AHS Hospital Corp.

Consolidated Financial Statements
As of and for the years ended
December 31, 2024 and 2023

AHS Hospital Corp.

Consolidated Balance Sheets
As of December 31, 2024 and 2023
(in thousands)

ASSETS	Unaudited December 31, 2024	Audited December 31, 2023
Current assets:		
Cash and cash equivalents	$ 256,637	$ 516,839
Assets limited as to use	67,872	68,070
Patient accounts receivable, net	465,950	386,450
Other current assets	278,957	231,841
Total current assets	1,069,416	1,203,200
Assets limited as to use, net of current portion	2,804,958	2,590,977
Long-term investments and other assets	551,374	532,377
Property, plant and equipment, net	1,534,904	1,406,676
Right of use assets, net	347,760	304,031
Total assets	$ 6,308,412	$ 6,037,261
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 19,136	$ 18,486
Current portion of lease liability	49,576	42,107
Accounts payable and accrued expenses	577,012	529,614
Estimated amounts due to third party payers	57,841	67,193
Total current liabilities	703,565	657,400
Accrued employee benefits and other, net of current portion	257,187	299,337
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	1,366,897	1,386,033
Long-term lease liability, net of current portion	308,001	270,571
Total liabilities	2,635,650	2,613,341
Net assets:		
Without donor restrictions controlled by the Hospital	3,450,055	3,208,705
Without donor restrictions attributable to noncontrolling interest	4,244	4,244
Without donor restrictions	3,454,299	3,212,949
With donor restrictions	218,463	210,971
Total net assets	3,672,762	3,423,920
Total liabilities and net assets	$ 6,308,412	$ 6,037,261

AHS Hospital Corp.

Consolidated Statements of Operations
For the year ended December 31, 2024 and 2023
(in thousands)

	Unaudited December 31 2024	Audited December 31 2023
Revenues, gains and other support		
Net patient service revenue	$ 4,308,381	$ 3,913,906
Other revenue	47,751	39,554
Legislative funding from CARES Act and FEMA	872	29,424
Net assets released from restrictions	15,827	15,283
Total revenues, gains and other support	4,372,831	3,998,167
Expenses		
Salaries	2,021,210	1,831,954
Supplies and other expenses	1,598,603	1,445,666
Employee benefits	410,607	344,650
Depreciation and amortization	183,188	178,965
Interest	55,792	51,355
Total operating expenses	4,269,400	3,852,590
Operating income	103,431	145,577
Change in net unrealized gains	69,325	289,748
Investment income (loss), net	150,402	60,394
Nonoperating gain (loss), net	146	(17,063)
Excess of revenues over expenses	323,304	478,656
Other changes in net assets without donor restrictions		
Noncontrolling interest	-	(396)
Equity transfers to related parties	(157,918)	(28,676)
Change in funded status of benefit plans	-	35,312
Net assets released from restrictions for capital purposes	21,006	18,266
Government grants used for capital purchases	54,958	47,079
Increase in net assets without donor restrictions	$ 241,350	$ 550,241

AHS Hospital Corp.

Consolidated Statements of Changes in Net Assets
For the year ended December 31, 2024 and 2023
(in thousands)

	Unaudited December 31 2024	Audited December 31 2023
Net assets without donor restrictions		
Excess of revenues over expenses	$ 323,304	$ 478,656
Equity transfers to related parties	(157,918)	(28,676)
Noncontrolling interest	-	(396)
Change in funded status of benefit plans	-	35,312
Net assets released from restrictions for capital purposes	21,006	18,266
Government grants used for capital purchases	54,958	47,079
Increase in net assets without donor restrictions	241,350	550,241
Net asset with donor restictions		
Contributions	38,344	33,837
Investment income	2,033	1,644
Change in net unrealized gain	3,948	5,143
Net assets released from restrictions for operations	(15,827)	(15,283)
Net assets released from restrictions for capital purposes	(21,006)	(18,266)
Increase (decrease) in net assets with donor restrictions	7,492	7,075
Increase in net assets	248,842	557,316
Net assets		
Beginning of year	3,423,920	2,866,604
End of period	$ 3,672,762	$ 3,423,920

AHS Hospital Corp.

Consolidated Statements of Cash Flows
For the year ended December 31, 2024 and 2023

(in thousands)	Unaudited December 31 2024	Audited December 31 2023
Cash flows from operating activities		
Change in net assets	$ 248,842	$ 557,316
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in funded status of benefit plans	-	(35,312)
Equity transfers to related parties	157,918	28,676
Depreciation and amortization	183,188	178,965
Loss on disposal of property, plant and equipment	129	12
Noncontrolling interest	-	(396)
Net realized and unrealized gain on investments	(146,537)	(287,496)
Change in value of swap agreements	(1,575)	(1,544)
Amortization of deferred financing costs and bond premium/discounts	(2,352)	(2,352)
Amortization of right of use assets	48,250	37,718
Contributions restricted for capital and permanent investments	(78,989)	(65,180)
Changes in assets and liabilities		
Increase in net patient accounts receivable	(81,138)	(40,828)
Increase in other assets	(29,189)	(37,852)
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	(58,458)	(56,340)
Net cash used in operating activities	240,089	268,969
Cash flows from investing activities		
Purchases of investments	(1,686,151)	(2,556,888)
Proceeds from sales of investments	1,606,029	2,501,800
Repayment of loan receivables due from AHSIC	6,548	5,146
Loan issued to AHSIC	-	(82,567)
Loan issued to CentraState	(20,000)	(10,000)
Contribution to venture capital private equity funds	1,194	(13,871)
Additions to property, plant and equipment	(311,927)	(275,653)
Net cash used in investing activities	(404,307)	(432,033)
Cash flows from financing activities		
Proceeds of $200m LOC	200,000	-
Repayment of $200m LOC	(200,000)	-
Principal payments on long-term debt and line of credit	(16,134)	(15,533)
Equity transfers to related parties	(143,069)	(28,676)
Contributions restricted for capital purposes and permanent investments	63,219	43,468
Net cash (used in) provided by financing activities	(95,984)	(741)
Decrease in cash and cash equivalents	(260,202)	(163,805)
Cash and cash equivalents, beginning of year	516,839	680,644
Cash and cash equivalents, end of the period	$ 256,637	$ 516,839

AHS Hospital Corp.
For the year ended December 31, 2024 and 2023

	Period Ended December 31, 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	45,984	44,273
OMC	22,332	22,142
NMC	7,922	7,912
CMC	9,286	8,573
HMC	3,825	3,763
Total Acute Care	89,349	86,663
Observations		
MMC	9,089	8,294
OMC	5,913	4,878
NMC	1,891	1,886
CMC	3,602	3,841
HMC	961	950
	21,456	19,849
Admissions + Observations		
MMC	55,073	52,567
OMC	28,245	27,020
NMC	9,813	9,798
CMC	12,888	12,414
HMC	4,786	4,713
	110,805	106,512

AHS Hospital Corp.
For the year ended December 31, 2024 and 2023

	Period Ended December 31,	
	2024	**2023**
Patient Days		
MMC	247,882	237,326
OMC	110,964	109,726
NMC	42,613	41,596
CMC	44,578	40,015
HMC	20,434	19,066
Total Acute Care	466,471	447,729
Average Length of Stay		
Acute Avg LOS	5.2	5.2
Inpatient Surgeries		
MMC	13,124	12,947
OMC	3,980	4,247
NMC	743	749
CMC	1,226	1,182
HMC	607	565
	19,680	19,690
Outpatient Surgeries		
MMC (2)	25,386	23,822
OMC	12,482	11,656
NMC	2,105	2,298
CMC	4,569	4,447
HMC	1,210	1,164
	45,752	43,387
Total Surgeries		
MMC	38,510	36,769
OMC	16,462	15,903
NMC	2,848	3,047
CMC	5,795	5,629
HMC	1,817	1,729
	65,432	63,077

AHS Hospital Corp.
For the year ended December 31, 2024 and 2023

	Period Ended December 31,	
	2024	**2023**
Outpatient Visits		
MMC	828,962	759,331
OMC	330,155	314,691
NMC	104,245	100,031
CMC	134,836	128,313
HMC	77,954	75,306
	1,476,152	1,377,672
Emergency Room Visits (3)		
MMC	110,914	107,002
OMC (4)	108,276	103,816
NMC	38,917	37,014
CMC	47,409	46,266
HMC	23,285	22,919
	328,801	317,017
Deliveries (5)		
MMC	5,723	5,347
OMC	2,047	2,275
NMC	479	498
CMC	637	665
	8,886	8,785
HomeCare Visits	228,692	222,139
Full time equivalents (6) Hospital divisions, AVN, and AMG	18,279	16,970

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 1,500 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.

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 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 December 31, 2024, both organizations are continuing to work toward obtaining the necessary federal, state, and Church approvals before the transaction is completed.

(Dollar amounts in thousands) (Unaudited)

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 years ended December 31, 2024 and 2023 are as follows:

	December 31 2024	December 31 2023
Gross charges		
Inpatient	$ 9,621,267	$ 8,666,258
Outpatient	10,069,440	8,736,554
Physician Practices	1,563,778	1,399,513
Total gross charges	21,254,485	18,802,325
Net additions (deductions) from gross charges		
Contractual discounts and implicit price concessions	(16,791,535)	(14,761,434)
Charity care discount	(172,351)	(140,280)
State subsidies	17,782	13,295
	(16,946,104)	(14,888,419)
Net patient service revenue	$ 4,308,381	$ 3,913,906

The Hospital recorded $159,733 and $102,353 of implicit price concessions as a direct reduction of patient service revenues during the years ended December 31, 2024 and 2023, 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 years ended December 31, 2024 and 2023 is as follows:

	December 31 2024	December 31 2023
Medicare	25.1 %	23.3 %
Medicaid	1.0	1.0
Managed care and other third party payers	73.1	75.4
Self pay	0.3	0.1
State subsidies	0.5	0.2
	100.0 %	100.0 %

Net patient service revenue recorded by AMG's physician practices amounted to $566,467 and $514,249 for the years ended December 31, 2024 and 2023, respectively. AMG's net patient service revenue by payer for the years ended December 31, 2024 and 2023, is as follows:

	December 31 2024	December 31 2023
Medicare	22.7 %	22.7 %
Medicaid	0.4	0.3
Managed Care and other third party payers	76.7	76.8
Self Pay	0.2	0.2
	100.0 %	100.0 %

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 $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.

5. Pension Plan Contribution

The Hospital contributed $60,000 to the cash balance pension plan during the years ended December 31, 2024 and 2023. The service cost component of annual pension expense for the year ended December 31, 2024 was $34,950, as compared to $32,173 for the year ended December 31, 2023.

(Dollar amounts in thousands) (Unaudited)

6. Assets Limited as to Use

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

	December 31 2024	December 31, 2023
Board designated		
Short-term investments including money market funds	$ 216,665	$ 287,566
Equity securities	416,132	381,183
Fixed income funds	648,941	540,640
Mutual funds	1,580,277	1,438,758
Alternative investments - equity	28	127
	2,862,043	2,648,274
Under bond indenture agreements		
Short-term investments including money market funds		
Interest account	3,167	3,499
Principal account	6,949	6,602
Debt service reserve fund	671	672
	10,787	10,773
Total assets whose use is limited	2,872,830	2,659,047
Less, assets limited as to use and are required for current liabilities	67,872	68,070
Noncurrent assets limited as to use	$ 2,804,958	$ 2,590,977

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 December 31, 2024 and 2023 are as follows:

	December 31 2024	December 31 2023
Long-term investments		
Short term investments including money market funds	$ 4,703	$ 3,128
Mutual funds	82,423	79,713
Alternative investments - equity	7,946	3,497
	95,072	86,338
Other assets		
CentraState intercompany loan	113,816	113,497
AHSIC intercompany loans	112,200	117,147
Professional and general liability insurance recoveries	111,971	111,971
Workers compensation liability insurance recoveries	7,900	7,200
Due from Overlook Medical Center Foundation	35,016	42,864
Due from Newton Medical Center Foundation	2,750	3,897
Due from Chilton Medical Center Foundation	6,407	6,102
Due from the Foundation for Hackettstown Medical Center	2,963	2,242
Venture capital private equity funds	24,253	25,447
Equity method investments	3,842	3,712
Life interest in real estate	9,000	-
Beneficial interest in trusts	2,634	2,209
Goodwill - Advanced Care Oncology & Hematology Associates	14,633	-
Other	8,917	9,751
	456,302	446,039
Total long-term investments and other assets	$ 551,374	$ 532,377

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 December 31, 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 policies recorded as a receivable. As of December 31, 2024 and 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 December 31, 2024 and 2023, the Hospital recorded liabilities related to estimated gross workers compensation claims totaling $21,998 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 December 31, 2024 and 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 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 the full $200,000 as of December 31, 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 backed by a separate, irrevocable direct pay letters of credit by two banks, each expiring January 2026.

(Dollar amounts in thousands) (Unaudited)

On April 9, 2008, the Hospital unwound and reissued two new barrier swaps: the 2008 Swap and the 2004 Swap.

The 2008 Swap was resissued 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 December 31, 2024 and 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 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 December 31, 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 December 31, 2024 and 2023:

	December 31 2024	December 31 2023
2008 interest rate swap	$ 4,232	$ 5,763
2004 interest rate swap	16	58

The following table sets forth the effect of the interest rate swap agreements on the consolidated statements of operations for the years ended December 31, 2024 and 2023:

	Amount of (loss) gain recognized in the performance indicator	
	December 31 2024	December 31 2023
Derivative in Non-Hedging Relationship		
Non operating (loss) gains, net		
2008 interest rate swap	$ 1,532	$ 1,477
2004 interest rate swap	$ 43	$ 67

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 December 31, 2024 and 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 February 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.