient service revenue recorded by AMG's physician practices amounted to \$409,810 and \$375,639 for the nine months ended September 30, 2024 and 2023, respectively. AMG's net patient service revenue by payer for the nine months ended September 30, 2024 and 2023, is as follows:

	September 30, 2024	September 30, 2023
Medicare	22.7 %	22.5 %
Medicaid	0.3	0.3
Managed Care and other third party payers	76.7	76.9
Self Pay	0.3	0.3
	<u>100.0 %</u>	<u>100.0 %</u>

4. Federal Legislative Relief Funds

In April 2020, the Hospital received \$341,166 in Medicare advances. The recoupment period for the Hospital's Medicare advances commenced one year after receipt of the advances (April 2021) via offsets to Medicare payments. All advances were fully repaid by March 31, 2023.

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 \$23,503 within operating revenue in the consolidated statements of operations for the six months ended September 30, 2023. No funding has been recorded for the nine months ended September 30, 2024. 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.

5. Pension Plan Contribution

The Hospital contributed \$45,000 to the cash balance pension plan during the nine months ended September 30, 2024 and 2023. The service cost component of annual pension expense for the year ended December 31, 2024 is expected to be \$34,950, as compared to \$32,173 for the year ended December 31, 2023.

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

6. Assets Limited as to Use

Assets limited as to use at September 30, 2024 and December 31, 2023, consist of the following:

	September 30, 2024	December 31, 2023
Board designated		
Short-term investments including money market funds	\$ 297,437	\$ 287,566
Equity securities	428,193	381,183
Fixed income funds	609,825	540,640
Mutual funds	1,580,479	1,438,758
Alternative investments - equity	93	127
	<u>2,916,027</u>	<u>2,648,274</u>
Under bond indenture agreements		
Short-term investments including money market funds		
Interest account	2,412	3,499
Principal account	4,424	6,602
Debt service reserve fund	664	672
	<u>7,500</u>	<u>10,773</u>
Total assets whose use is limited	2,923,527	2,659,047
Less, assets limited as to use and are required for current liabilities	<u>68,246</u>	<u>68,070</u>
Noncurrent assets limited as to use	<u>\$ 2,855,281</u>	<u>\$ 2,590,977</u>

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.

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

7. Long-Term Investments and Other Assets

Long-term investments and other assets at September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024	December 31, 2023
Long-term investments		
Short term investments including money market funds	\$ 6,961	\$ 3,128
Mutual funds	83,841	79,713
Alternative investments - equity	3,694	3,497
	<u>94,496</u>	<u>86,338</u>
Other assets		
CentraState intercompany loan	113,816	113,497
AHSIC intercompany loans	113,924	117,147
Professional and general liability insurance recoveries	111,971	111,971
Workers compensation liability insurance recoveries	7,200	7,200
Due from Overlook Medical Center Foundation	37,016	42,864
Due from Newton Medical Center Foundation	2,849	3,897
Due from Chilton Medical Center Foundation	6,672	6,102
Due from the Foundation for Hackettstown Medical Center	2,242	2,242
Venture capital private equity funds	24,766	25,447
Equity method investments	1,983	3,712
Beneficial interest in trusts	2,209	2,209
Other	8,650	9,751
	<u>433,298</u>	<u>446,039</u>
Total long-term investments and other assets	<u>\$ 527,794</u>	<u>\$ 532,377</u>

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. CentraState repaid \$19,681 of the principal balance in July 2024.

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 September 30, 2024, 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

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Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

policies recorded as a receivable. As of September 30, 2024 and December 31, 2023, 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 September 30, 2024 and December 31, 2023, the Hospital recorded liabilities related to estimated gross workers compensation claims totaling \$21,273 and \$22,700, 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 September 30, 2024 and December 31, 2023.

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 incurs interest at a rate of SOFR adjusted by 0.65% per annum on the amount drawn. Additionally, the line incurs a monthly fee of

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(Unaudited)

0.10% on the unused portion of the line of credit. There were no amounts drawn on the line as of December 31, 2023; however, the Hospital drew down \$200,000 on April 4, 2024 to address temporary liquidity delays caused by third-party cyber issues. The Hospital repaid \$150,000 of this as of September 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. In addition, the Hospital renewed the revolving credit agreement effective April 19, 2024 for an additional one year term. Under the renewal, the line will incur interest at a rate of SOFR adjusted by 0.75% per annum on the amount drawn and a monthly fee of 0.15% on the unused portion of the line of credit. All other terms remain the same.

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.

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

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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 September 30, 2024 and December 31, 2023. 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 in place of the 2004 Swap 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 September 30, 2024, and \$10,025 at December 31, 2023. 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 September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
2008 interest rate swap	\$ 4,241	\$ 5,736
2004 interest rate swap	22	58

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The following table sets forth the effect of the interest rate swap agreements on the consolidated statements of operations for the nine months ended September 30, 2024 and 2023:

	Amount of (loss) gain recognized in the performance indicator	
	September 30, 2024	September 30, 2023
Derivative in Non-Hedging Relationship		
Non operating (loss) gains, net		
2008 interest rate swap	\$ 1,522	\$ 1,504
2004 interest rate swap	\$ 36	\$ 63

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 September 30, 2024 and December 31, 2023, 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 November 14, 2024, 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.