AHS Hospital Corp.

Consolidated Financial Statements
As of and for the Three Months Ended
March 31, 2024 and 2023

AHS Hospital Corp.

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

ASSETS	Unaudited March 31, 2024	Audited December 31, 2023
Current assets:		
Cash and cash equivalents	$ 123,143	$ 516,839
Assets limited as to use	68,070	68,070
Patient accounts receivable, net	575,082	386,450
Other current assets	285,047	231,841
Total current assets	1,051,342	1,203,200
Assets limited as to use, net of current portion	2,693,919	2,590,977
Long-term investments and other assets	542,650	532,377
Property, plant and equipment, net	1,433,956	1,406,676
Right of use assets, net	313,400	304,031
Total assets	$ 6,035,267	$ 6,037,261
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 18,486	$ 18,486
Current portion of lease liability	44,176	42,107
Accounts payable and accrued expenses	403,771	529,614
Estimated amounts due to third party payers	69,578	67,193
Total current liabilities	536,011	657,400
Accrued employee benefits and other, net of current portion	304,319	299,337
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	1,384,611	1,386,033
Long-term lease liability, net of current portion	278,096	270,571
Total liabilities	2,503,037	2,613,341
Net assets:		
Without donor restrictions controlled by the Hospital	3,313,135	3,208,705
Without donor restrictions attributable to noncontrolling interest	4,584	4,244
Without donor restrictions	3,317,719	3,212,949
With donor restrictions	214,511	210,971
Total net assets	3,532,230	3,423,920
Total liabilities and net assets	$ 6,035,267	$ 6,037,261

AHS Hospital Corp.

Consolidated Statements of Operations
For the three months ended March 31, 2024 and 2023
(in thousands)

	Unaudited March 31, 2024	Unaudited March 31, 2023
Revenues, gains and other support		
Net patient service revenue	$ 1,020,403	$ 950,238
Other revenue	11,261	9,491
Legislative funding from CARES Act and FEMA	-	12,403
Net assets released from restrictions	2,943	3,099
Total revenues, gains and other support	1,034,607	975,231
Expenses		
Salaries	482,033	438,273
Supplies and other expenses	384,069	359,163
Employee benefits	90,018	82,995
Depreciation and amortization	46,139	46,220
Interest	12,958	13,025
Total operating expenses	1,015,217	939,676
Operating income	19,390	35,555
Change in net unrealized gains	82,910	125,623
Investment income (loss), net	21,280	(10,286)
Nonoperating gain (loss), net	487	(1,469)
Excess of revenues over expenses	124,067	149,423
Other changes in net assets without donor restrictions		
Noncontrolling interest	339	(21)
Equity transfers to related parties	(34,682)	-
Net assets released from restrictions for capital purposes	409	6,618
Government grants used for capital purchases	14,637	-
Increase in net assets without donor restrictions	$ 104,770	$ 156,020

AHS Hospital Corp.

Consolidated Statements of Changes in Net Assets
For the three months ended March 31, 2024 and 2023
(in thousands)

	Unaudited March 31, 2024	Unaudited March 31, 2023
Net assets without donor restrictions		
Excess of revenues over expenses	$ 124,067	$ 149,423
Equity transfers to related parties	(34,682)	-
Noncontrolling interest	339	(21)
Net assets released from restrictions for capital purposes	409	6,618
Government grants used for capital purchases	14,637	-
Increase in net assets without donor restrictions	104,770	156,020
Net asset with donor restictions		
Contributions	4,211	4,549
Investment income	390	343
Change in net unrealized gain (loss)	2,291	1,791
Net assets released from restrictions for operations	(2,943)	(3,099)
Net assets released from restrictions for capital purposes	(409)	(6,618)
Increase (decrease) in net assets with donor restrictions	3,540	(3,034)
Increase in net assets	108,310	152,986
Net assets		
Beginning of year	3,423,920	2,866,604
End of period	$ 3,532,230	$ 3,019,590

AHS Hospital Corp.

Consolidated Statements of Cash Flows
For the three months ended March 31, 2024 and 2023

(in thousands)	Unaudited March 31, 2024	Unaudited March 31, 2023
Cash flows from operating activities		
Change in net assets	$ 108,310	$ 152,986
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Equity transfers to related parties	34,682	-
Depreciation and amortization	46,139	46,220
Gain on disposal of property, plant and equipment	-	761
Noncontrolling interest	339	(21)
Net realized and unrealized (gain) on investments	(90,063)	(110,592)
Change in value of swap agreements	23	1,187
Amortization of deferred financing costs and bond premium/discounts	(588)	(588)
Amortization of right of use assets	10,891	11,025
Contributions restricted for capital and permanent investments	(15,243)	(7,346)
Changes in assets and liabilities		
Increase in net patient accounts receivable	(188,833)	(17,873)
Increase in other assets	(52,886)	(16,934)
Decrease in liability from Medicare Advance	-	(6,418)
(Decrease) increase in accounts payable, accrued expenses, est. amounts due from third party payers, lease liability, and other liabilities	(120,758)	(110,077)
Net cash used in operating activities	(267,987)	(57,670)
Cash flows from investing activities		
Purchases of investments	(350,771)	(194,924)
Proceeds from sales of investments	334,929	208,361
Repayment of loan receivables due from AHSIC	1,614	589
Intercompany loans issued to related parties	(10,000)	(19,890)
Additions to property, plant and equipment	(77,954)	(56,142)
Net cash used in investing activities	(102,182)	(62,006)
Cash flows from financing activities		
Principal payments on long-term debt and line of credit	(834)	(834)
Equity transfers to related parties	(38,327)	-
Contributions restricted for capital purposes and permanent investments	15,634	7,476
Net cash used in provided by financing activities	(23,527)	6,642
Decrease in cash and cash equivalents	(393,696)	(113,034)
Cash and cash equivalents, beginning of year	516,839	680,644
Cash and cash equivalents, end of the period	$ 123,143	$ 567,610

AHS Hospital Corp.
For the three months ended March 31, 2024 and 2023

	Period Ended March 31,	
	2024	**2023**
Licensed Beds (1)		
MMC	735	735
OMC	513	513
NMC	148	148
CMC	260	260
HMC	111	111
Total Acute Care	1,767	1,767
Admissions		
MMC	11,290	10,625
OMC	5,455	5,577
NMC	1,964	2,022
CMC	2,282	2,055
HMC	954	936
Total Acute Care	21,945	21,215
Observations		
MMC	2,052	1,989
OMC	1,247	1,197
NMC	463	455
CMC	822	997
HMC	239	200
	4,823	4,838
Admissions + Observations		
MMC	13,342	12,614
OMC	6,702	6,774
NMC	2,427	2,477
CMC	3,104	3,052
HMC	1,193	1,136
	26,768	26,053

AHS Hospital Corp.
For the three months ended March 31, 2024 and 2023

	Period Ended March 31,	
	2024	**2023**
Patient Days		
MMC	61,522	58,653
OMC	28,371	27,398
NMC	11,120	11,382
CMC	10,904	10,266
HMC	5,031	4,826
Total Acute Care	116,948	112,525
Average Length of Stay		
Acute Avg LOS	5.3	5.3
Inpatient Surgeries		
MMC	3,294	3,255
OMC	993	1,074
NMC	265	204
CMC	291	290
HMC	145	175
	4,988	4,998
Outpatient Surgeries		
MMC (2)	6,444	5,791
OMC	3,099	2,923
NMC	458	647
CMC	1,162	1,072
HMC	300	301
	11,463	10,734
Total Surgeries		
MMC	9,738	9,046
OMC	4,092	3,997
NMC	723	851
CMC	1,453	1,362
HMC	445	476
	16,451	15,732

AHS Hospital Corp.
For the three months ended March 31, 2024 and 2023

	Period Ended March 31,	
	2024	**2023**
Outpatient Visits (3)		
MMC	198,350	193,251
OMC	81,650	78,620
NMC	24,643	25,638
CMC	32,406	32,080
HMC	18,778	18,766
	355,827	348,355
Emergency Room Visits (4)		
MMC	26,683	26,119
OMC (5)	27,184	25,500
NMC	9,301	8,698
CMC	11,527	11,190
HMC	5,466	5,366
	80,161	76,873
Deliveries (6)		
MMC	1,354	1,197
OMC	499	592
NMC	125	145
CMC	149	159
	2,127	2,093
HomeCare Visits	57,122	58,283
Full time equivalents (7) Hospital divisions, AVN, and AMG	17,011	16,013

Notes:

(1) Excludes newborn bassinets.

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

(3) 6 COVID vaccinations during 2024 vs.
1,403 for the same period in 2023.

(4) Includes visits resulting in admission.

(5) Includes ER Visits from Union.

(6) Includes multiple births.

(7) Calculation of FTE is as of period end and assumes 37.5-hour work week.

1. Organization

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

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

Also included in the Hospital is Practice Associates Medical Group doing business as Atlantic Medical Group, P.A. ("AMG"), the captive physician practice serving all of the Hospital divisions. It is a nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code. Originally formed to provide billing and collection services for fees generated by physicians employed by the hospital divisions, AMG now serves as a physician-governed group practice entity with over 1,500 providers. AMG supports the Hospital by improving consistency, enhancing collaboration among those delivering care and optimizing care system operations.

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

In June 2019, Atlantic Rehabilitation Institute ("ARI") began operations under a joint venture between the Hospital and Kindred Healthcare. ARI is a two-story, 38-bed rehabilitation facility, located in Madison, NJ and provides patient-focused rehabilitation dedicated to the treatment and recovery of individuals through intensive specialized rehabilitation services for patients who have experienced a loss of function from an injury or illness. The Hospital contributed the existing rehabilitation business for a 55% ownership investment of $6,618. The Hospital consolidates the joint venture's operations and records an adjustment for the noncontrolling interest within other changes in net assets without donor restrictions on the consolidated statements of operations and separates Kindred's equity as noncontrolling interest within net assets without donor restrictions on the consolidated balance sheet.

The Hospital is a wholly controlled subsidiary of the Parent, a not-for-profit organization. The Parent wholly owns the following for-profit entities; Atlantic Health Management Corp., a for-profit holding company, which owns AHS Investment Corporation and Subsidiaries (“AHSIC”); AHS Insurance Company, Ltd. (the “Captive”), a for-profit insurance company licensed under the provisions of the Cayman Islands Insurance Law; AHS Health Network LLC, a for-profit established to provide a vehicle to report risk contracting under the requirements of the banking and insurance regulations; Primary Care Partners, LLC and Atlantic Health Partners, LLC, for-profit physician practice entities; and AHS ACO, LLC, Healthcare Quality Partners LLC (ceased operations at December 21, 2021 and in September 2022, returned its full investment to the Parent including any earnings thereby inactivating the entity), and Care Better ACO LLC, for-profit limited liability companies established for the purpose of participating in the Medicare Shared Savings Program under the Patient Protection and Affordable and Accountable Care Act of 2010 as well as participating in shared savings programs with certain commercial carriers. AHSIC holds real estate interests and manages health care businesses including magnetic resonance imaging, durable medical equipment and private duty home care services. The Captive’s principal activity is to provide for professional and commercial general liability insurance to the Parent and its subsidiaries beginning January 1, 2002. In addition, the Parent wholly owns the following not-for-profit entities: Atlantic Ambulance Corp., a not-for-profit company established to provide emergency and nonemergency medical transportation to the Parent and its subsidiaries; North Jersey Health Care Properties which owns commercial buildings; Prime Care, Inc. which provides various wellness, health education and other health services; and Newton Medical Center Foundation, Inc. and the Chilton Medical Center Foundation, Inc., both not-for-profit fund raising organizations for the benefit of their respective Hospital Divisions.

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

On October 21, 2020, the Parent and CentraState Healthcare System (“CentraState”), a nonprofit health system with a continuum of care operating one acute care hospital in Freehold, New Jersey in Monmouth County, reached a Definitive Agreement to expand their partnership to create a comembership model for the Parent and CentraState. Effective January 1, 2022, the Parent and CentraState completed their newly expanded partnership, creating a unique model for health system co-ownership under which the Parent became the 51% majority corporate member in CentraState and CentraState joined the System’s network of care. The partnership is structured to deliver benefits to patients, physicians, and caregivers in CentraState’s communities by strengthening its integrated clinical services, physician network and infrastructure through capital investments. The transaction was accounted for by the Parent in accordance with ASC Topic 958-805, Not-for-profit Entities: Business Combinations. No consideration was exchanged to complete the partnership.

(Dollar amounts in thousands) (Unaudited)

2. Basis of Presentation

The consolidated financial statements included herein are unaudited and include all adjustments (consisting of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. These financial statements should be read in conjunction with the Hospital's audited financial statements for the year ended December 31, 2023.

3. Net Patient Service Revenue

The components of net patient service revenue for the Hospital (including AVN and AMG) for the three months ended March 31, 2024 and 2023 are as follows:

	March 31, 2024	March 31, 2023
Gross charges		
Inpatient	$ 2,413,418	$ 2,168,499
Outpatient	2,366,100	2,150,213
Physician Practices	370,180	339,928
Total gross charges	5,149,698	4,658,640
Net additions (deductions) from gross charges		
Contractual discounts and implicit price concessions	(4,092,446)	(3,673,536)
Charity care discount	(40,423)	(37,685)
Charity care subsidy	3,484	2,729
Special mental health subsidy	90	90
	(4,129,295)	(3,708,402)
Net patient service revenue	$ 1,020,403	$ 950,238

The Hospital recorded $37,750 and $32,167 of implicit price concessions as a direct reduction of patient service revenues during the three months ended March 31, 2024 and 2023, respectively.

(Dollar amounts in thousands) (Unaudited)

The mix of Hospital net patient service revenue (excluding net revenue recorded by AMG), net of contractual discounts and implicit price concessions by payer for the three months ended March 31, 2024 and 2023 is as follows:

	March 31, 2024		March 31, 2023	
Medicare	23.5	%	26.3	%
Medicaid	1.1		0.8	
Managed Care and other third party payers	73.9		72.3	
Self Pay	1.1		0.3	
Charity	0.4		0.3	
	100.0	%	100.0	%

Net patient service revenue recorded by AMG's physician practices amounted to $127,284 and $121,467 for the three months ended March 31, 2024 and 2023, respectively. AMG's net patient service revenue by payer for the three months ended March 31, 2024 and 2023, is as follows:

	March 31, 2024		March 31, 2023	
Medicare	21.7	%	22.4	%
Medicaid	0.4		0.2	
Managed Care and other third party payers	77.4		77.2	
Self Pay	0.5		0.2	
	100.0	%	100.0	%

4. Federal Legislative Relief Funds

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

During 2024 and 2023, the Hospital applied for and received approval from FEMA for the reimbursement of qualifying capital and non-capital COVID-19 related expenses. The Hospital recognized $12,402 within operating revenue in the consolidated statements of operations for the three months ended March 31, 2023. No funding has been recorded for the three months ended March 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 for the three months ended March 31, 2024, in future financial statement periods.

5. Pension Plan Contribution

The Hospital contributed $15,000 to the cash balance pension plan during the three months ended March 31, 2024 and 2023. The service cost component of annual pension expense for the year ended December 31, 2024 is expected to be $34,950, as compared to $32,173 for the year ended December 31, 2023.

(Dollar amounts in thousands) (Unaudited)

6. Assets Limited as to Use

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

	March 31, 2024	December 31, 2023
Board designated		
Short-term investments including money market funds	$ 292,541	$ 287,566
Equity securities	399,132	381,183
Fixed income funds	544,975	540,640
Mutual funds	1,512,977	1,438,758
Alternative investments - equity	118	127
	2,749,743	2,648,274
Under bond indenture agreements		
Short-term investments including money market funds		
Interest account	1,789	3,499
Principal account	9,791	6,602
Debt service reserve fund	666	672
	12,246	10,773
Total assets whose use is limited	2,761,989	2,659,047
Less, assets limited as to use and are required for current liabilities	68,070	68,070
Noncurrent assets limited as to use	$ 2,693,919	$ 2,590,977

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

(Dollar amounts in thousands) (Unaudited)

7. Long-Term Investments and Other Assets

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

	March 31, 2024	December 31, 2023
Long-term investments		
Short term investments including money market funds	$ 511	$ 3,128
Mutual funds	83,978	79,713
Alternative investments - equity	3,574	3,497
	88,063	86,338
Other assets		
CentraState intercompany loan	123,497	113,497
AHSIC intercompany loans	117,324	117,147
Professional and general liability insurance recoveries	111,971	111,971
Workers compensation liability insurance recoveries	7,200	7,200
Due from Overlook Medical Center Foundation	42,860	42,864
Due from Newton Medical Center Foundation	3,897	3,897
Due from Chilton Medical Center Foundation	6,102	6,102
Due from the Foundation for Hackettstown Medical Center	2,242	2,242
Venture capital private equity funds	25,938	25,447
Equity method investments	4,233	3,712
Beneficial interest in trusts	2,209	2,209
Other	7,114	9,751
	454,587	446,039
Total long-term investments and other assets	$ 542,650	$ 532,377

On August 17, 2022, the Hospital entered into a secured loan agreement with CentraState in the amount of $103,497, whereby the proceeds were utilized by CentraState to pay off or legally defease all of its financed obligations as of that date. CentraState will pay interest to the Hospital monthly at a fixed rate of 3.21% with the full principal amount due to the Hospital on May 17, 2037. The loan is collateralized by the gross receipts of CentraState as well as its owned properties. In addition, certain financial covenants must be maintained by CentraState.

On August 31, 2023, the Hospital entered into a revolving credit loan agreement with CentraState in the amount of $30,000, whereby drawdowns were utilized by CentraState to pay working capital requirements to meet its obligations. CentraState will pay interest to the Hospital monthly at a fixed annual rate of 5% with the full principal amount due to the Hospital on August 31, 2028. As of March 31, 2024, CentraState had drawn down $20,000 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 March 31, 2024 and December 31, 2023, the Hospital has recorded a corresponding liability for professional and general liability insurance claims within accounts payable and accrued expenses in the consolidated balance sheets. As of March 31, 2024 and December 31, 2023, the Hospital recorded liabilities related to estimated gross workers compensation claims totaling $22,500 and $22,700, respectively, within accounts payable and accrued expenses in the consolidated balance sheets.

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

8. Long-Term Debt and Interest Rate Swaps

The Hospital is the sole member of the obligated group as defined in and established under the Master Trust Indenture. Neither the Parent nor any of its affiliates is liable to make any payment with respect to the bonds or any other obligations under the Master Indentures. Under the terms of the Master Trust Indenture, the Hospital is required to maintain certain deposits with a trustee, which are included with assets limited as to use in the consolidated balance sheets. The Master Trust Indenture also contain provisions whereby certain financial ratios are to be maintained and permit additional borrowings subject to the maintenance of specific financial ratios. The most restrictive covenant is for the Hospital to maintain a debt service coverage ratio in each year of at least 1.2 times the debt service requirement on all long-term debt in that year. The Hospital is compliant with its financial covenants at March 31, 2024 and December 31, 2023.

On May 31, 2022, the Hospital entered into a $100,000 taxable loan agreement with a commercial bank. The loan proceeds are to be used for general corporate purposes. Principal and interest, at a fixed rate of 3.21% on the outstanding balance, are due quarterly commencing September 1, 2022, with the remaining unpaid principal in the amount of approximately $50,833 due and payable on May 31, 2037. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants. Subsequently, the Hospital entered into a secured loan agreement with CentraState to enable CentraState to pay off or legally defease all if its financed obligations as of that date.

On January 27, 2021, the Hospital issued $450,000 Series 2021 Fixed Rate Taxable Bonds, the proceeds of which will be used for eligible corporate purposes of the Hospital and its affiliates. In addition, a portion of the proceeds were used to pay the costs of issuance. The Hospital also utilized the proceeds of the bonds to repay $50,000 that was outstanding on its $200,000 revolving line of credit. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants.

On April 21, 2020, the Hospital entered into a $200,000 revolving credit agreement with a commercial bank to provide for additional liquidity. The line incurs interest at a rate of SOFR adjusted by 0.65% per annum on the amount drawn. Additionally, the line incurs a monthly fee of

0.10% on the unused portion of the line of credit. There were no amounts drawn on the line as of either March 31, 2024 or December 31, 2023; however, the Hospital drew down $200,000 on April 4, 2024 to address temporary liquidity delays caused by third-party cyber issues. The line of credit contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants. In addition, the Hospital renewed the revolving credit agreement effective April 19, 2024 for an additional one year term. Under the renewal, the line will incur interest at a rate of SOFR adjusted by 0.75% per annum on the amount drawn and a monthly fee of 0.15% on the unused portion of the line of credit. All other terms remain the same.

In October 2016, the Hospital issued $224,800 Series 2016 Fixed Rate Tax-exempt Revenue Bonds through the NJHCFFA. The proceeds were used to refund a portion of the principal of its outstanding Revenue Bonds issued through the NJHCFFA in the amount of $114,255 (Series 2008A) and $120,115 (Series 2011), and to pay all of the cost of issuance in the amount of $1,782. In addition, the NJHCFFA released $14,260 of the Hospital's debt service reserve fund in connection with the bond refunding to pay down a portion of the aforementioned outstanding principal on the Series' 2008A and 2011 bonds.

In May 2015, the Hospital issued $200,000 Series 2015 Fixed Rate Taxable Bonds, the proceeds of which are to be used for eligible corporate purposes of the Hospital and its affiliates. In addition, a portion of the proceeds were used to pay the costs of issuance. Effective August 2017, the Hospital executed a "tap" on the Series 2015 Fixed Rate Taxable Issuance for an additional $225,000. The Hospital received total proceeds of $268,023, which included a premium of $43,023. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants.

In December 2013, the Hospital entered into a $50,000 taxable loan agreement with a commercial bank. The majority of the proceeds were used to legally defease Chilton Division's NJHCFFA Series 2009 Revenue Bonds, which were assumed by the Hospital in 2014, concurrent with the merger. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants.

In May 2008, the Hospital issued, through the NJHCFFA, $177,110 Series 2008A Revenue Bonds (Fixed Rate) and $177,110 Series 2008B and 2008C Revenue Bonds (Variable Rate), collectively referred to as the 2008 Bonds, to pay in full the Hospital's obligations under the interim method of financing enabling the Hospital to redeem all of its outstanding bond issues and terminate a portion of its related swaps for the Series 2003, 2004, 2006 and 2007 Revenue Bonds. The proceeds of the 2008 Bonds were also used to pay the costs of issuance of the 2008 Bonds. The Series 2006 and Series 2007 Revenue Bonds were issued in part to pay for the costs of certain capital projects of the Hospital and construction trustee funds were set up for disbursement for the payment of such costs. Amounts equal to the amounts on deposit in such construction funds were deposited with the trustee for the 2008 proceeds to complete those projects. In connection with the issuance of the Series 2016 Refunding Bonds noted above, $114,255 of the outstanding principal was refunded in October 2016.

The 2008 Variable Rate Bonds bear interest at weekly rates as determined by the remarketing agent. In the event that the purchase price of the corresponding Series of the Variable Bonds are not remarketed at the corresponding principal amount of such Series, the Variable Bonds are backed by a separate, irrevocable direct pay letters of credit by two banks, each expiring January 2026.

(Dollar amounts in thousands) (Unaudited)

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

The 2008 Swap was resissued in place of the 2006A Swap when the Series 2006A Revenue Bonds were redeemed. This was a noncash transaction. The original notional amount of the swap was $91,550 subject to reduction in the principal amortization of a portion of the Hospital's Series 2008 variable rate debt and will expire on July 1, 2036, with an annual fee of 0.51%. The notional amount of the swap was $87,400 at March 31, 2024 and December 31, 2023. Under the terms of the swap agreement, if the Securities Industry and Financial Markets Association ("SIFMA"), formerly known as the Bond Market Association, Municipal Swap Index, exceeds 4.05% for 90 days, the Hospital will pay a fixed rate of 4.00% in addition to the annual fee of 0.51%. The Hospital will then receive 68% of SOFR and pay the counterparty 4.00%. Currently the swap is treated as an ineffective swap for accounting purposes until SIFMA exceeds 4.05% for 90 days, at that time the swap will be tested to determine if it qualifies as a cash flow hedge.

The 2004 Swap was reissued in place of the 2004 Swap when the Series 2003 and 2004 Revenue Bonds were redeemed. This was a noncash transaction and there were no changes to the terms of the swap. The notional amount of the swap was $97,525, subject to reduction in the principal amortization of a portion of the Hospital's Series 2008 variable rate debt and will expire on July 1, 2025, with an annual fee of 0.52%. The notional amount of the swap at March 31, 2024 and December 31, 2023 was $10,025. 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 March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
2008 interest rate swap	$ 5,802	$ 5,763
2004 interest rate swap	44	58

(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 three months ended March 31, 2024 and 2023:

	Amount of (loss) gain recognized in the performance indicator	
	March 31, 2024	March 31, 2023
Derivative in Non-Hedging Relationship		
Non operating (loss) gains, net		
2008 interest rate swap	$ (38)	$ (1,197)
2004 interest rate swap	$ 14	$ 10

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 March 31, 2024 and December 31, 2023, the combined market value of the swaps was below the trigger and as such, no collateral was required by the counterparty.

9. Commitments and Contingencies

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

10. Subsequent Events

The Hospital performed an evaluation of subsequent events through May 15, 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.