

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Holy Name Medical Center, Inc. and Subsidiaries
Years Ended December 31, 2022 and 2021
With Report of Independent Auditors

Ernst & Young LLP



Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2022 and 2021

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Report of Independent Auditors

The Board of Trustees
Holy Name Medical Center, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Holy Name Medical Center, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2022, and consolidating statements of operations and changes in net assets for the year then ended, and the Financial Responsibility Supplemental Schedule as of and for the year ended December 31, 2022, as required by the U.S. Department of Education, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

May 31, 2023

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,098	\$ 38,981
Assets whose use is limited and that are required for current liabilities	7,092	8,159
Investments	82,129	140,247
Patient accounts receivable, net	80,811	59,145
Other receivables	5,909	11,431
Supplies	11,542	11,379
Prepaid expenses and other current assets	8,447	7,191
Total current assets	216,028	276,533
Assets whose use is limited, less current portion	10,564	11,774
Property, plant, and equipment, net	193,302	164,466
Right-of-use assets	30,683	32,750
Other assets	59,860	60,789
Total assets	\$ 510,437	\$ 546,312
Liabilities and net assets		
Current liabilities:		
Accrued interest payable	\$ 121	\$ 137
Current installments of long-term debt	9,401	9,427
CMS advance, current portion	11,653	36,651
Operating lease liabilities, current portion	7,005	7,144
Accounts payable and other accrued expenses	70,665	59,714
Accrued payroll and vacation	19,069	21,877
Due to third-party payers	3,910	5,744
Total current liabilities	121,824	140,694
Other liabilities	5,465	5,534
Long-term debt, excluding current installments	69,958	72,928
CMS advance, excluding current portion	-	5,311
Operating lease liabilities, excluding current portion	27,781	29,765
Due to third-party payers, excluding current portion	7,945	14,731
Total liabilities	232,973	268,963
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	256,848	254,728
Net assets with donor restrictions	20,616	22,621
Total net assets	277,464	277,349
Total liabilities and net assets	\$ 510,437	\$ 546,312

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Statements of Operations

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Revenue:		
Net patient service revenue	\$ 498,119	\$ 475,896
CARES Act Provider Relief Fund revenue	68	1,534
Other operating revenue	37,844	43,686
Net assets released from restriction for operations	1,165	1,101
Total revenue	<u>537,196</u>	<u>522,217</u>
Expenses:		
Salaries and wages	215,675	199,887
Physician fees	12,232	11,509
Employee benefits	31,350	31,476
Supplies and other	203,598	201,561
Depreciation and amortization	21,350	20,754
Interest	1,338	2,106
Total expenses	<u>485,543</u>	<u>467,293</u>
Income from operations	51,653	54,924
Nonoperating gains and losses, net	3,501	10,232
Insurance recoveries related to storm <i>(Note 1)</i>	4,839	18,104
Gain on insurance proceeds <i>(Note 1)</i>	24,161	–
Estimated loss related to storm <i>(Note 1)</i>	(1,850)	(21,093)
Impairment on split dollar life insurance	(2,505)	–
Change in net unrealized gains and losses on equity investments and assets whose use is limited	(8,220)	(2,423)
Excess of revenue over expenses	<u>71,579</u>	<u>59,744</u>
Net assets released from restriction for capital purposes	3,203	4,695
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	(4,707)	(1,349)
Transfers to affiliates, net	(67,955)	(54,934)
Increase in net assets without donor restrictions	<u>\$ 2,120</u>	<u>\$ 8,156</u>

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

	<u>Net Assets With Donor Restrictions</u>				Total
	Net Assets Without Donor Restrictions	Purpose and Time Restrictions	Permanent Endowment	Total Net Assets With Donor Restrictions	
	<i>(In Thousands)</i>				
Balance at January 1, 2021	\$ 246,572	\$ 18,872	\$ 1,645	\$ 20,517	\$ 267,089
Excess of revenue over expenses	59,744	–	–	–	59,744
Restricted investment gain and investment income	–	648	33	681	681
Net assets released from restriction for capital purposes	4,695	(4,695)	–	(4,695)	–
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	(1,349)	(91)	–	(91)	(1,440)
Net assets released from restriction for operations	–	(1,101)	–	(1,101)	(1,101)
Transfers to affiliates, net	(54,934)	–	–	–	(54,934)
Contributions	–	6,924	386	7,310	7,310
Increase in net assets	8,156	1,685	419	2,104	10,260
Balance at December 31, 2021	254,728	20,557	2,064	22,621	277,349
Excess of revenue over expenses	71,579	–	–	–	71,579
Restricted investment gain and investment income	–	341	92	433	433
Net assets released from restriction for capital purposes	3,203	(3,203)	–	(3,203)	–
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	(4,707)	(1,961)	–	(1,961)	(6,668)
Net assets released from restriction for operations	–	(1,165)	–	(1,165)	(1,165)
Transfers to affiliates, net	(67,955)	–	–	–	(67,955)
Contributions	–	3,210	681	3,891	3,891
Increase (decrease) in net assets	2,120	(2,778)	773	(2,005)	115
Balance at December 31, 2022	\$ 256,848	\$ 17,779	\$ 2,837	\$ 20,616	\$ 277,464

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Operating activities		
Change in net assets	\$ 115	\$ 10,260
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	21,350	20,754
Amortization of deferred financing costs	146	160
Loss on fixed assets disposal and terminated projects	21	14,624
Loss on extinguishment of debt	-	296
Net realized and change in net unrealized gains (losses) on investments and assets whose use is limited	11,765	(6,369)
Restricted contributions, investment and interest income	(4,324)	(7,991)
Transfers to affiliates, net	67,955	54,934
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(21,666)	(10,543)
Other current assets	4,103	(5,945)
Other assets	(67,026)	(59,463)
Change in right-of-use assets	(56)	1,257
Accounts payable and other accrued expenses	10,951	5,458
Accrued payroll and vacation	(2,808)	643
Due to third-party payers	(8,620)	(7,258)
Other liabilities	(69)	(5,757)
CMS advance	(30,309)	(6,861)
Accrued interest payable	(16)	(554)
Net cash used in operating activities	(18,488)	(2,355)
Investing activities		
Acquisition of property and equipment, net	(47,970)	(47,539)
Net purchases and sales of assets whose use is limited and investments	18,667	28,160
Proceeds from insurance recoveries and gain	29,000	18,104
Proceeds on sale of fixed assets	-	202
Net cash used in investing activities	(303)	(1,073)
Financing activities		
Payments on long-term debt and finance lease obligations	(9,669)	(53,937)
Proceeds from the issuance of debt	4,290	45,437
Payment of deferred financing costs for debt issuance	-	(658)
Restricted contributions and interest income	4,324	7,991
Net cash used in financing activities	(1,055)	(1,167)
Net decrease in cash, cash equivalents and restricted cash	(19,846)	(4,595)
Cash, cash equivalents and restricted cash at beginning of year	48,776	53,371
Cash, cash equivalents and restricted cash at end of year	\$ 28,930	\$ 48,776
Reconciliation of cash, cash equivalents and restricted cash at end of year to the consolidated balance sheets		
Cash and cash equivalents	\$ 20,098	\$ 38,981
Assets limited as to use: cash and cash equivalents	7,294	8,435
Investments: cash and cash equivalents	1,132	1,150
Other assets: cash and cash equivalents	406	210
Total cash, cash equivalents and restricted cash	\$ 28,930	\$ 48,776
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 1,940	\$ 3,132

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

December 31, 2022

1. Summary of Significant Accounting Policies

Organization

The accompanying consolidated financial statements include the accounts of Holy Name Medical Center, Inc. (the Medical Center) and its controlled subsidiaries: Holy Name Health Care Foundation, Inc. (the Foundation); Holy Name EMS (EMS); Holy Name Real Estate Corporation (Realty); Health Partner Services, Inc. (HPS); HNH Fitness, LLC (Fitness Center); MS Comprehensive Care Center (MS Center); Holy Name Medical Center ACO, LLC (ACO); Harmony Health Alliance LLC (Harmony Health); and PAIX Technologies, Inc. (PAIX); collectively, with the Medical Center, these entities make up the Company (the Company). The Medical Center was a controlled subsidiary of the Sisters of Saint Joseph of Peace Health Care System Corporation (the Corporation) prior to November 1, 2016. Effective November 1, 2016, the sole member of the Corporation approved a change to the Medical Center's by-laws naming Peace Ministries, Inc., a newly formed subsidiary of the Corporation's sole member, as the Medical Center's sole member. As a result, there was no change in control over the Medical Center. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Medical Center is a not-for-profit acute care hospital located in Teaneck, New Jersey. The Medical Center is licensed for 361 beds and provides a full range of health care services primarily to residents of northeast New Jersey. The Medical Center was established and operates for the promotion of health and to serve the public rather than private interests.

The Foundation is a not-for-profit corporation organized for the purpose of raising funds for the Medical Center. In October 2012, the Foundation became the sole member of the CRUDEM Foundation (CRUDEM), a not-for-profit charity organized to raise funds for the purpose of improving access to health care services for poor and medically underserved individuals worldwide including, without limitation, Hôpital Sacré Coeur located in Milot, Haiti.

PAIX was formed on September 8, 2020, with the purpose of selling software license for developed applications. PAIX had minimal operating activities during 2022 and 2021. Harmony Health was formed on April 19, 2017 with the purpose of forming a clinically integrated network of healthcare providers with the goal of providing improved patient care quality, experience, efficiency and engagement. EMS is a not-for-profit corporation organized for the purpose of providing emergency response and life support. Realty is a not-for-profit corporation organized to operate, own, and or lease property for the benefit of the Medical Center, the Corporation and its subsidiaries. HPS is a for-profit corporation engaged in the business of providing management

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

services for health care providers. Fitness Center is a limited liability company formed for the sole purpose of constructing and operating a fitness and wellness center. MS Center is a not-for-profit corporation which offers comprehensive medical, nursing, physical rehabilitation, and support services for multiple sclerosis patients. ACO is a limited liability company formed for the purpose of promoting efficient and effective services across the continuum of care through the development of an accountable care organization.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, including estimates related to accounts receivable for services provided to patients, and liabilities, including estimated payables to third-party payers and malpractice insurance liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by a material amount. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with original maturities of three months or less at date of purchase, excluding amounts classified within assets whose use is limited or investments. The carrying amount reported in the accompanying consolidated balance sheets for cash and cash equivalents approximates its fair value.

Amounts within restricted cash include cash and cash equivalents held within investments and assets limited as to use and represent funds set aside based on management's policy or contractual arrangements.

Patient Accounts Receivable and Net Patient Service Revenue

Patient accounts receivable and net patient service revenue result from the healthcare services provided by the Company and is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers, and others and includes variable consideration in determination of the transaction price.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Investments and Investment Return

The Company maintains a pooled investment program for certain investments held by the Medical Center and Foundation. Investments (including assets whose use is limited) consist of cash and cash equivalents, mutual funds – fixed income, mutual funds – equity, equities, alternative investments, certificates of deposit, corporate bonds, commingled funds, and U.S. Government obligations. Investments are carried at fair value based on quoted market prices, except for alternative investments, and are classified as other-than-trading.

Alternative investments (nontraditional, not readily marketable securities) are stated in the accompanying consolidated balance sheets based upon net asset values derived from the application of the equity method of accounting. Alternative investments consist of multi-strategy hedge funds, absolute return funds, and domestic as well as international equity funds and generally are structured such that the investment pool holds a limited partnership interest or an interest in an investment management company. Future funding commitments for alternative investments aggregated \$324 at December 31, 2022, for the investment pool. There is uncertainty in determining values of alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change.

Investment return includes interest and dividends, realized gains and losses, and income derived from alternative investments and is included in the excess of revenue over expenses in nonoperating gains and losses, net, unless restricted by donor or law. The change in net unrealized gains and losses on fixed income securities within investments and assets whose use is limited are excluded from the excess of revenue over expenses unless other-than-temporary impairment in value has occurred. The change in net unrealized gains and losses on equity investments and assets whose use is limited are included within the excess of revenue over expenses.

Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under bond indenture agreements and those limited by donors. Investment income on assets whose use is limited is reported as a component of other operating revenue on the statements of operations.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Pledges Receivable

Through the fundraising activities of the Foundation, the Company is the recipient of pledges which are recorded at the time the unconditional promise to give is made, at estimated net realizable value (\$3,137 and \$3,103 at December 31, 2022 and 2021, respectively). Pledges are reported within other receivables and other assets in the accompanying consolidated balance sheets. The amount of the allowance for uncollectible pledges is based on management's assessment of historical and expected collections and other collection indicators. Additions to the allowance for uncollectible pledges result from the provision for uncollectible pledges. Pledges written off as uncollectible are deducted from the allowance for uncollectible pledges. Pledges are discounted to net present value based on the scheduled payment terms of each pledge using a risk-free rate at the date of the pledge.

Supplemental Executive Retirement Plans

Certain Company employees participate in supplemental executive retirement plans. In connection with these plans, the Company deposits amounts with trustees on behalf of the participating employees. The assets are restricted for payments under the plans but may revert to the Company under certain specified circumstances. At December 31, 2022 and 2021, amounts on deposit with trustees aggregated \$2,594 and \$4,400, respectively. At December 31, 2022, there were no contributions payable and total liabilities under the plans was \$2,594. At December 31, 2021, contributions payable of \$78 was recorded as a liability and resulted in total liabilities under the plans of \$2,983. Investments consist of mutual funds and are reported at fair value based upon quoted market prices. Amounts on deposit and liability amounts are included in the accompanying consolidated balance sheets within other assets and liabilities as either current or noncurrent based on the terms of the respective plan. During 2022, there were no forfeitures in the plan. During 2021, there were forfeitures of \$1,803 as a key employee's deposit amounts were converted to a split dollar life insurance policy.

The investments held by the trustees are classified as trading securities. During 2022 and 2021, the Company contributed \$354 and \$309, respectively, to these plans. For the year ended December 31, 2022, the Company recorded investment loss of \$588, as a component of other operating revenue. For the year ended December 31, 2021, the Company recorded investment income of \$390, as a component of other operating revenue. Changes to the liabilities for these plans are recorded in employee benefits expense in the accompanying consolidated statements of operations.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Split Dollar Life Insurance

During 2020, the Company entered into an agreement and granted a loan to fund life insurance premium payments for a certain key employee. The loan is collateralized by the assignment of the cash surrender value of the respective life insurance policies. In addition, the loan was issued with full recourse. The policies are owned by the executive and they have sole control over the listed beneficiaries. The loan is payable within sixty days after receipt of demand. The total value of the loan, included in other assets in the accompanying consolidated balance sheets at December 31, 2022 and 2021 was \$25,239 and \$27,424, respectively. For the year ended December 31, 2022, the Company recorded an impairment loss on the loan of \$2,505, due to the change in the value of the life insurance policies.

Supplies

Supplies are carried at the lower of cost or net realizable value and are determined by using the first-in, first-out method. Supplies are used in the provision of patient care and not held for sale.

Property, Plant, and Equipment

Land, land improvements, buildings, and equipment are stated on the basis of cost, except for donated assets, which are recorded at fair value at the date of the gift. It is the policy of the Company to provide for depreciation on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives range from 3 to 40 years. The Company recognizes a half-year depreciation in years of acquisition and disposition.

Assets acquired under finance leases are recorded at the present value of the lease payments at the inception of the leases. Equipment under finance leases is amortized over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method. At December 31, 2022 and 2021, the accumulated amortization of deferred financing costs was \$2,075 and \$1,929, respectively. Unamortized deferred financing costs of \$512 and \$658 at December 31, 2022 and 2021, respectively, have been reported as a direct reduction from long-term debt. See Note 8 for additional information relative to debt-related matters.

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Company's management and the Board of Trustees.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Company has been limited by donors to a specific time period or purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations.

The Company follows the requirements of the New Jersey Uniform Prudent Management of Institutional Funds Act as they relate to its permanently restricted contributions and net assets, effective upon New Jersey State's enactment of the legislation in 2009. Previously, the Company followed the requirements of the Uniform Management of Institutional Funds Act of 1972, although the change did not significantly affect the Company's policies related to endowments. The Company has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the endowment funds.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

1. Summary of Significant Accounting Policies (continued)

Excess of Revenue Over Expenses

The consolidated statements of operations include the excess of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the excess of revenue over expenses include the change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited (specifically, fixed income securities within), net assets released from restriction for capital purposes, and permanent transfers of assets to and from affiliates for other than goods and services.

Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating items. Nonoperating gains and losses, net consist primarily of investment income, income from equity method investments, and gains and losses on sales and disposals of property and equipment.

Advertising Costs

The Company expenses advertising costs as incurred. For the years ended December 31, 2022 and 2021, advertising costs totaled \$4,220 and \$4,934, respectively.

Income Taxes

The Medical Center, the Foundation, and EMS are included in the U.S. Conference of Catholic Bishops Section 501(c)(3) group ruling and MS Center and Realty are also exempt from federal income tax under Section 501(c)(3) as well as New Jersey and local income taxes pursuant to the corresponding exemption provisions. Fitness Center, ACO, and Harmony Health are limited liability companies which, for income tax purposes, are treated as disregarded entities of the Medical Center. HPS and PAIX are taxable corporations. The effects of the income tax provision are not material to the consolidated financial statements.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

COVID-19 Pandemic and CARES Act Funding

In response to COVID-19, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to COVID-19, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to COVID-19 and are not required to be repaid except where Provider Relief Funds received exceed the actual amounts of eligible health care related expenses and/or lost revenues as defined by the U.S. Department of Health and Human Services (HHS), provided the recipients attest to and comply with the terms and conditions.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. The CAA appropriated additional funding for COVID-19 response and relief through the Provider Relief Fund and provided several changes to the administration of the Provider Relief Fund.

For the years ended December 31, 2022 and 2021, the Company received and recognized \$68 and \$1,534, respectively, in funding related to Provider Relief Fund, which is included in CARES Act Provider Relief Fund revenue in the accompanying consolidated statements of operations. The recognized revenue has been determined based on applicable accounting guidance, Post-Payment Notice of Reporting Requirements and FAQs that the Company has interpreted as being applicable to the accompanying consolidated financial statements. Distributions from the Provider Relief Fund are available for specified service periods through December 31, 2022 with various required data submissions (data for funds received from July 1, 2021 to December 21, 2021 and the use of such funds through December 21, 2022 was submitted to HHS on March 7, 2023). Management will continue to monitor communications from HHS applicable to the Provider Relief Fund reporting and data submission requirements. HHS ended the public health emergency period on May 11, 2023.

To enhance liquidity, the Centers for Medicare & Medicaid Services (CMS) expanded and streamlined the process for its Accelerated and Advance Payment Program, pursuant to which providers could receive advance Medicare payments. This program allowed eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. During September 2020, the Company received \$48,800 of expedited payments for future services.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

At December 31, 2022 and 2021, \$11,653 and \$36,651, respectively, are included in CMS advance, current portion in the accompanying consolidated balance sheets. As of December 31, 2021, there was \$5,311, included in CMS advance, excluding current portion in the accompanying consolidated balance sheets. The advance was fully recovered by Medicare during March 2023.

Under the CARES Act, the Company has elected to defer the payment of the employer portion of social security taxes totaling \$7,229 that otherwise would have been due between March 27, 2020 and December 31, 2020. The CARES Act requires that 50% of the total deferred amount be paid by December 31, 2021, with the remaining balance due by December 31, 2022. The Company paid half of the liability in December 2021 and the remaining half in December 2022.

The Company has applied for reimbursement for qualifying expenses totaling \$20,006 under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. During 2022, the Company received \$4,875 in FEMA reimbursements and recognized \$4,175 within other operating revenue in the accompanying consolidated statement of operations. Amounts received that were not recognized as revenue (totaling approximately \$700) are reported within accounts payable and other accrued expenses in the accompanying 2022 consolidated balance sheet. During 2021, the Company received and recognized \$2,736 in FEMA reimbursements within other operating revenue. Additional costs have been submitted and obligated by FEMA for \$12,394 during 2023.

Under the CARES Act, the Company was eligible to receive an employee retention credit, which is a credit against the employer portion of Social Security taxes for certain wages between March 13, 2020 and December 31, 2020. The CAA extended the employee retention credit through June 30, 2021, while also modifying the provisions of the credit. In March 2022, the Company filed the applications for the employee retention credit for \$2,710. The Company recognized revenue of \$126 which is included in other operating revenue within the consolidated statement of operations for the year ended December 31, 2022. The other applications that were submitted are still under Internal Revenue Service (IRS) review.

Due to the evolving nature of the COVID-19 pandemic, the ultimate impact to the Company's operating results, including costs that may be incurred in the future and the level of utilization of the Company's services and resulting impact on net patient service revenue reported in the future, and its financial condition is presently unknown. The Company has also experienced significant price increases in personnel costs and medical supplies, as well as volatility in the interest rate and capital markets, due to the broader economic disruption caused by the pandemic.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Estimated Loss Related to Storm

As a result of the storm that occurred in September 2021, the basement of the Company's emergency department and other fixed assets were damaged. During the year ended December 31, 2022 and 2021, insurance proceeds of \$4,839 and \$18,104 were received in relation to the damage, respectively, and are included in insurance recoveries related to storm in the accompanying consolidated statements of operations. The estimated loss of \$1,850 and \$21,093 for the year ended December 31, 2022 and 2021, respectively, represent the write-down in the net book value of the damaged fixed assets and the non-capitalizable portion of remediation costs incurred to repair the storm damage and file the insurance claims. For the year ended December 31, 2022, the Company recognized insurance proceeds of \$24,161 as gain from insurance proceeds in the accompanying consolidated statement of operations. For the year ended December 31, 2021, the Company received insurance proceeds of \$2,896 for business interruption recoveries for lost revenue and recognized the proceeds in other operating revenue in the accompanying consolidated statement of operations (none in 2022).

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, loans and certain other instruments, entities will be required to use a new forward looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. The ASU is effective for annual periods beginning after December 15, 2022. The Company has not completed the process of evaluating the impact of ASU No. 2016-13 on its consolidated financial statements.

2. Uncompensated Care and Community Benefit

The Company's commitment to community service is evidenced by services provided to all people regardless of race, creed, sex, age, disability, or ability to pay. Although payment for services rendered is critical to the operations and stability of the Company, the Company recognizes that not all individuals have the ability to pay for medically necessary services and, furthermore, the Company's mission is to serve the community with respect to health care.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

2. Uncompensated Care and Community Benefit (continued)

Therefore, in keeping with the Company’s commitment to serve members of the community, the Company provides care to patients who meet certain criteria defined by the New Jersey Department of Health (DOH) without charge or at amounts less than its established rates. Community benefit activities include wellness programs, community education programs, health screenings, and a broad variety of community support services, health professionals’ education, and subsidized health services.

The Company believes it is important to quantify comprehensively the benefits it provides to the community, which is an area of emphasis for not-for-profit health care providers. The Company maintains records to identify and monitor the level of uncompensated care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and compassionate care program and implicit price concessions at estimated cost.

For patients who are deemed eligible for charity care and patients who apply and qualify for financial aid under the Company’s financial aid policy, care given but not paid for is classified as charity care. For the years ended December 31, 2022 and 2021, the estimated cost of charity care was \$33,773 and \$27,753, respectively. The estimated cost of charity care includes the direct and indirect cost of providing charity care services and is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

Uncompensated care consists of the following:

	Year Ended December 31	
	2022	2021
Charity care at estimated cost ^(a)	\$ 4,155	\$ 3,649
Free care and reduced price medical care under the Company’s compassionate care program at estimated cost ^(b)	4,512	4,091
Implicit price concessions at estimated cost ^(c)	25,106	20,013
Total uncompensated care	<u>\$ 33,773</u>	<u>\$ 27,753</u>

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Uncompensated Care and Community Benefit (continued)

- ^(a)*Charity Care:* For patients that do not receive free care and who are deemed eligible for charity care, care given but not paid for is classified as charity care. Management believes that, because of the difficulties involved with obtaining patient cooperation, the present charity care guidelines understate the Company's charity care amounts and overstate the level of bad debts reported. The cost of charity care is estimated by utilizing a cost accounting system and includes the direct and indirect cost of providing charity care services. Funds received from the New Jersey Health Care Subsidy Fund (HCSF) to offset charity services provided totaled \$690 and \$497 for the years ended December 31, 2022 and 2021, respectively.
- ^(b)*Free Care and Company's Compassionate Care Program:* In addition to charity care reported under the DOH criteria, the Company provides a significant amount of uncompensated care, which includes free care and care provided to patients at reduced prices. Beginning in 2009, the Company initiated a compassionate care program to make available free and reduced fee care programs for qualifying patients under its financial aid policy. The cost of free and compassionate care is estimated by utilizing a cost accounting system and includes the direct and indirect cost of providing such services.
- ^(c)*Implicit Price Concessions:* To record net patient service revenue at an estimated net realizable amount, management determines implicit price concessions as a direct reduction of net patient service revenue. The cost of the patient services to which implicit price concessions relates was estimated by utilizing a cost accounting system and includes the direct and indirect cost of providing medical and professional services.

During the registration, billing and collection process, a patient's eligibility for charity care or the Company's compassionate care program is determined. For patients who do not qualify for charity care under the DOH standards and who are determined to be eligible for care in the form of reduced price medical services under the Company's compassionate care and financial aid policy, care given but not paid for is classified as a reduction in net patient service revenue as a compassionate care allowance. For patients who were determined by the Company to have the ability to pay but did not, uncollected amounts are classified as implicit price concessions. Distinguishing between implicit price concessions, bad debt and charity care or compassionate care is difficult, in part because services are often rendered prior to the full evaluation of a patient's ability to pay.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Uncompensated Care and Community Benefit (continued)

The Company is committed to serving the surrounding neighborhoods comprising its service area and recognizes the importance of preserving community focus to effectively meet community needs. In keeping with its mission, the Company is devoted to providing programs and outreach activities through linkages with various community-based groups without charge. Community health improvement services and related operations include clinical services, screening and exams, and other education or support services in areas such as the following: high blood pressure, stroke, cancer, diabetes, community-based outreach and health education, digestive diseases, emergency services/emergency preparedness, mental illness, weight management, women's health, parenting basics, and children's health (a complete description of each service can be found in the Company's annual community service plan). The Company also partners with Maternal & Child Health of Northern New Jersey to provide breastfeeding classes and consultations. Day care for ill children is available to working parents in the community, affording them the ability to work even when a child is sick. Senior or disabled persons requiring medical day care are transported free of charge to the Company's Adult Day Care Program, reducing the burden on family caretakers.

Community benefits also include losses incurred in providing services to patients who participate in certain public health programs such as Medicaid. Payments received by the Company for patient services provided to Medicaid program participants are less than the estimated cost of providing such services. Therefore, to the extent Medicaid payments are less than the cost of care provided to Medicaid patients, the uncompensated cost of that care is considered to be a community benefit. The total shortfall of Medicaid uncompensated costs for the years ended December 31, 2022 and 2021, was \$22,905 and \$17,511, respectively.

3. Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration for which the Company expects to be entitled in exchange for providing patient care. The Company uses a portfolio approach as a practical expedient to account for categories of patient contracts as collective groups rather than recognizing revenue on an individual contract basis. The portfolio consists of major payer classes for inpatient and outpatient revenue. Based on historical collection trends and other analyses, the Company believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Accounts Receivable and Net Patient Service Revenue (continued)

The Company's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Company's standard charges. The Company determines the transaction price associated with services provided to patients who have third-party payer coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the Company's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Company determines the transaction price associated with services rendered on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Company's historical collection experience for applicable patient portfolios.

Generally, the Company bills patients and third-party payers after the services are performed and the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Company. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Company believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the Company's outpatient settings. The Company measures the performance obligation from admission into the Company or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the Company's in-house patients occurs within days or weeks after the end of the reporting period.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

3. Accounts Receivable and Net Patient Service Revenue (continued)

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2022 and 2021, changes in the Company's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2022 and 2021, was not significant.

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payers, lines of business and timing of when revenue is recognized. Tables providing details of these factors are presented below.

Net patient service revenue disaggregated by payer is as follows:

	Year Ended December 31	
	2022	2021
Medicare, including managed care	\$ 182,746	\$ 189,194
Medicaid, including Medicaid pending and managed care	32,799	54,050
Managed care	258,973	213,998
Commercial and other	19,253	17,322
Self-pay	4,348	1,332
	<u>\$ 498,119</u>	<u>\$ 475,896</u>

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the respective primary payer category above.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

3. Accounts Receivable and Net Patient Service Revenue (continued)

Net patient service revenue disaggregated by lines of service is as follows:

	Year Ended December 31	
	2022	2021
Inpatient services	\$ 145,127	\$ 145,765
Outpatient services	352,992	330,131
	<u>\$ 498,119</u>	<u>\$ 475,896</u>

Patient accounts receivable, net is comprised of the following components:

	December 31	
	2022	2021
Patient receivables	\$ 71,549	\$ 52,437
Contract assets	9,262	6,708
	<u>\$ 80,811</u>	<u>\$ 59,145</u>

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for which the Company does not have the right to bill.

Settlements with third-party payers (see description of third-party payment programs below) for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Company's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Accounts Receivable and Net Patient Service Revenue (continued)

adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the years ended December 31, 2022 and 2021, there were no material amounts recognized as a result of changes in estimates of prior year settlements.

Third-Party Payment Programs

The Company has agreements with third-party payers that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare: Hospitals are paid for most Medicare patient services under national prospective payment systems and other methodologies of the Medicare program for certain other services. Federal regulations provide for adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. The Company is reimbursed for outpatient services at a tentative rate with final settlement determined after the submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary.

Other Third-Party Payers: The Company also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Company under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2018 although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlement, as are numerous issues related to the New Jersey State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, when audits are completed, and when additional information is obtained.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Accounts Receivable and Net Patient Service Revenue (continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs.

There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. The Company is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations. In addition, certain contracts the Company has with commercial payers also provide for retroactive audit and review of claims.

There are various proposals at the federal and state levels that could, among other things, significantly change payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Company. Additionally, certain payers' payment rates for various years have been appealed by the Company. If the appeals are successful, additional income applicable to those years could be realized.

4. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the Company measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Company's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Fair Value Measurements (continued)

The Company follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 – Observable inputs that are based on inputs not quoted in active markets but corroborated by market data.
- Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

Financial assets and liabilities carried at fair value as of December 31, 2022 and 2021, are classified in the table below in one of the three categories described above:

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 28,930	\$ –	\$ –	\$ 28,930
Mutual funds – fixed income	10,569	–	–	10,569
Mutual funds – equity	34,940	–	–	34,940
Equities	4,776	–	–	4,776
Corporate bonds	11,699	–	–	11,699
Certificates of deposit	2,267	–	–	2,267
U.S. Government obligations	12,241	–	–	12,241
	<u>\$ 105,422</u>	<u>\$ –</u>	<u>\$ –</u>	
Investments measured at net asset value:				
Commingled funds				16,445
Stable value contracts				345
Total				<u>\$ 122,212</u>

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Fair Value Measurements (continued)

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 50,933	\$ —	\$ —	\$ 50,933
Mutual funds – fixed income	58,748	—	—	58,748
Mutual funds – equity	40,899	—	—	40,899
Equities	5,085	—	—	5,085
Corporate bonds	12,438	—	—	12,438
Certificates of deposit	2,384	—	—	2,384
U.S. Government obligations	12,944	—	—	12,944
	<u>\$ 183,431</u>	<u>\$ —</u>	<u>\$ —</u>	
Investments measured at net asset value:				
Commingled funds				19,340
Stable value contracts				493
Total				<u>\$ 203,264</u>

The above tables include amounts held in the supplemental executive retirement plans and do not include investments recorded based on the equity method of accounting.

Fair value for Level 1 is based upon quoted market prices for mutual funds, equities, corporate bonds, certificates of deposit and U.S. government obligations. Equities primarily consist of the common stock of corporations in the energy, industrials, consumer discretionary, health care, and financial services sectors. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Assets Whose Use is Limited

The fair value of assets whose use is limited is set forth below. Assets whose use is limited that are required to satisfy obligations classified as current liabilities are reported in current assets.

	December 31	
	2022	2021
By donors:		
Cash and cash equivalents	\$ 3,932	\$ 5,104
Mutual funds – equity	5,396	6,466
Equities	241	257
Corporate bonds	1,727	1,478
U.S. Government obligations	570	605
Alternative investments (equity method value)	13	15
Commingled funds	836	982
Certificates of deposit	1,564	1,684
Accrued interest	15	11
	<u>14,294</u>	<u>16,602</u>
Under bond indenture agreements:		
Cash and cash equivalents	3,362	3,331
	<u>3,362</u>	<u>3,331</u>
Total assets whose use is limited	<u>17,656</u>	<u>19,933</u>
Less assets whose use is limited and that are required for current liabilities	<u>7,092</u>	<u>8,159</u>
Noncurrent assets whose use is limited	<u>\$ 10,564</u>	<u>\$ 11,774</u>

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Whose Use is Limited (continued)

Assets held by trustees under bond indenture agreements relating to the New Jersey Health Care Facilities Financing Authority debt issues consist of the following:

	December 31	
	2022	2021
Series 2021 Revenue Bonds:		
Debt service fund – interest	\$ –	\$ 7
Debt service reserve fund	1,415	1,293
	1,415	1,300
Series 2020 Revenue Bonds:		
Debt service fund – principal	1,947	2,031
Total under bond indenture agreements	\$ 3,362	\$ 3,331

The Company's gross unrealized losses of individual fixed income securities in 2022 and 2021 classified as assets whose use is limited were not significant at December 31, 2022 and 2021, and were not deemed to be other-than-temporary impairments based on expected near-term recovery and the ability and intent of the Company to hold such securities until maturity.

6. Investments

Investments consist of the following:

	December 31	
	2022	2021
Cash and cash equivalents	\$ 1,132	\$ 1,150
Mutual funds – fixed income	10,305	58,656
Mutual funds – equity	27,794	32,849
Equities	4,535	4,827
Corporate bonds	9,972	10,959
U.S. Government obligations	11,671	12,340
Certificates of deposit	703	700
Alternative investments (equity method value)	252	282
Commingled funds	15,609	18,359
Accrued interest	156	125
	\$ 82,129	\$ 140,247

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Investments (continued)

Investment income included in nonoperating gains and losses, net consists of the following:

	Year Ended December 31	
	2022	2021
Interest, dividend income, and realized gains and losses on investments	\$ 2,813	\$ 11,301
(Losses) gains from alternative investments, net	(31)	6
	<u>\$ 2,782</u>	<u>\$ 11,307</u>

At December 31, 2022 and 2021, the Company did not hold any material individual fixed income securities in a continuous unrealized loss position.

7. Property, Plant, and Equipment

A summary of property and equipment is as follows:

	December 31	
	2022	2021
Land	\$ 14,654	\$ 14,031
Land improvements	3,509	3,509
Building and fixed equipment	298,044	280,071
Major movable equipment	178,496	167,279
	<u>494,703</u>	<u>464,890</u>
Less accumulated depreciation and amortization	340,221	319,625
	<u>154,482</u>	<u>145,265</u>
Construction-in-progress	38,820	19,201
Property and equipment, net	<u>\$ 193,302</u>	<u>\$ 164,466</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021, was \$21,350 and \$20,754, respectively.

During 2022 and 2021, the Company capitalized \$586 and \$472, respectively, of interest expense net of interest income related to certain construction projects.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Property, Plant, and Equipment (continued)

Equipment financed through finance lease obligations is included in the amounts above. During 2022 and 2021, \$447 and \$434, respectively, were amortized for this equipment.

During 2022 and 2021, the Company recognized losses on fixed asset disposals and terminated projects of \$21 and \$14,624, respectively. The losses on fixed asset disposals and terminated projects are recorded within the excess of revenue over expenses.

8. Long-Term Debt

A summary of long-term debt follows:

	December 31	
	2022	2021
Mortgage loans ^(a)	\$ 1,000	\$ 1,243
Series 2020 Bonds ^(b)	10,980	15,040
Series 2021 Bonds ^(c)	42,592	45,437
Taxable term loan ^(d)	15,027	16,879
Hospital Energy Efficiency Program Loan ^(e)	4,289	–
Automobile loans ^(f)	84	131
Finance lease obligations – at rates varying from 2.75% to 3.56%, with varying maturities through 2058 ^(g)	5,899	4,283
Total long-term debt	<u>79,871</u>	<u>83,013</u>
Less: deferred financing costs, net	512	658
Less: current portion of long-term debt	9,401	9,427
Long-term debt, net of current portion	<u>\$ 69,958</u>	<u>\$ 72,928</u>

^(a) *Holy Name Real Estate Corporation* – On August 25, 2016, Realty entered into an agreement to purchase property (699 Teaneck Road; the Teaneck Road property) for \$3,570. Realty entered into a \$2,380 mortgage loan on the Teaneck Road property with an annual interest rate of 3.75% and monthly payments from October 1, 2016 through September 1, 2026. The loan is collateralized by the Teaneck Road property. At December 31, 2022, the principal balance outstanding was \$1,000. The mortgage loan is guaranteed by the Medical Center.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt (continued)

- (b) *Holy Name Medical Center* – On August 20, 2019, the Medical Center entered into a direct bond purchase agreement and forward delivery escrow agreement with the Authority and TD Bank, whereby TD Bank agreed to directly purchase the \$19,100 aggregate principal amount of the Series 2010 Bonds. The agreements became effective upon closing and issuance by the Authority of the Medical Center's Series 2020 Bonds on April 2, 2020. The proceeds from the Series 2020 Bonds were used to refund the Series 2010 Bonds on July 1, 2020. The Series 2020 Bonds mature annually through July 1, 2025, with an interest rate of 2.25%. At December 31, 2022, the Series 2020 Bonds consist of \$10,980, maturing annually through July 1, 2025. The bonds are collateralized by a pledge of gross receipts and a first mortgage lien on certain land, buildings and equipment.
- (c) *Holy Name Medical Center* – In July 2021, the Authority issued \$45,437 of Series 2021 Bonds on behalf of the Medical Center. The proceeds of the financing were used to fund and pay in full the Series 2016A and Series 2016B Bonds. At December 31, 2022, the Series 2021 Bonds consist of \$42,592, maturing annually through July 1, 2030, with an interest rate of 1.78%. The bonds are collateralized by a pledge of gross receipts and a first mortgage lien on certain land, buildings and equipment.
- (d) *Holy Name Medical Center* – On February 14, 2020, the Medical Center entered into a taxable term loan with TD Bank for \$20,000. The term loan was entered into to finance equipment and capital improvements, with an annual interest rate of 2.66% and monthly payments from April 1, 2020 through February 14, 2030. At December 31, 2022, the taxable term loan principal outstanding balance was \$15,027. The loan is collateralized by a pledge of gross receipts and a first mortgage lien on certain land, buildings and equipment.
- (e) *Holy Name Medical Center* – In 2022, the Medical Center participated in a Hospital Energy Efficiency Program for implementation of specific energy conservation measures through a utility company using grant funding (not subject to repayment) combined with an interest free loan to be repaid over 60 months upon the completion of the energy conservation project. As of December 31, 2022, the Company has received \$4,289 under the program, of which, \$4,289 is reported as long-term debt. At December 31, 2022, the repayment schedule is unknown as the project has not been completed. The loan is excluded from the future payments table below.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

- (f) *Holy Name Medical Center* – The Medical Center entered into several term loan agreements with BMW Financial. The term loans are collateralized by the automobiles with an annual rate varying from 2.95% to 3.55% with varying maturities through 2025. At December 31, 2022, the principal balances outstanding were \$84.
- (g) *Holy Name Medical Center* – The Medical Center entered into finance lease obligations for the following (collectively, the finance leases):
- i. \$1,751 Intuitive Surgical, Inc. lease obligation for da Vinci XI Surgical Robot, with an interest rate of 2.8% and monthly payments from April 10, 2018 through March 10, 2023.
 - ii. \$3,842 ground lease obligation with the Corporation, entered into on January 1, 2019, with an implicit interest rate of 3.0% and monthly payments through December 31, 2058.
 - iii. \$2,237 TD Equipment Finance, Inc. lease obligation for 3Dimensions Mammography System, with an interest rate of 3.56% and monthly payments from June 4, 2022 through May 4, 2027.

Principal and sinking fund payments on long-term debt, excluding interest, for the next five years and thereafter are as follows:

	Bonds Payable	Mortgage Loans	Taxable Term Loan	Automobile Loans	Finance Lease Obligations	Total
2023	\$ 6,665	\$ 253	\$ 1,903	\$ 45	\$ 535	\$ 9,401
2024	6,720	263	1,954	20	460	9,417
2025	6,775	273	2,008	19	480	9,555
2026	6,575	211	2,063	–	500	9,349
2027	6,300	–	2,119	–	233	8,652
Thereafter	20,537	–	4,980	–	3,691	29,208
	<u>\$ 53,572</u>	<u>\$ 1,000</u>	<u>\$ 15,027</u>	<u>\$ 84</u>	<u>\$ 5,899</u>	<u>\$ 75,582</u>

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt (continued)

Under the terms of the various debt agreements, the Company is required to be in compliance with certain financial covenants and ratios as described in the respective agreements. At December 31, 2022 and 2021, the Company was in compliance with these financial covenants.

The Medical Center has an unsecured line of credit for \$6,100, with an expiration date of August 31, 2023. At December 31, 2022 and 2021, the Medical Center had no outstanding balance on the line of credit.

9. Leases

The Company leases certain property and equipment under finance and operating leases, the classification of which is based on the underlying terms of the agreement and certain criteria, such as lease term relative to useful life and total lease payments compared to fair value, among others. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than one year, the Company records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The Company's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the Company is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Company has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The Company separates lease components from non-lease components in contracts when determining its lease payments. As such, the Company accounts for the applicable non-lease components separately from the related lease components when determining the right-of-use assets and liabilities. The Company does not record leases with an initial term of less than one year as right-of-use assets and liabilities.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Leases (continued)

The following schedule summarizes information related to the lease assets and liabilities as of and for the years ended:

	December 31	
	2022	2021
Lease cost		
Finance lease cost:		
Amortization of right-of-use assets	\$ 447	\$ 434
Interest on lease liabilities	171	130
Operating lease cost	8,253	7,322
Short-term lease cost	585	673
Sublease income	(3,137)	(2,515)
Total lease cost	<u>\$ 6,319</u>	<u>\$ 6,044</u>
Right-of-use assets and liabilities		
Right-of-use assets – finance leases	\$ 6,617	\$ 4,826
Right-of-use liabilities – finance leases	5,899	4,283
Right-of-use assets – operating leases	30,683	32,750
Right-of-use liabilities – operating leases	34,786	36,909
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 171	\$ 130
Operating cash flows from operating leases	8,331	6,320
Financing cash flows from finance leases	657	492
Right-of-use assets obtained in exchange for new finance lease liabilities	2,237	–
Right-of-use assets obtained in exchange for new operating lease liabilities	6,116	8,682
Weighted average remaining lease term – finance leases	25 years	33 years
Weighted average remaining lease term – operating leases	6.95 years	7.73 years
Weighted average discount rate – finance leases	3.11%	2.96%
Weighted average discount rate – operating leases	1.40%	0.96%

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Leases (continued)

For finance leases, right-of-use assets are recorded in property, plant and equipment and lease liabilities are recorded in long-term debt in the accompanying consolidated balance sheets.

The following table reconciles the undiscounted lease payments to the lease liabilities recorded on the accompanying consolidated balance sheet at December 31, 2022:

	Finance Leases	Operating Leases
2023	\$ 712	\$ 7,430
2024	621	6,536
2025	624	5,425
2026	627	3,894
2027	345	2,772
Thereafter	5,859	10,415
Total lease payments	<u>8,788</u>	<u>36,472</u>
Less imputed interest	2,889	1,686
Total lease obligations	<u>5,899</u>	<u>34,786</u>
Less current portion	535	7,005
Long-term portion	<u>\$ 5,364</u>	<u>\$ 27,781</u>

Rental expense to unrelated parties approximated \$10,283 and \$9,324 in 2022 and 2021, respectively.

10. Pension Plan

In June 1997, the Company implemented a 401(k) retirement plan for which all employees who have attained the age of 21 are eligible to participate. Employees are eligible for Company contributions following one year of service and having completed at least 1,000 hours of service. Employees are fully vested in the plan after five years of service. Employees may contribute 1% to 50% of their salary on a pretax basis, not to exceed IRS limitations in any given year. All pretax contributions are 100% vested by the employee. The Company matches 50% of the first 6% of employee contributions. In addition, the Company may contribute on behalf of each employee an additional 1% of his/her salary, at the Company's discretion. The Company contributed \$4,268 and \$4,270 into the plan in 2022 and 2021, respectively.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Net Assets with Donor Restrictions

Net assets with donor restrictions that are temporary in nature are available to support program activities as stipulated by donors. Net assets with donor restrictions that are perpetual in nature are restricted to investment in perpetuity with the income expendable to support program activities as stipulated by donors. Net assets with donor restrictions that are temporary in nature are restricted as follows:

	December 31	
	2022	2021
Scholarships for nursing students, program and department expenses, educational training, special projects and purchase of equipment	\$ 2,407	\$ 2,526
Medical staff continuing education and special projects	314	405
Funds held by the Foundation on behalf of the Medical Center to support various program expenses, educational training, special projects, community outreach, and the purchase of equipment	12,646	15,200
Funds held by the Foundation on behalf of the Medical Center to support the School of Nursing	30	12
Funds held by the Foundation, on behalf of CRUDEM	754	565
Funding for hemodialysis services	1,628	1,849
	<u>\$ 17,779</u>	<u>\$ 20,557</u>

Net assets with donor restrictions include permanent endowments that have been restricted by donors to be maintained in perpetuity and invested by the Company, the income of which is expendable to support health care services. During 2022 and 2021, endowments of \$681 and \$386 were received by the Company, respectively. As of December 31, 2022 and 2021, there were \$517 and \$186 pledge receivables, respectively.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions that are perpetual in nature are restricted as follows:

	December 31	
	2022	2021
Funds held by the Foundation on behalf of the Medical Center to support Villa Marie Claire	\$ 1,749	\$ 1,668
Funds held by the Foundation on behalf of the Medical Center to support the Graduate Medical Program	609	386
Funds held by the Foundation on behalf of the Medical Center to support Jewish Patient Experience	50	–
Funds held by the Foundation on behalf of the Medical Center to support the School of Nursing	102	–
Funds held by the Foundation on behalf of the Medical Center to support the Oncology Program	317	–
Funds held by the Foundation on behalf of CRUDEM	10	10
	<u>\$ 2,837</u>	<u>\$ 2,064</u>

During 2022 and 2021, \$4,368 and \$5,796 of net assets, including amounts raised in 2022, were released from restriction.

12. Related-Party Transactions

The Company, in the normal course of its operations, enters into transactions with related parties. Such transactions are subject to the Company’s purchasing and conflict of interest policies and, in the opinion of management, are conducted in an arm’s-length manner at a reasonable cost basis for such goods and services.

Due to changes in health care payment models, increased local competition and uncertainty in health care reform, management implemented a strategy to align incentives between physician groups and the Medical Center. The Medical Center provides funding to various medical corporations in Bergen County (the Physician Network) which are controlled by the Corporation. The Medical Center continually reassesses amounts due from related parties for collectability based upon the results of their operations and other circumstances. The Medical Center has assessed the operations of the Physician Network at December 31, 2022 and 2021, and determined

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

12. Related-Party Transactions (continued)

that \$67,955 and \$54,934, respectively, of amounts due from certain members of the Physician Network would not be repaid and accounted for such amounts as transfers to affiliates in the accompanying consolidated statements of operations. The net amounts due from the Physician Network were \$19,545 and \$16,748 at December 31, 2022 and 2021, respectively, which is included in other assets in the accompanying consolidated balance sheets.

13. School of Nursing

The Medical Center maintains a School of Nursing, the financial activity of which is included within the consolidated financial statements of the Medical Center. The School of Nursing's individual revenue and expenses are as follows:

	Year Ended December 31	
	2022	2021
Total revenue	\$ 5,496	\$ 4,850
Total expenses	(4,609)	(4,144)
Excess of revenue over expenses	\$ 887	\$ 706

The Medical Center did not distribute any refunds to students for PELL grants related to the School of Nursing's fiscal years ended June 30, 2022 and 2021, and, therefore, did not establish a cash reserve fund.

14. Commitments and Contingencies

Various investigations, lawsuits and claims arising in the normal course of operations are pending or on appeal against the Company. While the ultimate effect of such actions cannot be determined at this time, it is the opinion of management that the liabilities which may arise from such actions would not result in losses not covered by insurance or accrued in the accompanying consolidated financial statements and, therefore, will not materially affect the consolidated financial position or results of operations of the Company.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

15. Concentrations of Credit Risk

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Significant concentrations of patient accounts receivable, net are as follows:

	December 31	
	2022	2021
Medicare and Medicaid	19%	23%
Blue Cross	14	21
Managed care	50	38
Other third-party payers (none over 10%)	8	12
Self-pay	9	6
	100%	100%

16. Accrued Malpractice Claims

The Company purchases first dollar coverage for professional and general liability insurance coverage. The Company has a claims-made policy with a commercial insurance carrier for malpractice. The policy covers \$1,000 per occurrence and \$3,000 in the aggregate. In addition, the Company purchased additional excess coverage for amounts up to \$10,000. Estimated liabilities relating to asserted and unasserted claims are recorded by the Company as reserve for insurance claims within accounts payable and other accrued expenses and other liabilities in the consolidated balance sheets and total \$5,337 and \$4,896 at December 31, 2022 and 2021, respectively. Receivables for expected insurance recoveries are included in other receivables and other assets in the consolidated balance sheets and total \$5,337 and \$4,896 at December 31, 2022 and 2021, respectively. An estimate for unreported incidents and losses is actuarially determined based on Medical Center-specific and industry experience data. The Company recorded an estimated liability for claims incurred but not reported of \$2,077 and \$1,655 at December 31, 2022 and 2021, respectively, within accounts payable and other accrued expenses in the accompanying consolidated balance sheets.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

17. Functional Expenses

The Company provides general health care services to residents within its geographic area. Expenses related to provision of these services for the years ended December 31, 2022 and 2021 were as follows:

	Health Care and Related Services	Program Support and General Services	Total
December 31, 2022			
Salaries and wages	\$ 190,818	\$ 24,857	\$ 215,675
Physician fees	11,055	1,177	12,232
Employee benefits	27,307	4,043	31,350
Supplies and other	176,307	27,291	203,598
Depreciation and amortization	17,395	3,955	21,350
Interest	1,157	181	1,338
Total	<u>\$ 424,039</u>	<u>\$ 61,504</u>	<u>\$ 485,543</u>
December 31, 2021			
Salaries and wages	\$ 176,919	\$ 22,968	\$ 199,887
Physician fees	10,402	1,107	11,509
Employee benefits	27,525	3,951	31,476
Supplies and other	176,198	25,363	201,561
Depreciation and amortization	17,175	3,579	20,754
Interest	1,838	268	2,106
Total	<u>\$ 410,057</u>	<u>\$ 57,236</u>	<u>\$ 467,293</u>

The financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated to a function-based units of service basis or are otherwise allocated based on revenue.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

18. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year:

	December 31	
	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 20,098	\$ 38,981
Patient accounts receivable, net	80,811	59,145
Investments	82,129	140,247
Pledges receivable, net	3,137	3,103
Assets limited as to use	17,656	19,933
Total financial assets at year-end	203,831	261,409
Less amounts not available to be used within one year:		
Net assets with donor restrictions beyond one year	10,564	11,774
Pledges receivable beyond one year and amounts restricted for specific purposes	2,417	2,407
Financial assets not available to be used within one year	12,981	14,181
Financial assets available to meet general expenditures within one year	\$ 190,850	\$ 247,228

The Company has certain donor restricted assets which are available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been included in the table above for financial assets to meet general expenditures within one year.

Additionally, the Company maintains a \$6,100 line of credit, as discussed in more detail in Note 8. As of December 31, 2022, \$6,100 remained available on the Medical Center's line of credit.

Holy Name Medical Center, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

19. Department of Education Title IV

During September 2019, the U.S. Department of Education issued regulations regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under the Title IV regulations. The information through the year ended December 31, 2022, is as follows (in thousands):

Property, plant, and equipment, net	
Property, plant, and equipment, net at December 31, 2021	\$ 164,466
Property, plant and equipment, net, acquired with debt during 2022	2,009
Property, plant and equipment, net, acquired without debt during 2022	7,208
Net change in construction in progress	19,619
Total property, plant and equipment, net at December 31, 2022	<u>\$ 193,302</u>
Long-term debt as of December 31, 2021	\$ 78,072
Long-term debt as of December 31, 2022	73,460
Total revenues and gains, net without donor restrictions	
Total operating revenue	537,196
Nonoperating gains and losses, net	3,501
Insurance recoveries related to storm	4,839
Gain on insurance proceeds	24,161
Total revenues and gains, net without donor restrictions	<u>\$ 569,697</u>
Nonoperating and net investment loss	
Estimated loss from flood	\$ 1,850
Change in net unrealized gains and losses on equity investments whose use is limited	8,220
Change in net unrealized gains and losses on other-than-trading investments whose use is limited	4,707
Nonoperating and net investment loss	<u>\$ 14,777</u>

20. Subsequent Events

Subsequent events have been evaluated through May 31, 2023, which is the date the consolidated financial statements were issued. Except as disclosed in Note 1, no subsequent events have occurred that require disclosure in or adjustment to the consolidated financial statements.

Supplementary Information

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Balance Sheet

December 31, 2022

	Holy Name Medical Center	Holy Name EMS	Holy Name Real Estate Corp.	Health Partner Services	Holy Name Health Care Foundation	HNH Fitness	MS Center	ACO	Harmony Health	Eliminations	Total
<i>(In Thousands)</i>											
Assets											
Current assets:											
Cash and cash equivalents	\$ 11,855	\$ 378	\$ 253	\$ 38	\$ 1,016	\$ 121	\$ 112	\$ 6,311	\$ 14	\$ -	\$ 20,098
Assets whose use is limited and that are required for current liabilities	3,362	-	-	-	3,730	-	-	-	-	-	7,092
Investments	81,688	-	-	-	441	-	-	-	-	-	82,129
Patient accounts receivable, net	79,912	537	-	-	-	-	362	-	-	-	80,811
Due from affiliates, net	51,675	-	-	-	-	-	-	-	-	(51,675)	-
Other receivables	4,002	150	57	-	1,133	14	553	-	-	-	5,909
Supplies	11,505	-	-	-	36	1	-	-	-	-	11,542
Prepaid expenses and other current assets	7,128	43	322	668	167	57	6	47	9	-	8,447
Total current assets	251,127	1,108	632	706	6,523	193	1,033	6,358	23	(51,675)	216,028
Assets whose use is limited, less current portion	3,956	-	-	-	6,608	-	-	-	-	-	10,564
Assets held by related organization	14,614	-	-	-	-	-	-	-	-	(14,614)	-
Property, plant, and equipment, net	160,118	439	28,023	65	-	4,639	18	-	-	-	193,302
Right-of-use assets	12,422	-	18,261	-	-	-	-	-	-	-	30,683
Other assets	56,835	-	607	-	2,418	-	-	-	-	-	59,860
Total assets	\$ 499,072	\$ 1,547	\$ 47,523	\$ 771	\$ 15,549	\$ 4,832	\$ 1,051	\$ 6,358	\$ 23	\$ (66,289)	\$ 510,437

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

	Holy Name Medical Center	Holy Name EMS	Holy Name Real Estate Corp.	Health Partner Services	Holy Name Health Care Foundation	HNH Fitness	MS Center	ACO	Harmony Health	Eliminations	Total
	<i>(In Thousands)</i>										
Liabilities and net assets (deficiency)											
Current liabilities:											
Accrued interest payable	\$ 121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121
Current installments of long-term debt	9,148	-	253	-	-	-	-	-	-	-	9,401
CMS advance, current portion	11,653	-	-	-	-	-	-	-	-	-	11,653
Operating lease liabilities, current portion	4,134	-	2,871	-	-	-	-	-	-	-	7,005
Accounts payable and accrued expenses	63,053	6,569	21,062	859	544	13,096	10,644	6,435	78	(51,675)	70,665
Accrued payroll and vacation	18,196	221	5	169	336	38	87	17	-	-	19,069
Due to third-party payers	3,910	-	-	-	-	-	-	-	-	-	3,910
Total current liabilities	110,215	6,790	24,191	1,028	880	13,134	10,731	6,452	78	(51,675)	121,824
Other liabilities	5,381	-	84	-	-	-	-	-	-	-	5,465
Long-term debt, excluding current installments	69,228	-	730	-	-	-	-	-	-	-	69,958
Operating lease liabilities, excluding current portion	8,292	-	19,489	-	-	-	-	-	-	-	27,781
Due to third-party payers, excluding current portion	7,945	-	-	-	-	-	-	-	-	-	7,945
Total liabilities	201,061	6,790	44,494	1,028	880	13,134	10,731	6,452	78	(51,675)	232,973
Commitments and contingencies											
Net assets (deficiency):											
Without donor restrictions	277,395	(5,243)	3,029	(257)	(1,598)	(8,302)	(9,680)	(94)	(55)	1,653	256,848
With donor restrictions	20,616	-	-	-	16,267	-	-	-	-	(16,267)	20,616
Total net assets (deficiency)	298,011	(5,243)	3,029	(257)	14,669	(8,302)	(9,680)	(94)	(55)	(14,614)	277,464
Total liabilities and net assets (deficiency)	\$ 499,072	\$ 1,547	\$ 47,523	\$ 771	\$ 15,549	\$ 4,832	\$ 1,051	\$ 6,358	\$ 23	\$ (66,289)	\$ 510,437

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended December 31, 2022

	Holy Name Medical Center	Holy Name EMS	Holy Name Real Estate Corp.	Health Partner Services	Holy Name Health Care Foundation	HNH Fitness	MS Center	ACO	Harmony Health	Eliminations	Total
	<i>(In Thousands)</i>										
Revenue:											
Net patient service revenue	\$ 493,380	\$ 3,905	\$ –	\$ –	\$ –	\$ –	\$ 834	\$ –	\$ –	\$ –	\$ 498,119
CARES Act Provider Relief Fund revenue	–	–	–	–	–	–	68	–	–	–	68
Other operating revenue	23,294	664	7,410	–	4,783	980	865	570	–	(722)	37,844
Net assets released from restriction for operations	285	–	–	–	880	–	–	–	–	–	1,165
Total revenue	516,959	4,569	7,410	–	5,663	980	1,767	570	–	(722)	537,196
Expenses:											
Salaries and wages	205,514	3,307	115	2,247	1,521	514	1,678	486	293	–	215,675
Physician fees	12,277	–	–	99	–	–	6	–	–	(150)	12,232
Employee benefits	29,120	644	21	681	256	102	321	180	25	–	31,350
Supplies and other	186,235	1,793	5,543	1,682	7,390	668	479	369	11	(572)	203,598
Depreciation and amortization	19,137	186	1,670	26	–	325	5	1	–	–	21,350
Interest	1,286	–	52	–	–	–	–	–	–	–	1,338
Total expenses	453,569	5,930	7,401	4,735	9,167	1,609	2,489	1,036	329	(722)	485,543
Income (loss) from operations	63,390	(1,361)	9	(4,735)	(3,504)	(629)	(722)	(466)	(329)	–	51,653
Nonoperating gains and losses, net	3,479	–	–	–	22	–	–	–	–	–	3,501
Insurance recoveries related to storm	4,839	–	–	–	–	–	–	–	–	–	4,839
Gain from insurance proceeds	24,161	–	–	–	–	–	–	–	–	–	24,161
Estimated loss related to storm	(1,850)	–	–	–	–	–	–	–	–	–	(1,850)
Impairment on split dollar life insurance	(2,505)	–	–	–	–	–	–	–	–	–	(2,505)
Change in net unrealized gains and losses on equity investments and assets whose use is limited	(8,220)	–	–	–	–	–	–	–	–	–	(8,220)
Change in net interest of Holy Name Health Care Foundation and Harmony Health	13,812	–	–	–	–	–	–	–	–	(13,812)	–
Excess (deficiency) of revenue over expenses	97,106	(1,361)	9	(4,735)	(3,482)	(629)	(722)	(466)	(329)	(13,812)	71,579
Net assets released from restriction for capital purposes	–	–	–	–	3,203	–	–	–	–	–	3,203
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	(4,701)	–	–	–	(6)	–	–	–	–	–	(4,707)
Transfers from (to) subsidiaries	(14,426)	–	–	–	14,426	–	–	–	–	–	–
Transfers (to) from affiliates	(72,690)	–	–	4,735	–	–	–	–	–	–	(67,955)
Increase (decrease) in net assets without donor restrictions	\$ 5,289	\$ (1,361)	\$ 9	\$ –	\$ 14,141	\$ (629)	\$ (722)	\$ (466)	\$ (329)	\$ (13,812)	\$ 2,120

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2022

	Holy Name Medical Center	Holy Name EMS	Holy Name Real Estate Corp.	Health Partner Services	Holy Name Health Care Foundation	HNH Fitness	MS Center	ACO	Harmony Health	Eliminations	Total
<i>(In Thousands)</i>											
Without donor restrictions											
Net assets as of the beginning of year	\$ 272,106	\$ (3,882)	\$ 3,020	\$ (257)	\$ (15,739)	\$ (7,673)	\$ (8,958)	\$ 372	\$ 274	\$ 15,465	\$ 254,728
Change in net assets without donor restrictions	5,289	(1,361)	9	-	14,141	(629)	(722)	(466)	(329)	(13,812)	2,120
Net assets as of end of year	<u>\$ 277,395</u>	<u>\$ (5,243)</u>	<u>\$ 3,029</u>	<u>\$ (257)</u>	<u>\$ (1,598)</u>	<u>\$ (8,302)</u>	<u>\$ (9,680)</u>	<u>\$ (94)</u>	<u>\$ (55)</u>	<u>\$ 1,653</u>	<u>\$ 256,848</u>
With donor restrictions											
Net assets as of beginning of year	\$ 22,621	\$ -	\$ -	\$ -	\$ 17,841	\$ -	\$ -	\$ -	\$ -	\$ (17,841)	\$ 22,621
Change in beneficial interest in Holy Name Health Care Foundation	(1,574)	-	-	-	-	-	-	-	-	1,574	-
Restricted investment gain and investment income	119	-	-	-	314	-	-	-	-	-	433
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	(444)	-	-	-	(1,517)	-	-	-	-	-	(1,961)
Net assets released from restriction for operations	(285)	-	-	-	(880)	-	-	-	-	-	(1,165)
Net assets released from restriction for capital purposes	-	-	-	-	(3,203)	-	-	-	-	-	(3,203)
Contributions	179	-	-	-	3,712	-	-	-	-	-	3,891
Change in net assets with donor restrictions	<u>(2,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,574</u>	<u>(2,005)</u>
Net assets as of end of year	<u>\$ 20,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,267)</u>	<u>\$ 20,616</u>

Financial Responsibility Supplemental
Schedule Related to U.S. Department
of Education Title IV Regulations

Holy Name Medical Center, Inc. and Subsidiaries

Financial Responsibility Supplemental Schedule

December 31, 2022

Reference to Financial Statements and/or Notes	Ratio Element	Amount <i>(In Thousands)</i>
Primary reserve ratio		
Expendable net assets:		
Consolidated balance sheets	Net assets without donor restrictions	\$ 256,848
Consolidated balance sheets	Net assets with donor restrictions	\$ 20,616
Note 12. Related-Party Transactions	Secured and unsecured related party receivable	\$ 19,545
Note 12. Related-Party Transactions	Unsecured related party receivable	\$ 19,545
Note 19. Department of Education Title IV	Property, plant and equipment, net, at December 31, 2021	\$ 164,466
Note 19. Department of Education Title IV	Property, plant and equipment, net, acquired with debt during 2022	2,009
Note 19. Department of Education Title IV	Property, plant and equipment, net, acquired without debt during 2022	7,208
Note 19. Department of Education Title IV	Net change in construction in progress	19,619
Note 19. Department of Education Title IV	Total property, plant and equipment, net, at December 31, 2022	<u>\$ 193,302</u>
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2021	\$ 32,750
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2022	\$ 30,683
Not applicable	Intangible assets	\$ –
Note 1. Summary of Significant Accounting Policies	Post-employment and pension liabilities	\$ 2,594
Note 19. Department of Education Title IV	Long-term debt – for long term purposes at December 31, 2021	\$ 78,072

Holy Name Medical Center, Inc. and Subsidiaries

Financial Responsibility Supplemental Schedule (continued)

Reference to Financial Statements and/or Notes	Ratio Element	Amount
		<i>(In Thousands)</i>
Primary reserve ratio (continued)		
Expendable net assets (continued):		
Note 19. Department of Education Title IV	Long-term debt – for long term purposes at December 31, 2022	\$ 73,460
Not applicable	Line of credit for construction in progress	\$ –
Note 9. Leases	Right-of-use liabilities at December 31, 2021	\$ 41,192
Note 9. Leases	Right-of-use liabilities at December 31, 2022	\$ 40,685
Not applicable	Annuities with donor restrictions	\$ –
Not applicable	Term endowments with donor restrictions	\$ –
Not applicable	Life income funds with donor restrictions	\$ –
Consolidated Statements of Changes in Net Assets	Net assets with donor restrictions: restricted in perpetuity	\$ 2,837
Total expenses and losses:		
Consolidated Statements of Operations	Total expenses without donor restrictions	\$ 485,543
Note 19. Department of Education Title IV	Nonoperating and net investment loss	\$ 14,777
Not applicable	Net investment loss	\$ –
Not applicable	Pension–related changes other than net periodic costs	\$ –

Holy Name Medical Center, Inc. and Subsidiaries

Financial Responsibility Supplemental Schedule (continued)

Reference to Financial Statements and/or Notes	Ratio Element	Amount <i>(In Thousands)</i>
Equity ratio		
Modified net assets:		
Consolidated Balance Sheets	Net assets without donor restrictions	\$ 256,848
Consolidated Balance Sheets	Net assets with donor restrictions	\$ 20,616
Not applicable	Intangible assets	\$ –
Note 12. Related-Party Transactions	Secured and unsecured related party receivable	\$ 19,545
Note 12. Related-Party Transactions	Unsecured related party receivable	\$ 19,545
Modified assets:		
Consolidated Balance Sheets	Total assets	\$ 510,437
Not applicable	Intangible assets	\$ –
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2021	\$ 32,750
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2022	\$ 30,683
Note 12. Related-Party Transactions	Secured and unsecured related party receivable	\$ 19,545
Note 12. Related-Party Transactions	Unsecured related party receivable	\$ 19,545

Holy Name Medical Center, Inc. and Subsidiaries

Financial Responsibility Supplemental Schedule (continued)

Reference to Financial Statements and/or Notes	Ratio Element	Amount
		<i>(In Thousands)</i>
Net income ratio		
Consolidated Statements of Operations	Change in net assets without donor restrictions	\$ 2,120
Note 19. Department of Education Title IV	Total revenues and gains, net without donor restrictions	\$ 569,697

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