

AHS Hospital Corp.

**Consolidated Financial Statements
As of and for the six months ended
June 30, 2025 and 2024**

AHS Hospital Corp.

Consolidated Balance Sheets

As of June 30, 2025 and December 31, 2024

(in thousands)

	Unaudited June 30, 2025	Audited December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 270,506	\$ 244,580
Assets limited as to use	67,536	67,872
Patient accounts receivable, net	467,108	465,950
Other current assets	237,852	278,957
Total current assets	1,043,002	1,057,359
Assets limited as to use, net of current portion	2,937,216	2,804,958
Long-term investments and other assets	606,682	601,626
Property, plant and equipment, net	1,569,807	1,534,904
Right of use assets, net	332,378	347,760
Total assets	\$ 6,489,085	\$ 6,346,607
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 19,136	\$ 19,136
Current portion of lease liability	50,647	49,576
Accounts payable and accrued expenses	471,046	565,117
Estimated amounts due to third party payers	58,312	57,841
Total current liabilities	599,141	691,670
Accrued employee benefits and other, net of current portion	292,058	291,637
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	1,364,054	1,366,897
Long-term lease liability, net of current portion	292,009	308,001
Total liabilities	2,547,262	2,658,205
Net assets:		
Without donor restrictions controlled by the Hospital	3,710,777	3,460,230
Without donor restrictions attributable to noncontrolling interest	4,093	4,244
Without donor restrictions	3,714,870	3,464,474
With donor restrictions	226,953	223,928
Total net assets	3,941,823	3,688,402
Total liabilities and net assets	\$ 6,489,085	\$ 6,346,607

AHS Hospital Corp.

Consolidated Statements of Operations
For the six months ended June 30, 2025 and 2024
(in thousands)

	Unaudited June 30, 2025	Unaudited June 30, 2024
Revenues, gains and other support		
Net patient service revenue	\$ 2,325,156	\$ 2,080,773
Other revenue	25,406	24,691
Net assets released from restrictions	8,043	6,743
Total revenues, gains and other support	2,358,605	2,112,207
Expenses		
Salaries	1,057,898	985,761
Supplies and other expenses	892,223	773,564
Employee benefits	216,293	185,061
Depreciation and amortization	100,194	92,277
Interest	25,289	28,014
Total operating expenses	2,291,897	2,064,677
Operating income	66,708	47,530
Change in net unrealized gains	130,521	70,312
Investment income, net	47,555	46,242
Nonoperating loss, net	(837)	(805)
Excess of revenues over expenses	243,947	163,279
Other changes in net assets without donor restrictions		
Noncontrolling interest	(151)	183
Equity transfers to related parties	(5,159)	(41,638)
Net assets released from restrictions for capital purposes	7,971	6,354
Government grants used for capital purchases	3,788	36,872
Increase in net assets without donor restrictions	\$ 250,396	\$ 165,050

AHS Hospital Corp.

Consolidated Statements of Changes in Net Assets
For the six months ended June 30, 2025 and 2024
(in thousands)

	Unaudited June 30, 2025	Unaudited June 30, 2024
Net assets without donor restrictions		
Excess of revenues over expenses	\$ 243,947	\$ 163,279
Equity transfers to related parties	(5,159)	(41,638)
Noncontrolling interest	(151)	183
Net assets released from restrictions for capital purposes	7,971	6,354
Government grants used for capital purchases	3,788	36,872
Increase in net assets without donor restrictions	250,396	165,050
Net asset with donor restrictions		
Contributions	15,297	6,235
Investment income	2,928	1,006
Change in net unrealized gain	814	2,448
Net assets released from restrictions for operations	(8,043)	(6,743)
Net assets released from restrictions for capital purposes	(7,971)	(6,354)
Increase (decrease) in net assets with donor restrictions	3,025	(3,408)
Increase in net assets	253,421	161,642
Net assets		
Beginning of year	3,688,402	3,423,920
End of period	\$ 3,941,823	\$ 3,585,562

AHS Hospital Corp.

Consolidated Statements of Cash Flows
For the six months ended June 30, 2025 and 2024

(in thousands)

	Unaudited June 30, 2025	Unaudited June 30, 2024
Cash flows from operating activities		
Change in net assets	\$ 253,421	\$ 161,642
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Equity transfers to related parties	5,159	41,638
Depreciation and amortization	100,194	92,277
Noncontrolling interest	(151)	182
Net realized and unrealized gain on investments	(147,217)	(78,677)
Gain in value of swap agreements	(410)	(392)
Amortization of deferred financing costs and bond premium/discounts	(1,176)	(1,176)
Amortization of right of use assets	26,005	21,968
Contributions restricted for capital and permanent investments	(11,166)	(42,968)
Changes in assets and liabilities		
Increase in net patient accounts receivable	(1,158)	(88,898)
Decrease (Increase) in other assets	49,575	(13,655)
Decrease in accounts payable, accrued expenses, est. amounts due from third party payers, lease liability, and other liabilities	(113,466)	(54,873)
Net cash provided by operating activities	<u>159,610</u>	<u>37,068</u>
Cash flows from investing activities		
Purchases of investments	(675,723)	(667,161)
Proceeds from sales of investments	682,681	618,149
Repayment of loan receivables due from AHSIC	3,368	2,872
Intercompany loans issued to related parties	-	(20,000)
Contribution to venture capital private equity funds	(8,868)	-
Acquisition of Advanced Care Oncology and Hematology Associates, net of cash acquired	(2,195)	-
Additions to property, plant and equipment	(137,749)	(182,067)
Net cash used in investing activities	<u>(138,486)</u>	<u>(248,207)</u>
Cash flows from financing activities		
Principal payments on long-term debt and line of credit	(1,667)	(1,667)
Proceeds of \$200m LOC	-	200,000
Repayment of \$200m LOC	-	(100,000)
Equity transfers to related parties	(5,159)	(45,283)
Contributions restricted for capital purposes and permanent investments	11,628	20,330
Net cash provided by financing activities	<u>4,802</u>	<u>73,380</u>
Increase (decrease) in cash and cash equivalents	25,926	(137,759)
Cash and cash equivalents, beginning of year	<u>244,580</u>	<u>516,839</u>
Cash and cash equivalents, end of the period	<u>\$ 270,506</u>	<u>\$ 379,080</u>

AHS Hospital Corp.
For the six months ended June 30, 2025 and 2024

		Period Ended June 30,	
		2025	2024
Licensed Beds (1)			
	MMC	759	735
	OMC	513	513
	NMC	148	148
	CMC	260	260
	HMC	111	111
	Total Acute Care	1,791	1,767
Admissions			
	MMC	23,329	22,967
	OMC	11,138	11,041
	NMC	4,047	3,940
	CMC	4,970	4,528
	HMC	2,068	1,918
	Total Acute Care	45,552	44,394
Observations			
	MMC	5,115	4,278
	OMC	3,292	2,841
	NMC	992	937
	CMC	1,830	1,706
	HMC	559	471
		11,788	10,233
Admissions + Observations			
	MMC	28,444	27,245
	OMC	14,430	13,882
	NMC	5,039	4,877
	CMC	6,800	6,234
	HMC	2,627	2,389
		57,340	54,627

AHS Hospital Corp.
For the six months ended June 30, 2025 and 2024

		Period Ended June 30,	
		2025	2024
Patient Days			
	MMC	128,497	122,992
	OMC	54,315	55,857
	NMC	23,206	21,500
	CMC	24,439	21,816
	HMC	11,448	9,968
	Total Acute Care	241,905	232,133
Average Length of Stay			
	Acute Avg LOS	5.3	5.2
Inpatient Surgeries			
	MMC	6,511	6,655
	OMC	2,011	1,990
	NMC	308	429
	CMC	691	629
	HMC	278	289
		9,799	9,992
Outpatient Surgeries			
	MMC (2)	12,951	12,783
	OMC	6,980	6,235
	NMC	1,091	1,035
	CMC	2,295	2,297
	HMC	692	599
		24,009	22,949
Total Surgeries			
	MMC	19,462	19,438
	OMC	8,991	8,225
	NMC	1,399	1,464
	CMC	2,986	2,926
	HMC	970	888
		33,808	32,941

AHS Hospital Corp.
For the six months ended June 30, 2025 and 2024

		Period Ended June 30,	
		2025	2024
Outpatient Visits			
MMC		431,448	407,154
OMC		170,703	165,675
NMC		53,948	51,256
CMC		69,248	66,528
HMC		38,797	38,710
		<hr/> 764,144	<hr/> 729,323
Emergency Room Visits (3)			
MMC		54,048	54,746
OMC (4)		54,654	54,378
NMC		19,637	19,111
CMC		23,691	23,630
HMC		11,848	11,356
		<hr/> 163,878	<hr/> 163,221
Deliveries (5)			
MMC		2,860	2,829
OMC		1,002	1,017
NMC		217	230
CMC		348	294
		<hr/> 4,427	<hr/> 4,370
HomeCare Visits		122,040	114,213
Full time equivalents (6) Hospital divisions, AVN, and AMG		18,529	17,560

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.

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

1. Organization

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

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

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

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

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

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Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

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

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

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

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

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

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

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

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

2. Basis of Presentation

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

3. Net Patient Service Revenue

The components of net patient service revenue for the Hospital (including AVN and AMG) for the six months ended June 30, 2025 and 2024 are as follows:

	June 30, 2025	June 30, 2024
Gross charges		
Inpatient	\$ 5,306,568	\$ 4,799,557
Outpatient	5,607,014	4,877,815
Physician Practices	866,961	755,985
Total gross charges	<u>11,780,543</u>	<u>10,433,357</u>
Net additions (deductions) from gross charges		
Contractual discounts and implicit price concessions	(9,370,772)	(8,281,463)
Charity care discount	(94,748)	(78,757)
State subsidies	10,133	7,636
	<u>(9,455,387)</u>	<u>(8,352,584)</u>
Net patient service revenue	<u>\$ 2,325,156</u>	<u>\$ 2,080,773</u>

The Hospital recorded \$54,604 and \$76,480 of implicit price concessions as a direct reduction of patient service revenues during the six months ended June 30, 2025 and 2024, respectively.

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Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

The mix of Hospital net patient service revenue (excluding net revenue recorded by AMG), net of contractual discounts and implicit price concessions by payer for the six months ended June 30, 2025 and 2024 is as follows:

	June 30, 2025	June 30, 2024
Medicare	21.2 %	24.2 %
Medicaid	0.8	1.4
Managed care and other third party payers	76.4	73.7
Self pay	1.1	0.3
State subsidies	0.5	0.4
	<u>100.0 %</u>	<u>100.0 %</u>

Net patient service revenue recorded by AMG's physician practices amounted to \$313,010 and \$266,082 for the six months ended June 30, 2025 and 2024, respectively. AMG's net patient service revenue by payer for the six months ended June 30, 2025 and 2024, is as follows:

	June 30, 2025	June 30, 2024
Medicare	22.8 %	22.5 %
Medicaid	0.4	0.4
Managed Care and other third party payers	76.7	76.7
Self Pay	0.1	0.4
	<u>100.0 %</u>	<u>100.0 %</u>

4. Federal Legislative Relief Funds

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

During 2024, 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 within operating revenue in the consolidated statements of operations for the year ended December 31, 2024. FEMA can and does retrospectively adjust grant distribution formulas and may adjust funding already received which may impact the amount the Hospital has recorded, in future financial statement periods. No such funding has been received in 2025.

5. Pension Plan Contribution

The Hospital contributed \$10,000 and \$30,000 to the cash balance pension plan during the six months ended June 30, 2025 and 2024, respectively. The service cost component of annual pension expense for the year ended December 31, 2025 is expected to be \$32,856, as compared to \$34,950 for the year ended December 31, 2024.

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

6. Assets Limited as to Use

Assets limited as to use at June 30, 2025 and December 31, 2024, consist of the following:

	June 30, 2025	December 31, 2024
Board designated		
Short-term investments including money market funds	\$ 245,603	\$ 254,899
Equity securities	454,052	416,132
Fixed income funds	638,784	648,941
Mutual funds	1,648,856	1,542,043
Alternative investments - equity	-	28
	<u>2,987,295</u>	<u>2,862,043</u>
Under bond indenture agreements		
Short-term investments including money market funds		
Interest account	3,141	3,167
Principal account	13,632	6,949
Debt service reserve fund	684	671
	<u>17,457</u>	<u>10,787</u>
Total assets whose use is limited	3,004,752	2,872,830
Less, assets limited as to use and are required for current liabilities	<u>67,536</u>	<u>67,872</u>
Noncurrent assets limited as to use	<u>\$ 2,937,216</u>	<u>\$ 2,804,958</u>

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

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

7. Long-Term Investments and Other Assets

Long-term investments and other assets at June 30, 2025 and December 31, 2024 are as follows:

	June 30, 2025	December 31, 2024
Long-term investments		
Short term investments including money market funds	\$ 8,114	\$ 4,703
Mutual funds	82,213	82,423
Alternative investments - equity	8,244	7,946
	<u>98,571</u>	<u>95,072</u>
Other assets		
CentraState intercompany loan	113,816	113,816
AHSIC intercompany loans	109,825	112,200
Professional and general liability insurance recoveries	118,516	118,516
Workers compensation liability insurance recoveries	8,300	8,300
Accrued employee benefit asset	37,841	37,841
Due from Overlook Medical Center Foundation	41,950	40,481
Due from Newton Medical Center Foundation	3,385	3,385
Due from Chilton Medical Center Foundation	6,044	6,407
Due from the Foundation for Hackettstown Medical Center	2,328	2,328
Venture capital private equity funds	25,606	24,253
Equity method investments	4,029	3,842
Life interest in real estate	9,000	9,000
Beneficial interest in trusts	2,634	2,634
Goodwill - Advanced Care Oncology & Hematology Associates	14,633	14,633
Other	10,204	8,918
	<u>508,111</u>	<u>506,554</u>
Total long-term investments and other assets	<u>\$ 606,682</u>	<u>\$ 601,626</u>

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

On August 31, 2023, the Hospital entered into a revolving credit loan agreement with CentraState in the amount of \$30,000, whereby drawdowns were utilized by CentraState to pay working capital requirements to meet its obligations. CentraState will pay interest to the Hospital monthly at a fixed

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(Unaudited)

annual rate of 5% with the full principal amount due to the Hospital on August 31, 2028. As of June 30, 2025, CentraState had drawn down the full \$30,000 on the revolving credit loan.

The Hospital accrues an estimate of the ultimate cost of claims under all insurance policies whether the policy is fully insured or a self-insurance policy, with any insurance recoverable under such policies recorded as a receivable. As of June 30, 2025 and December 31, 2024, the Hospital has recorded a corresponding liability for professional and general liability insurance claims within accounts payable and accrued expenses in the consolidated balance sheets. As of June 30, 2025 and December 31, 2024, the Hospital recorded liabilities related to estimated gross workers compensation claims totaling \$26,379 and \$26,300, respectively, within accounts payable and accrued expenses in the consolidated balance sheets.

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

8. Long-Term Debt and Interest Rate Swaps

The Hospital is the sole member of the obligated group as defined in and established under the Master Trust Indenture. Neither the Parent nor any of its affiliates is liable to make any payment with respect to the bonds or any other obligations under the Master Indentures. Under the terms of the Master Trust Indenture, the Hospital is required to maintain certain deposits with a trustee, which are included with assets limited as to use in the consolidated balance sheets. The Master Trust Indenture also contain provisions whereby certain financial ratios are to be maintained and permit additional borrowings subject to the maintenance of specific financial ratios. The most restrictive covenant is for the Hospital to maintain a debt service coverage ratio in each year of at least 1.2 times the debt service requirement on all long-term debt in that year. The Hospital is compliant with its financial covenants at June 30, 2025 and December 31, 2024.

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(Unaudited)

Long-term debt at June 30, 2025 and December 31, 2024 consists of the following:

	June 30, 2025	December 31, 2024
\$100,000 JP Morgan Chase Taxable Term Loan maturing on May 31, 2037. Principal is payable quarterly as is interest at an annual interest rate of 3.21%. The loan is collateralized by the Hospital's gross receipts.	\$ 90,000	\$ 91,667
\$450,000 Series 2021 Taxable Bonds (Fixed Rate) maturing on July 1, 2051. Interest is payable each January 1 and July 1 at an annual interest rate of 2.78%. The bonds are collateralized by the Hospital's gross receipts.	450,000	450,000
\$224,800 New Jersey Health Care Facilities Financing Authority ("NJHCFFA"), AHS Hospital Corporation, Series 2016 Refunding Bonds (Fixed Rate), in varying maturities through 2041 at annual interest rates varying between 3.00% and 5.00%. Interest is payable each January 1 and July 1 and principal is payable each July 1 commencing in 2017. As of June 30, 2025, the average interest rate on the bonds was 4.18%. The bonds are collateralized by the Hospital's gross receipts.	146,925	146,925
\$425,000 Series 2015 Taxable Bonds (Fixed Rate) maturing on July 1, 2045. Interest is payable each January 1 and July 1 at an annual interest rate of 5.02%. The bonds are collateralized by the Hospital's gross receipts.	425,000	425,000
\$50,000 Bank of America Taxable Term Loan maturing on December 1, 2028. Interest is payable monthly at an annual interest rate of 5.6%. The loan is collateralized by the Hospital's gross receipts under the Master Trust Indenture.	50,000	50,000
\$177,110 NJHCFFA AHS Hospital Corporation, Series 2008A Revenue Bonds (Fixed Rate), in varying maturities through 2027 at annual interest rates varying between 4.88% and 5.00%. Interest is payable each January 1 and July 1 and principal is payable each July 1 commencing in 2009. As of June 30, 2025, the average interest rate on the bonds was 5.00%. The bonds are collateralized by the Hospital's gross receipts.	1,515	1,515
\$177,110 NJHCFFA AHS Hospital Corporation, Series 2008B and 2008C Revenue Bonds (Variable Rate), in varying maturities commencing in 2027 through 2036 at annual interest rate of 3.08%. The interest on the bonds is payable monthly and principal will be payable each July 1. As of June 30, 2025, the average interest rate on the bonds was 2.92%. The bonds are collateralized by the Hospital's gross receipts.	177,110	177,110
Total long-term debt	1,340,550	1,342,217
Unamortized bond premium	47,917	49,219
Deferred financing fees	(5,277)	(5,403)
	1,383,190	1,386,033
Less: Current portion of long-term debt	19,136	19,136
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	\$ 1,364,054	\$ 1,366,897

AHS Hospital Corp.

Notes to Consolidated Financial Statements (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 reissued in place of the 2006A Swap when the Series 2006A Revenue Bonds were redeemed. This was a noncash transaction. The original notional amount of the swap was \$91,550 subject to reduction in the principal amortization of a portion of the Hospital's Series 2008 variable rate debt and will expire on July 1, 2036, with an annual fee of 0.51%. The notional amount of the swap was \$87,400 at June 30, 2025 and December 31, 2024. Under the terms of the swap agreement, if the Securities Industry and Financial Markets Association ("SIFMA"), formerly known as the Bond Market Association, Municipal Swap Index, exceeds 4.05% for 90 days, the Hospital will pay a fixed rate of 4.00% in addition to the annual fee of 0.51%. The Hospital will then receive 68% of SOFR and pay the counterparty 4.00%. Currently the swap is treated as an ineffective swap for accounting purposes until SIFMA exceeds 4.05% for 90 days, at that time the swap will be tested to determine if it qualifies as a cash flow hedge.

The 2004 Swap was reissued when the Series 2003 and 2004 Revenue Bonds were redeemed. This was a noncash transaction, and there were no changes to the terms of the swap. The notional amount of the swap was \$97,525, subject to reduction in the principal amortization of a portion of the Hospital's Series 2008 variable rate debt and will expire on July 1, 2025, with an annual fee of 0.52%. The notional amount of the swap was \$5,175 at June 30, 2025 and December 31, 2024. Under the terms of the swap agreement, if SIFMA exceeds 4.05% for 90 days, the Hospital will pay a fixed rate of 4.00% in addition to the annual fee of 0.52%. The Hospital will then receive 68% of SOFR and pay the counterparty 4.00%. Currently the swap is treated as an ineffective swap for accounting purposes until SIFMA exceeds 4.05% for 90 days, at that time the swap will be tested to determine if it qualifies as a cash flow hedge.

The following table presents the swap liabilities, recorded in accrued employee benefits and other, net of current portion, as of June 30, 2025 and December 31, 2024:

	June 30, 2025	December 31, 2024
2008 interest rate swap	\$ 3,836	\$ 4,232
2004 interest rate swap	2	16

The following table sets forth the effect of the interest rate swap agreements on the consolidated statements of operations for the six months ended June 30, 2025 and 2024:

	Amount of gain (loss) recognized in the performance indicator	
	June 30, 2025	June 30, 2024
Derivative in Non-Hedging Relationship		
Non operating gain (loss), net		
2008 interest rate swap	\$ 396	\$ (38)
2004 interest rate swap	\$ 14	\$ 14

AHS Hospital Corp.

Notes to Consolidated Financial Statements (Dollar amounts in thousands)

(Unaudited)

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 June 30, 2025 and December 31, 2024, the combined market value of the swaps was below the trigger and as such, no collateral was required by the counterparty.

9. Commitments and Contingencies

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

10. Subsequent Events

The Hospital performed an evaluation of subsequent events through August 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.