AHS Hospital Corp.

Consolidated Financial Statements
As of and for the Year Ended
December 31, 2023 and 2022

AHS Hospital Corp.

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

ASSETS	Unaudited December 31, 2023	Audited December 31, 2022
Current assets:		
Cash and cash equivalents	$ 517,348	$ 680,644
Assets limited as to use	68,070	117,073
Patient accounts receivable, net	369,496	327,370
Other current assets	258,794	179,842
Total current assets	1,213,708	1,304,929
Assets limited as to use, net of current portion	2,590,977	2,219,445
Long-term investments and other assets	510,043	421,320
Property, plant and equipment, net	1,406,676	1,305,439
Right of use assets, net	304,031	329,148
Total assets	$ 6,025,435	$ 5,580,281
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 18,486	$ 67,886
Current portion of lease liability	42,107	41,641
Current portion of CARES Act Medicare advancements	-	6,418
Accounts payable and accrued expenses	581,086	548,246
Estimated amounts due to third party payers	67,193	58,106
Total current liabilities	708,872	722,297
Accrued employee benefits and other, net of current portion	271,442	341,965
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	1,386,033	1,354,518
Long-term lease liability, net of current portion	270,571	294,897
Total liabilities	2,636,918	2,713,677
Net assets:		
Without donor restrictions controlled by the Hospital	3,173,302	2,658,068
Without donor restrictions attributable to noncontrolling interest	4,244	4,640
Without donor restrictions	3,177,546	2,662,708
With donor restrictions	210,971	203,896
Total net assets	3,388,517	2,866,604
Total liabilities and net assets	$ 6,025,435	$ 5,580,281

AHS Hospital Corp.

Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022
(in thousands)

	Unaudited December 31, 2023	Audited December 31, 2022
Revenues, gains and other support		
Net patient service revenue	$ 3,399,657	$ 3,141,766
Physician practice and other revenue	553,803	513,577
Legislative Funding from CARES Act and FEMA	29,424	50,922
Net assets released from restrictions	15,283	16,729
Total revenues, gains and other support	3,998,167	3,722,994
Expenses		
Salaries	1,831,954	1,654,236
Supplies and other expenses	1,445,666	1,359,975
Employee benefits	344,650	317,054
Depreciation and amortization	178,965	171,334
Interest	51,355	47,667
Total operating expenses	3,852,590	3,550,266
Operating income	145,577	172,728
Change in net unrealized gains (losses)	289,748	(488,466)
Investment income, net	60,394	42,776
Nonoperating gain, net	(17,154)	10,942
Excess (deficiency) of revenues over expenses	478,565	(262,020)
Other changes in net assets without donor restrictions		
Noncontrolling interest	(396)	(231)
Equity transfers to related parties	(28,676)	(68,108)
Change in funded status of benefit plans	-	(52,875)
Net assets released from restrictions for capital purposes	18,266	22,018
Government grants used for capital purchases	47,079	4,350
Increase (decrease) in net assets without donor restrictions	$ 514,838	$ (356,866)

AHS Hospital Corp.

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022
(in thousands)

	Unaudited December 31 2023	Audited December 31 2022
Net assets without donor restrictions		
Excess (deficiency) of revenues over expenses	$ 478,565	$ (262,020)
Equity transfers to related parties	(28,676)	(68,108)
Noncontrolling interest	(396)	(231)
Change in funded status of benefit plans	-	(52,875)
Net assets released from restrictions for capital purposes	18,266	22,018
Government grants used for capital purchases	47,079	4,350
Increase (decrease) in net assets without donor restrictions	514,838	(356,866)
Net asset with donor restictions		
Contributions	33,837	33,870
Investment income	1,644	981
Change in net unrealized gain (loss)	5,143	(8,029)
Net assets released from restrictions for operations	(15,283)	(16,729)
Net assets released from restrictions for capital purposes	(18,266)	(22,018)
Increase in net assets with donor restrictions	7,075	(11,925)
Increase (decrease) in net assets	521,913	(368,791)
Net assets		
Beginning of year	2,866,604	3,235,395
End of period	$ 3,388,517	$ 2,866,604

AHS Hospital Corp.

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

(in thousands)	Unaudited December 31, 2023	Audited December 31, 2022
Cash flows from operating activities		
Change in net assets	$ 521,913	$ (368,791)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in funded status of benefit plans	-	52,875
Equity transfers to related parties	28,676	68,108
Depreciation and amortization	178,965	171,334
Gain (loss) on disposal of property, plant and equipment	13	71
Noncontrolling interest	(396)	(231)
Net realized and unrealized (gain) loss on investments	(287,413)	528,309
Change in value of swap agreements	(1,543)	1,571
Amortization of deferred financing costs and bond premium/discounts	(2,352)	(2,352)
Amortization of right of use assets	37,718	35,003
Contributions restricted for capital and permanent investments	(66,929)	(20,186)
Changes in assets and liabilities		
Increase in net patient accounts receivable	(42,126)	(22,223)
Increase in other assets	(60,366)	(24,390)
Decrease in liability from Medicare Advance	(6,418)	(217,643)
(Decrease) increase in accounts payable, accrued expenses, est. amounts due from third party payers, lease liability, and other liabilities	(68,078)	(47,439)
Net cash provided by (used in) operating activities	231,664	154,016
Cash flows from investing activities		
Purchases of investments	(3,441,873)	(1,197,944)
Proceeds from sales of investments	3,386,702	1,103,297
Repayment of loan receivables due from AHSIC	5,146	1,578
Loan issued to AHSIC	(82,567)	(43,003)
Loan issued to CentraState	(10,000)	(103,497)
Additions to property, plant and equipment	(275,653)	(189,073)
Net cash used in investing activities	(418,245)	(428,642)
Cash flows from financing activities		
Principal payments on long-term debt and line of credit	(15,533)	(13,282)
Equity transfers to related parties	(28,676)	(20,883)
Proceeds from issuance of 2022 Commercial Loan	-	100,000
Contributions restricted for capital purposes and permanent investments	67,494	20,544
Net cash (used in) provided by financing activities	23,285	86,379
Decrease in cash and cash equivalents	(163,296)	(188,247)
Cash and cash equivalents, beginning of year	680,644	868,891
Cash and cash equivalents, end of the period	$ 517,348	$ 680,644

AHS Hospital Corp.
Years Ended December 31, 2023 and 2022

	Period Ended December 31,	
	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	44,273	43,078
OMC	22,142	22,244
NMC	7,912	8,047
CMC	8,573	7,987
HMC	3,763	3,727
Total Acute Care	86,663	85,083
Observations		
MMC	8,294	7,094
OMC	4,878	4,423
NMC	1,886	1,887
CMC	3,841	3,704
HMC	950	842
	19,849	17,950
Admissions + Observations		
MMC	52,567	50,172
OMC	27,020	26,667
NMC	9,798	9,934
CMC	12,414	11,691
HMC	4,713	4,569
	106,512	103,033

AHS Hospital Corp.
Years Ended December 31, 2023 and 2022

	Period Ended December 31,	
	2023	**2022**
Patient Days		
MMC	237,326	228,915
OMC	109,726	107,214
NMC	41,596	43,251
CMC	40,015	38,570
HMC	19,066	18,742
Total Acute Care	447,729	436,692
Average Length of Stay		
Acute Avg LOS	5.2	5.1
Inpatient Surgeries		
MMC	12,947	12,530
OMC	4,247	4,495
NMC	749	781
CMC	1,182	1,254
HMC	565	620
	19,690	19,680
Outpatient Surgeries		
MMC (2)	23,822	21,322
OMC	11,656	10,671
NMC	2,298	2,168
CMC	4,447	4,459
HMC	1,164	1,019
	43,387	39,639
Total Surgeries		
MMC	36,769	33,852
OMC	15,903	15,166
NMC	3,047	2,949
CMC	5,629	5,713
HMC	1,729	1,639
	63,077	59,319

AHS Hospital Corp.
Years Ended December 31, 2023 and 2022

	Period Ended December 31,	
	2023	**2022**
Outpatient Visits (3)		
MMC	759,331	767,497
OMC	314,691	302,755
NMC	100,031	97,002
CMC	128,313	122,475
HMC	75,306	72,022
	1,377,672	1,361,751
Emergency Room Visits (4)		
MMC	107,002	103,674
OMC (5)	103,816	98,017
NMC	37,014	36,663
CMC	46,266	45,330
HMC	22,919	22,033
	317,017	305,717
Deliveries (6)		
MMC	5,347	5,187
OMC	2,275	2,629
NMC	498	531
CMC	665	618
	8,785	8,965
HomeCare Visits	222,139	221,744
Full time equivalents (7) Hospital divisions, AVN, and AMG	16,970	15,265

Notes:

(1) Excludes newborn bassinets.

(2) Includes outpatient surgeries from 111 Madison Ave and Rockaway.

(3) 3,519 COVID vaccinations during 2023 vs.
40,773 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 year ended December 31, 2022.

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 adoption of the standard during the year ended December 31, 2023, did not have a material impact on its consolidated financial statements or disclosures.

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 year ended December 31, 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 $514,249 and $484,523 for the years ended December 31, 2023 and 2022, respectively.

Physician practice revenue by payer for the years ended December 31, 2023 and 2022, respectively, is as follows:

	December 31, 2023		December 31, 2022	
Medicare	22.7	%	23.8	%
Medicaid	0.3		0.3	
Managed Care and other third party payers	76.8		75.8	
Self Pay	0.2		0.1	
	100.0	%	100.0	%

(Dollar amounts in thousands) (Unaudited)

3. Net Patient Service Revenue

The components of net patient service revenue for the years ended December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Gross charges		
Inpatient	$ 8,666,258	$ 8,035,189
Outpatient	8,736,554	7,776,118
Total gross charges	17,402,812	15,811,307
Net additions (deductions) from gross charges		
Contractual discounts and implicit price concessions	(13,876,170)	(12,544,585)
Charity care discount	(140,280)	(136,862)
Charity care subsidy	12,935	11,546
Special mental health subsidy	360	360
	(14,003,155)	(12,669,541)
Net patient service revenue	$ 3,399,657	$ 3,141,766

The Hospital recorded $73,838 and $96,914 of implicit price concessions as a direct reduction of patient service revenues during the years ended December 31, 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 years ended December 31, 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
Medicare	23.3 %	24.4 %
Medicaid	1.0	0.8
Managed Care and other third party payers	75.4	73.8
Self Pay	0.1	0.6
Charity	0.2	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.

(Dollar amounts in thousands) (Unaudited)

During 2022, the Hospital applied for and received approval for the reimbursement of qualifying expense under FEMA. For the years ended December 31, 2023, the Hospital received $29,424 and $50,922 of FEMA funds for the years ended December 31, 2023 and 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 years ended December 31, 2023 and 2022, 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, 2023 and 2022. The service cost component of annual pension expense for the year ended December 31, 2023 is equal to $32,173, as compared to $37,296 for the year ended December 31, 2022.

6. Assets Limited as to Use

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

	December 31, 2023	December 31, 2022
Board designated		
Short-term investments including money market funds	$ 273,310	$ 331,447
Mutual funds	2,374,837	1,975,789
Alternative investments - equity	127	163
	2,648,274	2,307,399
Under bond indenture agreements		
Short-term investments including money market funds		
Interest account	3,499	21,301
Principal account	6,602	7,153
Debt service reserve fund	672	665
	10,773	29,119
Total assets whose use is limited	2,659,047	2,336,518
Less, assets limited as to use and are required for current liabilities	68,070	117,073
Noncurrent assets limited as to use	$ 2,590,977	$ 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 December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Long-term investments		
Money market funds	$ 3,128	$ 2,744
Mutual funds	79,713	70,627
Alternative investments - equity	3,497	3,600
	86,338	76,971
Other assets		
CentraState intercompany loan	103,497	103,497
AHSIC intercompany loans	119,506	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	42,864	49,263
Due from Newton Medical Center Foundation	3,897	3,093
Due from Chilton Medical Center Foundation	6,102	6,534
Due from the Foundation for the Hackettstown Medical Center	2,242	2,308
Venture capital private equity funds	25,447	11,576
Equity method investments	3,712	6,749
Beneficial interest in trusts	2,209	2,042
Other	7,392	13,405
	423,705	344,349
Total long-term investments and other assets	$ 510,043	$ 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 December 31, 2023 and 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 December 31, 2023 and 2022. As of December 31, 2023 and 2022, the Hospital recorded liabilities related to workers compensation claims totaling $26,419 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 December 31, 2023 and 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.

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 December 31, 2023 and 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.

(Dollar amounts in thousands) (Unaudited)

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 December 31, 2023 and 2022, was $10,025 and $14,550, respectively. 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 December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
2008 interest rate swap	$ 5,763	$ 7,240
2004 interest rate swap	58	125

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, 2023 and 2022:

	Amount of gain (loss) recognized in the performance indicator	
	December 31, 2023	December 31, 2022
Derivative in Non-Hedging Relationship		
Non operating gains (losses), net		
2008 interest rate swap	$ 1,476	$ (1,657)
2004 interest rate swap	$ 67	$ 86

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, 2023 and 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 February 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.