AHS Hospital Corp.

Consolidated Financial Statements
As of and for the Nine Month Periods Ended
September 30, 2023 and 2022

Consolidated Balance Sheets
As of September 30, 2023 and December 31, 2022
(in thousands)

	Unaudited September 30, 2023	Audited December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 495,522	$ 680,644
Assets limited as to use	117,085	117,073
Patient accounts receivable, net	324,302	327,370
Other current assets	243,349	179,842
Total current assets	1,180,258	1,304,929
Assets limited as to use, net of current portion	2,333,476	2,219,445
Long-term investments and other assets	507,073	421,320
Property, plant and equipment, net	1,356,909	1,305,439
Right of use assets, net	307,989	329,148
Total assets	$ 5,685,705	$ 5,580,281
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 68,486	$ 67,886
Current portion of lease liability	42,050	41,641
Current portion of CARES Act Medicare advancements	-	6,418
Accounts payable and accrued expenses	475,214	548,246
Estimated amounts due to third party payers	69,571	58,106
Total current liabilities	655,321	722,297
Accrued employee benefits and other, net of current portion	303,157	341,965
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	1,337,454	1,354,518
Long-term lease liability, net of current portion	274,258	294,897
Total liabilities	2,570,190	2,713,677
Net assets:		
Without donor restrictions controlled by the Hospital	2,908,344	2,658,068
Without donor restrictions attributable to noncontrolling interest	4,492	4,640
Without donor restrictions	2,912,836	2,662,708
With donor restrictions	202,679	203,896
Total net assets	3,115,515	2,866,604
Total liabilities and net assets	$ 5,685,705	$ 5,580,281

AHS Hospital Corp.

Consolidated Statements of Operations
For the nine month periods ended September 30, 2023 and 2022
(in thousands)

	Unaudited September 30, 2023	Unaudited September 30, 2022
Revenues, gains and other support		
Net patient service revenue	$ 2,508,762	$ 2,316,470
Physician practice and other revenue	406,229	381,508
Legislative Funding from CARES Act and FEMA	23,503	14,593
Net assets released from restrictions	11,840	12,861
Total revenues, gains and other support	2,950,334	2,725,432
Expenses		
Salaries	1,358,140	1,205,221
Supplies and other expenses	1,066,689	1,016,190
Employee benefits	254,447	242,904
Depreciation and amortization	134,519	137,817
Interest	38,941	34,840
Total operating expenses	2,852,736	2,636,972
Operating income	97,598	88,460
Change in net unrealized gains (losses)	107,173	(572,371)
Investment income, net	35,532	(845)
Nonoperating gain, net	(2,521)	(7,389)
Excess (deficiency) of revenues over expenses	237,782	(492,145)
Other changes in net assets without donor restrictions		
Noncontrolling interest	(148)	109
Equity transfers to related parties	(10,162)	(11,400)
Net assets released from restrictions for capital purposes	7,468	1,558
Government grants used for capital purchases	15,188	806
Increase (decrease) in net assets without donor restrictions	$ 250,128	$ (501,072)

AHS Hospital Corp.

Consolidated Statements of Changes in Net Assets
For the nine month periods ended September 30, 2023 and 2022
(in thousands)

	Unaudited September 30, 2023	Unaudited September 30, 2022
Net assets without donor restrictions		
Excess (deficiency) of revenues over expenses	$ 237,782	$ (492,145)
Equity transfers to related parties	(10,162)	(11,400)
Noncontrolling interest	(148)	109
Net assets released from restrictions for capital purposes	7,468	1,558
Government grants used for capital purchases	15,188	806
Increase (decrease) in net assets without donor restrictions	250,128	(501,072)
Net asset with donor restictions		
Contributions	15,264	20,969
Investment income	1,171	502
Change in net unrealized gain (loss)	1,656	(10,133)
Net assets released from restrictions for operations	(11,840)	(12,861)
Net assets released from restrictions for capital purposes	(7,468)	(1,558)
Increase in net assets with donor restrictions	(1,217)	(3,081)
Increase (decrease) in net assets	248,911	(504,153)
Net assets		
Beginning of year	2,866,604	3,235,395
End of period	$ 3,115,515	$ 2,731,242

Consolidated Statements of Cash Flows
For the nine month periods ended September 30, 2023 and 2022

(in thousands)	Unaudited September 30, 2023	Unaudited September 30, 2022
Cash flows from operating activities		
Change in net assets	$ 248,911	$ (504,153)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Equity transfers to related parties	10,162	11,400
Depreciation and amortization	134,519	137,817
Noncontrolling interest	(148)	109
Net realized and unrealized (gain) loss on investments	(108,683)	604,419
Change in value of swap agreements	(1,567)	1,471
Amortization of deferred financing costs and bond premium/discounts	(1,764)	(1,764)
Amortization of right of use assets	33,691	24,299
Contributions restricted for capital	(25,087)	(13,917)
Contributions restricted for permanent investments	(243)	(1,459)
Changes in assets and liabilities		
Increase in net patient accounts receivable	3,068	(26,398)
Increase in other assets	(56,291)	(49,832)
Decrease in liability from Medicare Advance	(6,418)	(212,654)
(Decrease) increase in accounts payable, accrued expenses, est. amounts due from third party payers, lease liability, and other liabilities	(134,540)	(82,114)
Net cash provided by (used in) operating activities	95,610	(112,776)
Cash flows from investing activities		
Purchases of investments	(471,623)	(963,423)
Proceeds from sales of investments	462,549	940,611
Intercompany loan to related parties	(93,270)	(103,497)
Repayment of loan receivables due from AHSIC	3,880	-
Additions to property, plant and equipment	(183,019)	(149,214)
Net cash used in investing activities	(281,483)	(275,523)
Cash flows from financing activities		
Principal payments on long-term debt	(14,700)	(12,446)
Equity transfers to related parties	(10,162)	(11,400)
Proceeds from issuance of 2022 Commercial Loan	-	100,000
Contributions restricted for capital	25,370	2,941
Contributions restricted for permanent investments	243	-
Net cash (used in) provided by financing activities	751	79,095
Decrease in cash and cash equivalents	(185,122)	(309,204)
Cash and cash equivalents, beginning of year	680,644	868,891
Cash and cash equivalents, end of the period	$ 495,522	$ 559,687

AHS Hospital Corp.
For the nine month periods ended September 30, 2023 and 2022

	Period Ended September 30,	
	2023	**2022**
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	33,023	31,914
OMC	16,523	16,521
NMC	5,870	5,968
CMC	6,343	5,777
HMC	2,772	2,744
Total Acute Care	64,531	62,924
Observations		
MMC	6,177	5,296
OMC	3,660	3,184
NMC	1,399	1,396
CMC	2,894	2,779
HMC	733	613
	14,863	13,268
Admissions + Observations		
MMC	39,200	37,210
OMC	20,183	19,705
NMC	7,269	7,364
CMC	9,237	8,556
HMC	3,505	3,357
	79,394	76,192

AHS Hospital Corp.
For the nine month periods ended September 30, 2023 and 2022

	Period Ended September 30,	
	2023	**2022**
Patient Days		
MMC	176,446	168,978
OMC	81,123	78,684
NMC	31,348	32,080
CMC	29,729	27,530
HMC	13,976	13,805
Total Acute Care	332,622	321,077
Average Length of Stay		
Acute Avg LOS	5.2	5.1
Inpatient Surgeries		
MMC	9,798	9,480
OMC	3,197	3,380
NMC	569	612
CMC	851	962
HMC	456	470
	14,871	14,904
Outpatient Surgeries		
MMC (2)	17,529	15,888
OMC	8,729	7,845
NMC	1,762	1,561
CMC	3,296	3,337
HMC	852	747
	32,168	29,378
Total Surgeries		
MMC	27,327	25,368
OMC	11,926	11,225
NMC	2,331	2,173
CMC	4,147	4,299
HMC	1,308	1,217
	47,039	44,282

AHS Hospital Corp.
For the nine month periods ended September 30, 2023 and 2022

	Period Ended September 30,	
	2023	**2022**
Outpatient Visits (3)		
MMC	572,258	576,611
OMC	234,428	225,551
NMC	76,201	72,358
CMC	95,802	89,711
HMC	56,479	53,086
	1,035,168	1,017,317
Emergency Room Visits (4)		
MMC	79,343	75,452
OMC (5)	76,343	70,332
NMC	27,487	27,067
CMC	34,315	32,885
HMC	17,100	16,033
	234,588	221,769
Deliveries (6)		
MMC	4,040	3,820
OMC	1,790	2,006
NMC	376	395
CMC	516	443
	6,722	6,664
HomeCare Visits	167,389	165,713
Full time equivalents (7) Hospital divisions, AVN, and AMG	16,631	15,429

Notes:
(1) Excludes newborn bassinets.
(2) Includes outpatient surgeries from 111 Madison Ave and Rockaway.
(3) 2,025 COVID vaccinations during YTD Sep 2023 vs.
30,567 for the same period in 2022.
(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.

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" or "MMC"), the Overlook Medical Center ("Overlook Division" or "OMC"), the Newton Medical Center ("Newton Division" or "NMC"), the Chilton Medical Center ("Chilton Division" or "CMC"), and the Hackettstown Medical Center ("Hackettstown Division" or "HMC"). 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 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 ("ACO") 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.("NMCF") and the Chilton Medical Center Foundation, Inc. ("CMCF"), both not-for-profit fund-raising organizations for the benefit of their respective Hospital Divisions.

The Overlook Foundation ("OF") and the Foundation for the Hackettstown Medical Center ("HMCF") 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.

In June 2013, the Parent signed an Operating Agreement with Hunterdon Healthcare System to form a jointly-owned health care alliance, Midjersey Health Alliance, LLC ("MHA"). The purpose of the organization is to form a regional healthcare alliance to improve and enhance the scope, quality and cost-effectiveness of health care services in Hunterdon, Somerset, Mercer and Warren counties while developing sound economic and financial solutions to health care issues affecting all patients, providers and healthcare organizations and moving toward clinical integration. Each system will retain its independence but will create clinical and economic efficiencies to reduce health care costs.

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 co-membership 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.

(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 years ended December 31, 2022 and 2021.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The previous standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. This ASU is effective for the Hospital for fiscal years beginning after December 15, 2022. The Hospital is currently evaluating the impact of the standard on the consolidated financial statements.

Other revenue in the consolidated statements of operations are those amounts the Hospital derives from physician practice revenue, cafeteria sales, parking lot revenue, purchase discounts and various other miscellaneous receipts. Physician services are billed at professional rates tied to contracts for visits and procedures done in the physician office setting. The Hospital determines estimates for implicit price concessions, in accordance with ASC 606 *Revenue from Contracts with Customers,* based on its historical collection experience with every class of patients/payers, including run rates for denials, as well as instances where self-pay patients in process of being screened for Medicaid (which has lower reimbursement rates). During the nine month period ended September 30, 2023, the impact of changes to inputs used to determine the transaction price for physician practice and other revenues was considered immaterial to the current period. Physician practice revenues amounted to $375,640 and $354,875 for the nine month periods ended September 30, 2023 and 2022, respectively.

Physician practice revenue by payer for the nine month periods ended September 30, 2023 and 2022, respectively, is as follows:

	September 30, 2023	September 30, 2022
Medicare	22.5 %	23.8 %
Medicaid	0.3	0.3
Managed Care and other third party payers	76.9	75.5
Self Pay	0.3	0.4
	100.0 %	100.0 %

(Dollar amounts in thousands) (Unaudited)

3. Net Patient Service Revenue

The components of net patient service revenue for the nine month periods ended September 30, 2023 and 2022 are as follows:

	September 30, 2023	September 30, 2022
Gross charges		
Inpatient	$ 6,386,395	$ 5,946,813
Outpatient	6,516,611	5,762,519
Total gross charges	12,903,006	11,709,332
Net additions (deductions) from gross charges		
Contractual discounts and implicit price concessions	(10,298,657)	(9,298,055)
Charity care discount	(104,683)	(103,955)
Charity care subsidy	8,826	8,878
Special mental health subsidy	270	270
	(10,394,244)	(9,392,862)
Net patient service revenue	$ 2,508,762	$ 2,316,470

The Hospital recorded $76,968 and $82,896 of implicit price concessions as a direct reduction of patient service revenues during the nine month periods ended September 30, 2023 and 2022, respectively.

The mix of patient service revenue, net of contractual discounts and implicit price concessions from patients and third-party payers for the nine month periods ended September 30, 2023 and 2022 is as follows:

	September 30, 2023	September 30, 2022
Medicare	25.0 %	24.9 %
Medicaid	1.0	1.1
Managed Care and other third party payers	73.3	73.2
Self Pay	0.3	0.4
Charity	0.4	0.4
	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) and occur via offsets to Medicare payments. The offset commenced at 25% of Medicare payments for the first eleven months of the recoupment period, and then increased to 50% of Medicare payments for the next six months (starting March 2022). The Hospital has presented its total Medicare advances within current and noncurrent liabilities on the consolidated balance sheet as of December 31, 2022 and 2021, which was fully repaid as of March 31, 2023.

During 2022, the Hospital applied for and received approval for the reimbursement of qualifying expense under FEMA. For the nine month period ended September 30, 2023, the Hospital recognized $23,503 of FEMA funds within operating revenue in the consolidated statement of operations and $14,593 of FEMA and Cares Act funds for the nine month period ended September 30, 2022. FEMA can and does retrospectively adjust grant distribution formulas and may adjust funding already received which may impact the amount the Hospital has recorded for the nine month period ended September 30, 2023, in future financial statement periods.

5. Pension Plan Contribution

The Hospital contributed $45,000 to the cash balance pension plan during the nine month periods ended September 30, 2023 and 2022. The service cost component of annual pension expense for the year ended December 31, 2023 is expected to be $32,173, as compared to $37,297 for the year ended December 31, 2022.

(Dollar amounts in thousands) (Unaudited)

6. Assets Limited as to Use

Assets limited as to use at September 30, 2023 and December 31, 2022, consist of the following:

	September 30, 2023	December 31, 2022
Board designated		
Short-term investments including money market funds	$ 342,813	$ 331,447
Mutual funds	2,101,785	1,975,789
Alternative investments - equity	125	163
	2,444,723	2,307,399
Under bond indenture agreements		
Short-term investments including money market funds		
Interest account	1,781	21,301
Principal account	3,393	7,153
Debt service reserve fund	664	665
	5,838	29,119
Total assets whose use is limited	2,450,561	2,336,518
Less, assets limited as to use and are required for current liabilities	117,085	117,073
Noncurrent assets limited as to use	$ 2,333,476	$ 2,219,445

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 September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
Long-term investments		
Money market funds	$ 1,782	$ 2,744
Mutual funds	73,828	70,627
Alternative investments - equity	3,455	3,600
	79,065	76,971
Other assets		
CentraState intercompany loan	103,497	103,497
AHSIC intercompany loans	120,660	39,045
Professional and general liability insurance recoveries	102,337	102,337
Workers compensation liability insurance recoveries	4,500	4,500
Due from Overlook Medical Center Foundation	43,100	49,263
Due from Newton Medical Center Foundation	2,993	3,093
Due from Chilton Medical Center Foundation	6,268	6,534
Due from Hackettstown Medical Center Foundation	2,308	2,308
Venture capital private equity funds	23,705	11,576
Equity method investments	3,742	6,749
Beneficial interest in trusts	2,042	2,042
Other	12,856	13,405
	428,008	344,349
Total long-term investments and other assets	$ 507,073	$ 421,320

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.

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 September 30, 2023 and December 31, 2022, the Hospital has recorded $102,337, in other long-term assets for professional and general liability insurance recoveries. A corresponding liability for the above is recorded within accrued employee benefits and other in the consolidated balance sheets. The Hospital also recorded $4,500 for workers compensation liability insurance recoveries at September 30, 2023 and December 31, 2022. As of September 30, 2023 and December 31, 2022, the Hospital recorded liabilities related to workers compensation claims totaling $25,154 and $21,700, 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, 2023 and December 31, 2022.

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 due the uncertainties created by the COVID-19 pandemic. 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 either March 31, 2023 or December 31, 2022. The line is set to mature in April 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 covenant.

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. 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.

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

(Dollar amounts in thousands) (Unaudited)

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 at September 30, 2023 and December 31, 2022, was $87,400. 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 LIBOR 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 at September 30, 2023, was $10,025 and December 31, 2022 was $14,550. 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 LIBOR 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, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
2008 interest rate swap	$ 5,736	$ 7,240
2004 interest rate swap	63	125

(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 nine month periods ended September 30, 2023 and 2022:

	Amount of (loss) gain recognized in the performance indicator	
	September 30, 2023	September 30, 2022
Derivative in Non-Hedging Relationship		
Non operating (loss) gains, net		
2008 interest rate swap	$ 1,504	$ (1,552)
2004 interest rate swap	$ 63	$ 81

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, 2023 and December 31, 2022, 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, 2023, 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.