Consolidated Financial Statements and Supplementary Information

Holy Name Medical Center, Inc. and Subsidiaries
Years Ended December 31, 2020 and 2019
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2020 and 2019

Contents

Ernst & Young LLP
99 Wood Avenue South
Metropark
P.O. Box 751
Iselin, NJ 08830-0471

Tel: +1 732 516 4200
Fax: +1 732 516 4429
ey.com

Building a better working world

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Holy Name Medical Center, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Holy Name Medical Center, Inc. and Subsidiaries at December 31, 2020 and 2019, and the consolidated results of their operations, changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2020, and the consolidating statements of operations and changes in net assets for the year then ended and the Financial Responsibility Supplemental Schedule as of December 31, 2020, as required by the U.S. Department of Education, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

May 27, 2021

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31	
	2020	**2019**
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 42,877**	$ 35,168
Assets whose use is limited and that are required for current liabilities	**8,777**	10,948
Investments	**161,977**	83,424
Patient accounts receivable, net	**48,602**	50,782
Other receivables	**4,163**	4,216
Supplies	**11,166**	9,233
Prepaid expenses and other current assets	**8,727**	7,039
Total current assets	**286,289**	200,810
Assets whose use is limited, less current portion	**11,916**	18,067
Property, plant, and equipment, net	**170,611**	147,184
Right-of-use assets	**30,416**	12,016
Other assets	**56,260**	37,384
Total assets	**$ 555,492**	$ 415,461
Liabilities and net assets		
Current liabilities:		
Accrued interest payable	**$ 691**	$ 1,340
Current installments of long-term debt	**8,831**	7,303
CMS advance, current portion	**8,137**	–
Operating lease liabilities, current portion	**5,419**	3,855
Accounts payable and other accrued expenses	**54,256**	37,593
Accrued payroll and vacation	**21,234**	19,129
Due to third-party payers	**5,946**	4,151
Total current liabilities	**104,514**	73,371
Other liabilities	**11,291**	15,382
Long-term debt, excluding current installments	**82,226**	77,218
CMS advance, excluding current portion	**40,686**	–
Operating lease liabilities, excluding current portion	**27,899**	8,134
Due to third-party payers, excluding current portion	**21,787**	15,075
Total liabilities	**288,403**	189,180
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	**246,572**	207,371
Net assets with donor restrictions	**20,517**	18,910
Total net assets	**267,089**	226,281
Total liabilities and net assets	**$ 555,492**	$ 415,461

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Statements of Operations

	Year Ended December 31 2020	2019
	(In Thousands)	
Revenue:		
Net patient service revenue	**$ 389,026**	$ 445,543
CARES Act Provider Relief Fund revenue	**83,407**	–
Other operating revenue	**22,976**	22,857
Net assets released from restriction for operations	**1,160**	1,509
Total revenue	**496,569**	469,909
Expenses:		
Salaries and wages	**181,639**	171,948
Physician fees	**11,059**	11,037
Employee benefits	**24,906**	34,059
Supplies and other	**175,724**	179,385
Depreciation and amortization	**19,032**	18,691
Interest	**2,841**	2,942
Total expenses	**415,201**	418,062
Income from operations	**81,368**	51,847
Non-operating (losses) and gains, net	**(2,202)**	2,249
Change in net unrealized gains and losses on equity investments and assets whose use is limited	**3,413**	5,600
Excess of revenue over expenses	**82,579**	59,696
Net assets released from restriction for capital purposes	**72**	2,020
Change in net unrealized gains and losses on fixed income investments and assets whose use is limited	**820**	2,043
Transfers to affiliates, net	**(44,270)**	(39,807)
Transfer of building from related party	**–**	665
Increase in net assets without donor restrictions	**$ 39,201**	$ 24,617

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions: Purpose and Time Restrictions	Net Assets with Donor Restrictions: Permanent Endowment	Net Assets with Donor Restrictions: Total Net Assets with Donor Restrictions	Total
			(In Thousands)		
Balance at January 1, 2019	$ 182,754	$ 17,139	$ 1,645	$ 18,784	$ 201,538
Excess of revenue over expenses	59,696	–	–	–	59,696
Restricted investment gain and investment income	–	353	–	353	353
Net assets released from restriction for capital purposes	2,020	(2,020)	–	(2,020)	–
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	2,043	999	–	999	3,042
Net assets released from restriction for operations	–	(1,509)	–	(1,509)	(1,509)
Transfers to affiliates, net	(39,807)	–	–	–	(39,807)
Transfer of building from related party	665	–	–	–	665
Contributions	–	2,303	–	2,303	2,303
Increase in net assets	24,617	126	–	126	24,743
Balance at December 31, 2019	207,371	17,265	1,645	18,910	226,281
Excess of revenue over expenses	**82,579**	**–**	**–**	**–**	**82,579**
Restricted investment gain and investment income	**–**	**319**	**–**	**319**	**319**
Net assets released from restriction for capital purposes	**72**	**(72)**	**–**	**(72)**	**–**
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	**820**	**773**	**–**	**773**	**1,593**
Net assets released from restriction for operations	**–**	**(1,160)**	**–**	**(1,160)**	**(1,160)**
Transfers to affiliates, net	**(44,270)**	**–**	**–**	**–**	**(44,270)**
Contributions	**–**	**1,747**	**–**	**1,747**	**1,747**
Increase in net assets	**39,201**	**1,607**	**–**	**1,607**	**40,808**
Balance at December 31, 2020	**$ 246,572**	**$ 18,872**	**$ 1,645**	**$ 20,517**	**$ 267,089**

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31 2020	2019
	(In Thousands)	
Operating activities		
Change in net assets	**$ 40,808**	$ 24,743
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**19,032**	18,691
Amortization of deferred financing costs and bond premium	**234**	110
Loss on fixed assets disposal and terminated projects	**5,246**	225
Loss on extinguishment of debt	**311**	–
Change in net unrealized gains and losses on investments and assets whose use is limited	**(4,082)**	(4,601)
Restricted contributions, investment and interest income	**(2,066)**	(2,656)
Transfers to affiliates, net	**44,270**	39,807
Transfer of building from related-party	**–**	(665)
Changes in operating assets and liabilities:		
Patient accounts receivable, net	**2,180**	(4,730)
Other current assets	**(3,568)**	(2,456)
Other assets	**(63,146)**	(44,706)
Change in right-of-use assets	**2,929**	(27)
Accounts payable and other accrued expenses	**16,663**	9,063
Accrued payroll and vacation	**2,105**	1,333
Due to third-party payers	**8,507**	2,320
Other liabilities	**(4,091)**	3,274
CMS advance	**48,823**	–
Accrued interest payable	**(649)**	(115)
Net cash provided by operating activities	**113,506**	39,610
Investing activities		
Acquisition of property and equipment, net	**(47,705)**	(25,961)
Net purchases and sales of assets whose use is limited and investments	**(66,045)**	(9,448)
Proceeds on sale of fixed assets	**–**	764
Net cash used in investing activities	**(113,750)**	(34,645)
Financing activities		
Payments on long-term debt and finance lease obligations	**(33,150)**	(7,754)
Proceeds from the issuance of debt	**39,356**	–
Payment of deferred financing costs for debt issuance	**(18)**	(124)
Restricted contributions and interest income	**2,066**	2,656
Net cash provided by (used in) financing activities	**8,254**	(5,222)
Net increase (decrease) in cash, cash equivalents and restricted cash	**8,010**	(257)
Cash, cash equivalents and restricted cash at beginning of year	**45,361**	45,618
Cash, cash equivalents and restricted cash at end of year	**$ 53,371**	$ 45,361
Reconciliation of cash, cash equivalents and restricted cash at end of year to the consolidated balance sheets		
Cash and cash equivalents	**$ 42,877**	$ 35,168
Assets limited as to use: cash and cash equivalents	**8,980**	8,750
Investments: cash and cash equivalents	**1,317**	1,443
Other assets: cash and cash equivalents	**197**	–
Total cash, cash equivalents and restricted cash	**$ 53,371**	$ 45,361
Supplemental disclosures of cash flow information		
Cash paid for interest, including capitalized interest	**$ 3,836**	$ 3,403
Asset acquired through finance lease obligation	**$ –**	$ 3,842
Transfer of building from related party	**$ –**	$ 665

See accompanying notes.

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 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 2020. 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 services for health care providers. Fitness Center is a limited liability company formed for the sole

1. Summary of Significant Accounting Policies (continued)

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 Medical Center and is reported at the amount that reflects the consideration to which the Medical Center 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.

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, tax-exempt municipal bonds, corporate bonds, 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 approximately $345,000 at December 31, 2020, 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 non-operating gains and losses, net, unless restricted by donor or law. 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. 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.

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 (approximately $1,418,000 and $1,863,000 at December 31, 2020 and 2019, 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, 2020 and 2019, amounts on deposit with trustees aggregated approximately $4,602,000 and $12,437,000, respectively. At December 31, 2020, there were no contributions payable and total liabilities under the plans were approximately $4,602,000. At December 31, 2019, contributions payable of approximately $161,000 was recorded as a liability and resulted in total liabilities under the plans of approximately $12,598,000. 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 2020, there were forfeitures of approximately $8,529,000 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 2020 and 2019, the Company contributed approximately $417,000 and $614,000, respectively, to these plans. For the years ended December 31, 2020 and 2019, the Company recorded investment income of approximately $1,085,000 and $2,010,000, respectively, as a component of other operating revenue. Changes to the liabilities for these plans are recorded in employee benefits expense.

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 sheet was approximately $27,080,000 at December 31, 2020.

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.

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, 2020 and 2019, the accumulated amortization for deferred financing costs was approximately $1,769,000 and $1,513,000, respectively. Unamortized deferred financing costs of approximately $455,000 and $785,000 at December 31, 2020 and 2019, 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.

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 non-operating items. Non-operating 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, 2020 and 2019, advertising costs totaled approximately $4,217,000 and $4,424,000, respectively.

Income Taxes

The Medical Center is a not-for-profit organization as listed in the Official Catholic Directory and is exempt from federal, state and local income taxes. The Foundation, MS Center, Realty, and EMS are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal, state and local income taxes. 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 for-profit corporations. Income tax expense associated with for-profit activities or unrelated income for the not-for-profit entities for 2020 and 2019 was not significant.

1. Summary of Significant Accounting Policies (continued)

COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the Coronavirus Disease 2019 (COVID-19) outbreak as a global pandemic. Federal, state and local government policies resulted in a substantial portion of the population remaining at home and forced the closure of certain businesses, which had an impact on the Company's patient volumes and revenues for most services. Through executive order, effective March 23, 2020, a New Jersey State Mandate was issued to suspend all non-essential medical and surgical procedures and suspended elective procedures, which resumed at different dates during the year ended December 31, 2020. During this time, the Company has also experienced significant price increases in, and utilization of, medical supplies, particularly personal protective equipment, as global supply lines were disrupted by the pandemic.

In response to COVID-19, the Coronavirus Aid, Relief and Economic Security Act (the 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 coronavirus, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to coronavirus 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. HHS distributions from the Provider Relief Fund include general distributions and targeted distributions, to support hospitals in high impact areas and rural providers, for service periods through December 31, 2020, and, if necessary, through June 30, 2021. HHS has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs) regarding the Provider Relief Fund distributions.

Additionally, 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 to reimburse health care entities for health care-related expenses or lost revenues attributable to COVID-19. The CAA also provided several changes to the administration of the Provider Relief Fund. The CAA clarified the methods available to calculate lost revenues and indicated that for any payment, including both general and targeted distributions, received by an eligible health care provider that is a subsidiary of a parent organization, the parent organization may allocate all or any portion of the distribution among any other eligible subsidiaries.

1. Summary of Significant Accounting Policies (continued)

Through December 31, 2020, the Company received and recognized approximately $83.4 million in funding which is included in CARES Act Provider Relief Fund revenue in the accompanying 2020 consolidated statement 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. Subsequent to December 31, 2020, a Post-Payment Notice of Reporting Requirements and additional FAQs have been released which have been considered in management's analysis. Management will continue to monitor communications from HHS applicable to the Provider Relief Fund distributions reporting and data submission requirements.

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 approximately $48.8 million of expedited payments for future services. The advance is scheduled to be recovered by Medicare commencing September 2021. Under the terms of the CMS accelerated payment program, the recovery of advances will commence in September 2021 (25% of submitted claims will be withheld for 11 months) and extend through January 2023 (50% of submitted claims will be withheld for the following six months), with any remaining balance due at that time and subject to interest. CMS advances under this program are included as a contract liability in CMS advance, current portion ($8,137,000) and CMS advance, excluding current portion ($40,686,000) at December 31, 2020, in the accompanying consolidated balance sheet.

Under the CARES Act, the Company has elected to defer the payment of the employer portion of social security taxes totaling approximately $7,229,000 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 amount expected to be paid in 2021 is recorded as accrued payroll and the remaining balance expected to be paid in 2022 is included in other liabilities in the accompanying consolidated balance sheet at December 31, 2020.

1. Summary of Significant Accounting Policies (continued)

The Company also applied for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. For the year ended December 31, 2020, there was no funding received through FEMA. The ultimate impact of FEMA to the Company is unknown.

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. The Company intends to claim the employee retention credit in 2021 when it has completed its calculations of the impact and reviewed the calculations with its tax advisors. The estimated impact of the credit is currently unknown.

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.

Recently Adopted Accounting Pronouncements

The FASB has amended certain guidance related to various disclosures in ASU 2018-09, *Codification Improvements*, and ASU 2018-13, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10)—Recognition and Measurement of Financial Assets and Financial Liabilities.* Among various provisions, ASU 2018-09 may result in additional assets included in an entity's fair value disclosure table if, among other criteria, net asset value has public visibility. ASU 2018-13 includes several disclosure changes involving transfers between the fair value levels and other updates related to fair value Level 3 investments. ASU 2018-13 also requires entities that use the practical expedient to measure the fair value of certain investments at their net asset values to disclose (1) the timing of liquidation of an investee's assets and (2) the date when redemption restrictions will lapse, but only if the investee has communicated this information to the entity or announced it publicly. The updates noted above have effective dates as follows with early adoption permitted: ASU 2018-09: fiscal years beginning after December 15, 2018, adopted by the Medical Center in 2019 with no significant impact; and ASU 2018-13: fiscal years beginning after December 15, 2019, adopted by the Medical Center in 2020 with no significant impact.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 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 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 Medical Center has not completed the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

2. Uncompensated Care and Community Benefit

The Medical Center'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 Medical Center, the Medical Center recognizes that not all individuals have the ability to pay for medically necessary services and, furthermore, the Medical Center's mission is to serve the community with respect to health care.

Therefore, in keeping with the Medical Center's commitment to serve members of the community, the Medical Center 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 Medical Center 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 Medical Center 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.

2. Uncompensated Care and Community Benefit (continued)

For patients who are deemed eligible for charity care and patients who apply and qualify for financial aid under the Medical Center's financial aid policy, care given but not paid for is classified as charity care. For the years ended December 31, 2020 and 2019, the estimated cost of charity care was approximately $19.2 million and $24.5 million, 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 for the years ended December 31, 2020 and 2019:

	2020	**2019**
	(In Thousands)	
Charity care at estimated cost[(a)]	**$ 3,754**	$ 3,913
Free care and reduced price medical care under the Medical Center's compassionate care program at estimated cost[(b)]	**3,015**	4,723
Implicit price concessions at estimated cost[(c)]	**12,411**	15,844
Total uncompensated care	**$ 19,180**	$ 24,480

[(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 Medical Center'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 approximately $360,000 and $473,000 for the years ended December 31, 2020 and 2019, respectively.

2. Uncompensated Care and Community Benefit (continued)

(b) *Free Care and Medical Center's Compassionate Care Program:* In addition to charity care reported under the DOH criteria, the Medical Center provides a significant amount of uncompensated care, which includes free care and care provided to patients at reduced prices. Beginning in 2009, the Medical Center 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 Medical Center'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 Medical Center'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 Medical Center 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.

The Medical Center 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 Medical Center 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 Medical Center's annual community service plan). The Medical

2. Uncompensated Care and Community Benefit (continued)

Center 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 Medical Center'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 Medical Center 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, 2020 and 2019, is approximately $21,452,000 and $13,978,000, 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 Medical Center expects to be entitled in exchange for providing patient care. The Medical Center 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 Medical Center believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Medical Center'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 Medical Center's standard charges. The Medical Center 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 Medical Center's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Medical Center determines the transaction price

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

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 Medical Center's historical collection experience for applicable patient portfolios.

Generally, the Medical Center 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 Medical Center. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Medical Center 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 Medical Center's outpatient settings. The Medical Center measures the performance obligation from admission into the Medical Center 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 Medical Center 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 Medical Center's in-house patients occurs within days or weeks after the end of the reporting period.

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 year ended December 31, 2020, changes in the Medical Center'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

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

portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense and the allowance for doubtful accounts as of and for the years ended December 31, 2020 and 2019, were not significant.

The Medical Center 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 for the years ended December 31, 2020 and 2019, is as follows (in thousands):

	2020	2019
Medicare, including managed care	**$ 138,770**	$ 164,031
Medicaid, including Medicaid pending and managed care	**41,345**	47,358
Managed care	**181,679**	210,196
Commercial and other	**22,143**	21,211
Self-pay	**5,089**	2,747
	$ 389,026	$ 445,543

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

Net patient service revenue disaggregated by lines of service for the years ended December 31, 2020 and 2019, is as follows (in thousands):

	2020	2019
Inpatient services	**$ 141,858**	$ 152,915
Outpatient services	**247,168**	292,628
	$ 389,026	$ 445,543

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

At December 31, 2020 and 2019, patient accounts receivable, net is comprised of the following components (in thousands):

	2020	2019
Patient receivables	**$ 39,720**	$ 40,753
Contract assets	**8,882**	10,029
	$ 48,602	$ 50,782

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 Medical Center 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 Medical Center’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 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, 2020 and 2019, there were no material amounts recognized as prior year estimates and third-party settlements.

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

Third-Party Payment Programs

The Medical Center 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 Medical Center 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 Medical Center also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Medical Center 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 2015, 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.

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

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

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 Medical Center'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 Medical Center. The Medical Center is not aware of any allegations of non-compliance 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 Medical Center 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 Medical Center. Additionally, certain payers' payment rates for various years have been appealed by the Medical Center. 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.

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.

4. Fair Value Measurements (continued)

- *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, 2020 and 2019, are classified in the table below in one of the three categories described above:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Assets:				
Cash and cash equivalents	**$ 53,371**	**$ –**	**$ –**	**$ 53,371**
Mutual funds – fixed income	**82,712**	**12,259**	**–**	**94,971**
Mutual funds – equity	**45,815**	**–**	**–**	**45,815**
Equities	**4,935**	**3,643**	**–**	**8,578**
Corporate bonds	**12,872**	**–**	**–**	**12,872**
Certificates of deposit	**2,486**	**–**	**–**	**2,486**
U.S. Government obligations	**11,751**	**–**	**–**	**11,751**
	$ 213,942	**$ 15,902**	**$ –**	**$ 229,844**

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Assets:				
Cash and cash equivalents	$ 46,982	$ –	$ –	$ 46,982
Mutual funds – fixed income	604	16,153	–	16,757
Mutual funds – equity	47,212	–	–	47,212
Equities	4,098	3,734	–	7,832
Corporate bonds	16,915	–	–	16,915
Certificates of deposit	2,510	–	–	2,510
Tax-exempt municipal bonds	–	4,925	–	4,925
U.S. Government obligations	16,275	–	–	16,275
	$ 134,596	$ 24,812	$ –	$ 159,408

The above tables do not include investments recorded based on the equity method of accounting.

4. Fair Value Measurements (continued)

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. Level 2 assets consist of certain fixed income securities for which the fair value at each year end is estimated based on quoted prices and other valuation considerations (e.g., credit quality and prevailing interest rates). 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.

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	
	2020	**2019**
	(In Thousands)	
By donors:		
Cash and cash equivalents	**$ 5,475**	$ 4,543
Mutual funds – fixed income	**979**	1,847
Mutual funds – equity	**6,139**	5,261
Equities	**434**	388
Corporate bonds	**1,654**	2,222
U.S. Government obligations	**689**	700
Alternative investments (equity method value)	**15**	34
Certificates of deposit	**1,791**	1,764
Accrued interest	**12**	19
	17,188	16,778
Under bond indenture agreements:		
Cash and cash equivalents	**3,505**	4,207
Tax-exempt municipal bonds	**–**	4,925
U.S. Government obligations	**–**	2,995
Accrued interest	**–**	110
	3,505	12,237
Total assets whose use is limited	**20,693**	29,015
Less assets whose use is limited and that are required for current liabilities	**8,777**	10,948
Noncurrent assets whose use is limited	**$ 11,916**	$ 18,067

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 2020	December 31 2019
	(In Thousands)	
Series 2020 Revenue Bonds:		
Debt service fund – principal	**$ 1,846**	$ –
Series 2016 Revenue Bonds:		
Debt service fund – interest	**611**	637
Debt service fund – principal	**1,048**	905
	1,659	1,542
Series 2010 Revenue Bonds:		
Debt service fund – interest	–	4,012
Debt service reserve fund	–	6,683
	–	10,695
Total under bond indenture agreements	**$ 3,505**	$ 12,237

Investment income on assets whose use is limited is included in other operating revenue and consists of the following:

	Year Ended December 31 2020	Year Ended December 31 2019
	(In Thousands)	
Interest and dividend income	**$ 91**	$ 412

The Company's gross unrealized losses of individual fixed income securities in 2020 and 2019 classified as assets whose use is limited were not significant at December 31, 2020 and 2019, 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	
	2020	**2019**
	(In Thousands)	
Cash and cash equivalents	**$ 1,317**	$ 1,443
Mutual funds – fixed income	**92,700**	13,285
Mutual funds – equity	**36,434**	32,467
Equities	**8,144**	7,444
Corporate bonds	**11,218**	14,693
U.S. Government obligations	**11,062**	12,580
Certificates of deposit	**695**	746
Alternative investments (equity method value)	**290**	602
Accrued interest	**117**	164
	$ 161,977	$ 83,424

Investment income included in non-operating gains and losses, net consists of the following:

	Year Ended December 31	
	2020	**2019**
	(In Thousands)	
Interest, dividend income, and gains and losses on investments	**$ 2,402**	$ 2,508
Losses from alternative investments	**(85)**	(638)
	$ 2,317	$ 1,870

At December 31, 2020 and 2019, 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	
	2020	**2019**
	(In Thousands)	
Land	**$ 13,503**	$ 11,408
Land improvements	**3,425**	3,431
Building and fixed equipment	**294,724**	293,646
Major movable equipment	**161,273**	162,411
	472,925	470,896
Less accumulated depreciation and amortization	**318,478**	326,751
	154,447	144,145
Construction-in-progress	**16,164**	3,039
Property and equipment, net	**$ 170,611**	$ 147,184

Depreciation and amortization expense for the years ended December 31, 2020 and 2019, was approximately $19,032,000 and $18,691,000, respectively.

During 2020 and 2019, the Medical Center capitalized approximately $437,000 and $346,000, respectively, of interest expense net of interest income related to certain construction projects.

Equipment financed through finance lease obligations is included in the amounts above. During 2020 and 2019, approximately $672,000 and $1,166,000, respectively, were amortized for this equipment.

During 2020 and 2019, the Medical Center recognized losses on fixed asset disposals and terminated projects of approximately $5,246,000 and $225,000, respectively. The losses on fixed asset disposals and terminated projects are recorded within the excess of revenue over expenses.

On January 1, 2019, the Corporation transferred a building to the Medical Center carrying a net book value of approximately $665,000. The transfer of the building was recognized as a common-control net asset transfer and is included within the increase in net assets without donor restrictions. The Corporation and the Medical Center also entered into a related finance lease on January 1,

7. Property, Plant, and Equipment (continued)

2019 for the land on which the building sits for approximately $3.8 million. The finance lease includes a bargain purchase option for the Medical Center following a 40-year overall lease term (including renewal periods at the option of the Medical Center).

8. Long-Term Debt

A summary of long-term debt at December 31, 2020 and 2019, follows:

	2020	2019
	(In Thousands)	
Series 2010 Bonds [(a)]	**$ –**	$ 28,715
Mortgage loans [(b)]	**1,567**	1,968
Series 2016 Bonds [(c)]	**47,175**	48,940
Series 2020 Bonds [(d)]	**19,100**	–
Taxable term loan [(e)]	**18,681**	–
Automobile loans [(f)]	**252**	–
Finance lease obligations – at rates varying from 2.2% to 3.0%, with varying maturities through 2058[(g)]	**4,737**	5,562
Total long-term debt	**91,512**	85,185
Unamortized bond premium, net of accumulated amortization of $570 in 2019	**–**	121
Less: deferred financing costs, net	**455**	785
Less: current portion of long-term debt	**8,831**	7,303
Long-term debt, net of current portion	**$ 82,226**	$ 77,218

(a) *Holy Name Medical Center* – In 2010, the New Jersey Health Care Facilities Financing Authority (the Authority) issued $55,280,000 of Series 2010 Bonds on behalf of the Medical Center with a net premium of approximately $691,000. The proceeds of the financing were used as follows: (i) to refund the Series 1997 and 2008 revenue bonds; (ii) payment of capital expenditures relating to Medical Center facilities; (iii) funding of the Debt Service Reserve Fund for the Series 2010 Bonds; and (iv) the payment of certain costs of issuance of the Series 2010 Bonds. During July 2020, the principal

8. Long-Term Debt (continued)

amount and interest of bonds were paid in full with proceeds from the issuance of the Series 2020 Bonds. See note (d) below for further information on the Series 2020 bonds.

(b) *Holy Name Real Estate Corporation* – Realty entered into a $1,501,000 mortgage loan (721-725 Teaneck Avenue; the Teaneck property) with annual interest of 3.75% and monthly payments from July 1, 2011 through June 1, 2021. The loan is collateralized by the Teaneck property. The proceeds of the mortgage were used to repay the mortgage balances of two other properties owned by Realty. At December 31, 2020, the principal balance outstanding was $90,000.

On August 25, 2016, Realty entered into an agreement to purchase property (699 Teaneck Road; the Teaneck Road property) for approximately $3,570,000. Realty entered into a $2,380,000 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, 2020, the principal balance outstanding was $1,477,000.

These mortgage loans are guaranteed by the Medical Center.

(c) *Holy Name Medical Center* – In 2016, the Authority issued $39,425,000 and $15,000,000 of Series 2016A and Series 2016B Bonds, respectively, on behalf of the Medical Center. The proceeds of the financing were used to fund and pay in full the 2006 Debt Service Reserve Fund, the 2006 Debt Service Principal Fund, and the 2006 Debt Service Interest Fund of the Series 2006 Bonds. At December 31, 2020, the Series 2016A Bonds consist of $36,680,000, maturing annually through July 1, 2030, with an interest rate of 2.63%, and the Series 2016B Bonds consist of $10,495,000 in bonds, maturing annually through July 1, 2026, with an interest rate of 2.45%. 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 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 $19,100,000 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

8. Long-Term Debt (continued)

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, 2020, the Series 2020 Bonds consist of $19,100,000, 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.

(e) *Holy Name Medical Center* – On February 14, 2020, the Medical Center entered into a taxable term loan with TD Bank for $20,000,000. 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, 2020, the taxable term loan principal outstanding balance was $18,681,000. The loan is collateralized by a pledge of gross receipts and a first mortgage lien on certain land, buildings and equipment.

(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, 2020, the principal balances outstanding were $252,000.

(g) Holy Name Medical Center – The Medical Center entered into finance lease obligations for the following (collectively, the finance leases):

i. $732,105 Toshiba America Medical Credit lease obligation for Toshiba Prime 80 CT Scanner, with an interest rate of 2.2% and monthly payments from March 10, 2016 through February 10, 2021.

ii. $1,417,819 Toshiba America Medical Credit lease obligation for Toshiba Aquilion ONE 640 CT Scanner, with an interest rate of 2.2% and monthly payments from May 10, 2016 through April 10, 2021.

iii. $141,338 Karl Storz lease obligation for Rigid Scopes, with an interest rate of 1.5% and monthly payments from July 7, 2017 through June 7, 2020. This lease obligation was fully paid at December 31, 2020

iv. $1,751,000 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.

8. Long-Term Debt (continued)

v. $3,842,000 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.

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
	(In Thousands)					
2021	$ 6,190	$ 324	$ 1,803	$ 60	$ 454	$ 8,831
2022	6,335	243	1,852	62	380	8,872
2023	6,195	253	1,903	62	110	8,523
2024	6,450	263	1,953	35	20	8,721
2025	6,305	273	2,008	33	23	8,642
Thereafter	34,800	211	9,162	-	3,750	47,923
	$ 66,275	$ 1,567	$ 18,681	$ 252	$ 4,737	$ 91,512

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, 2020 and 2019, the Company was in compliance with these financial covenants.

The Medical Center has an unsecured line of credit for $11,100,000, with an expiration date of August 31, 2021. At December 31, 2020, 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.

9. Leases (continued)

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.

9. Leases (continued)

The following schedule summarizes information related to the lease assets and liabilities as of and for the years ended December 31 (in thousands):

	2020	2019
Lease cost		
Finance lease cost:		
Amortization of right-of-use assets	**$ 672**	$ 1,116
Interest on lease liabilities	**149**	173
Operating lease cost	**5,331**	3,931
Short-term lease cost	**810**	953
Variable lease cost	**–**	–
Sublease income	**(2,173)**	(1,917)
Total lease cost	**$ 4,789**	$ 4,256
Right-of-use assets		
Right-of-use assets – finance leases	**$ 5,260**	$ 5,933
Right-of-use assets – operating leases	**30,416**	12,016
Total right-of-use assets	**$ 35,676**	$ 17,949
Right-of-use liabilities		
Right-of-use liabilities – finance leases	**$ 4,737**	$ 5,562
Right-of-use liabilities – operating leases	**33,318**	11,989
Total right-of-use liabilities	**$ 38,055**	$ 17,551
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	**$ 149**	$ 173
Operating cash flows from operating leases	**4,809**	3,994
Financing cash flows from finance leases	**825**	1,511
Weighted-average remaining lease term – finance leases	**31 years**	27.54 years
Weighted-average remaining lease term – operating leases	**8.00 years**	3.50 years
Weighted-average discount rate – finance leases	**2.93%**	2.88%
Weighted-average discount rate – operating leases	**1.05%**	2.26%

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, 2020 (in thousands):

	Finance Leases	Operating Leases
2021	$ 586	$ 5,659
2022	501	5,971
2023	223	4,604
2024	132	3,697
2025	135	2,711
Thereafter	6,137	11,802
Total lease payments	7,714	34,444
Less imputed interest	2,977	1,126
Total lease obligations	4,737	33,318
Less current portion	454	5,419
Long-term portion	$ 4,283	$ 27,899

Rental expense to unrelated parties approximated $7,221 and $5,819 in 2020 and 2019, respectively.

10. Pension Plan

In June 1997, the Medical Center 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 pre-tax basis, not to exceed IRS limitations of $19,500 in 2020 and $19,000 in 2019. All pre-tax contributions are 100% vested by the employee. The Medical Center matches 50% of the first 6% of employee contributions. In addition, the Medical Center may

10. Pension Plan (continued)

contribute on behalf of each employee an additional 1% of his/her salary, at the Medical Center's discretion. The Medical Center and its subsidiaries contributed approximately $4,189,000 and $3,990,000 into the plan in 2020 and 2019, respectively.

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	
	2020	**2019**
	(In Thousands)	
Scholarships for nursing students, program and department expenses, educational training, special projects and purchase of equipment	**$ 2,666**	$ 2,613
Medical staff continuing education and special projects	**380**	379
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	**11,641**	10,328
Funds held by the Foundation on behalf of the Medical Center to support the School of Nursing	**2,049**	2,020
Funds held by the Foundation, on behalf of CRUDEM	**275**	212
Funding for hemodialysis services	**1,861**	1,713
	$ 18,872	$ 17,265

11. Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions include permanent endowments that have been restricted by donors to be maintained in perpetuity and invested by the Medical Center, the income of which is expendable to support health care services. During 2020 and 2019, no endowments were received by the Medical Center. As of December 31, 2020, there were no pledge receivables.

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

	December 31 2020	2019
	(In Thousands)	
Funds held by the Foundation, on behalf of the Medical Center to support Villa Marie Claire	**$ 1,572**	$ 1,572
Funds held by the Foundation on behalf of the Medical Center to support the MS Center	**63**	63
Funds held by the Foundation on behalf of CRUDEM	**10**	10
	$ 1,645	$ 1,645

During 2020 and 2019, approximately $1,232,000 and $3,529,000 of net assets, including amounts raised in 2020, 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

12. Related-Party Transactions (continued)

based upon the results of their operations and other circumstances. The Medical Center has assessed the operations of the Physician Network at December 31, 2020 and 2019, and determined that approximately $44,270,000 and $39,807,000, respectively, of amounts due from certain members of the Physician Network would not be repaid and accounted for such amounts as transfers to affiliates. The net amounts due from the Physician Network were approximately $15,095,000 and $15,307,000 at December 31, 2020 and 2019, 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	
	2020	**2019**
	(In Thousands)	
Total revenue	**$ 4,398**	$ 4,890
Total expenses	**(4,187)**	(4,124)
Excess of revenue over expenses	**$ 211**	$ 766

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, 2020 and 2019, 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.

15. Concentrations of Credit Risk

The Medical Center 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	
	2020	**2019**
Medicare and Medicaid	**24%**	28%
Blue Cross	**14**	11
Managed care	**40**	37
Other third-party payers (none over 10%)	**21**	15
Self-pay	**1**	9
	100%	100%

16. Accrued Malpractice Claims

The Medical Center purchases first dollar coverage for professional and general liability insurance coverage. The Medical Center has a claims-made policy with a commercial insurance carrier for malpractice. The policy covers $1 million per occurrence and $3 million in the aggregate. In addition, the Medical Center purchased additional excess coverage for amounts up to $10 million. Estimated liabilities relating to asserted and unasserted claims are recorded by the Medical Center as reserve for insurance claims within accounts payable and accrued expenses and other liabilities in the consolidated balance sheets and total approximately $4,140,000 at December 31, 2020 and 2019, respectively. Receivables for expected insurance recoveries are included in other receivables and other assets in the consolidated balance sheets and total approximately $4,140,000 at December 31, 2020 and 2019, respectively. An estimate for unreported incidents and losses is actuarially determined based on Medical Center-specific and industry experience data. The Medical Center recorded an estimated liability for claims incurred but not reported of approximately $1,538,000 at December 31, 2020 and 2019, respectively within accounts payable and accrued expenses.

17. Functional Expenses

The Medical Center provides general health care services to residents within its geographic area. Expenses related to provision of these services for the years ended December 31, 2020 and 2019 were as follows:

	Health Care and Related Services	Program Support and General Services	Total
		(In Thousands)	
December 31, 2020			
Salaries and wages	**$ 161,060**	**$ 20,579**	**$ 181,639**
Physician fees	**9,998**	**1,061**	**11,059**
Employee benefits	**21,790**	**3,116**	**24,906**
Supplies and other	**155,206**	**20,518**	**175,724**
Depreciation and amortization	**16,134**	**2,898**	**19,032**
Interest	**2,483**	**358**	**2,841**
Total	**$ 366,671**	**$ 48,530**	**$ 415,201**

	Health Care and Related Services	Program Support and General Services	Total
		(In Thousands)	
December 31, 2019			
Salaries and wages	$ 111,739	$ 60,209	$ 171,948
Physician fees	7,319	3,718	11,037
Employee benefits	22,054	12,005	34,059
Supplies and other	115,242	64,143	179,385
Depreciation and amortization	11,658	7,033	18,691
Interest	1,876	1,066	2,942
Total	$ 269,888	$ 148,174	$ 418,062

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.

18. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year at December 31:

	2020	2019
	(In Thousands)	
Financial assets at year-end:		
Cash and cash equivalents	**$ 42,877**	$ 35,168
Patient accounts receivable, net	**48,602**	50,782
Investments	**161,977**	83,424
Pledges receivable, net	**1,418**	1,863
Assets limited as to use	**20,693**	29,015
Total financial assets at year-end	**$ 275,567**	$ 200,252
Less amounts not available to be used within one year:		
Net assets with donor restrictions beyond one year	**$ 11,916**	$ 12,426
Funds held by trustee	**–**	5,641
Pledges receivable beyond one year and amounts restricted for specific purposes	**751**	1,298
Financial assets not available to be used within one year	**12,667**	19,365
Financial assets available to meet general expenditures within one year	**$ 262,900**	$ 180,887

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. The Company has other assets limited to use which are donor restricted or earmarked for debt service purposes. Those assets, which are described further in Note 5 are not available for general expenditure within the next year.

Additionally, the Company maintains an $11.1 million line of credit, as discussed in more detail in Note 8. As of December 31, 2020, $11.1 million remained available on the Medical Center's line of credit.

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, 2020, is as follows (in thousands):

Property, plant, and equipment, net		
Property, plant, and equipment, net at December 31, 2019	$	147,184
Property, plant and equipment, net, acquired with debt during 2020		257
Property, plant and equipment, net, acquired without debt during 2020		10,045
Net change in construction in progress		13,125
Total property, plant and equipment, net at December 31, 2020		170,611
Long-term debt as of December 31, 2019		78,959
Long-term debt as of December 31, 2020		86,320
Total revenues and gains, net without donor restrictions		
Total operating revenue		496,569
Interest income and realized gains		2,317
Change in net unrealized gains and losses on equity investments whose use is limited		3,413
Change in net unrealized gains and losses on other than trading investments whose use is limited		820
Total revenues and gains, net without donor restrictions	$	503,119

20. Subsequent Events

Subsequent events have been evaluated through May 27, 2021, 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, 2020

	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
						(In Thousands)					
Assets											
Current assets:											
Cash and cash equivalents	$ 38,047	$ 397	$ 297	$ 80	$ 2,985	$ 13	$ 91	$ 957	$ 10	$ –	$ 42,877
Assets who use is limited and that are required for current liabilities	3,505	–	–	–	5,272	–	–	–	–	–	8,777
Investments	161,612	–	–	–	365	–	–	–	–	–	161,977
Patient accounts receivable, net	48,444	43	–	–	–	–	115	–	–	–	48,602
Due from affiliates, net	51,224	–	–	–	–	–	–	–	625	(51,849)	–
Other receivables	2,888	323	104	1	676	–	171	–	–	–	4,163
Supplies	11,116	–	–	–	49	1	–	–	–	–	11,166
Prepaid expenses and other current assets	7,852	33	209	372	153	70	8	17	13	–	8,727
Total current assets	324,688	796	610	453	9,500	84	385	974	648	(51,849)	286,289
Assets whose use is limited, less current portion	4,364	–	–	–	7,552	–	–	–	–	–	11,916
Assets held by related organization	4,332	–	–	–	–	–	–	–	–	(4,332)	–
Property, plant, and equipment, net	146,265	309	19,533	63	1	4,409	29	2	–	–	170,611
Right-of-use assets	12,311	–	18,105	–	–	–	–	–	–	–	30,416
Other assets	54,932	–	577	–	751	–	–	–	–	–	56,260
Total assets	$ 546,892	$ 1,105	$ 38,825	$ 516	$ 17,804	$ 4,493	$ 414	$ 976	$ 648	$ (56,181)	$ 555,492

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

December 31, 2020

	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
						(In Thousands)					
Liabilities and net assets (deficiency)											
Current liabilities:											
Accrued interest payable	$ 691	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 691
Current installments of long-term debt	8,507	–	324	–	–	–	–	–	–	–	8,831
CMS advance, current portion	8,137	–	–	–	–	–	–	–	–	–	8,137
Operating lease liabilities, current portion	3,829	–	1,590	–	–	–	–	–	–	–	5,419
Accounts payable and accrued expenses	52,990	4,457	11,990	596	13,823	11,498	8,082	2,648	21	(51,849)	54,256
Accrued payroll and vacation	20,298	276	2	177	276	32	159	14	–	–	21,234
Due to third-party payers	5,946	–	–	–	–	–	–	–	–	–	5,946
Total current liabilities	100,398	4,733	13,906	773	14,099	11,530	8,241	2,662	21	(51,849)	104,514
Other liabilities	11,186	–	105	–	–	–	–	–	–	–	11,291
Long-term debt, excluding current installments	81,023	–	1,203	–	–	–	–	–	–	–	82,226
CMS advance, excluding current portion	40,686	–	–	–	–	–	–	–	–	–	40,686
Operating lease liabilities, excluding current portion	8,424	–	19,475	–	–	–	–	–	–	–	27,899
Due to third-party payers, excluding current portion	21,787	–	–	–	–	–	–	–	–	–	21,787
Total liabilities	263,504	4,733	34,689	773	14,099	11,530	8,241	2,662	21	(51,849)	288,403
Commitments and contingencies											
Net assets (deficiency):											
Without donor restrictions	262,871	(3,628)	4,136	(257)	(11,905)	(7,037)	(7,827)	(1,686)	627	11,278	246,572
With donor restrictions	20,517	–	–	–	15,610	–	–	–	–	(15,610)	20,517
Total net assets (deficiency)	283,388	(3,628)	4,136	(257)	3,705	(7,037)	(7,827)	(1,686)	627	(4,332)	267,089
Total liabilities and net assets (deficiency)	$ 546,892	$ 1,105	$ 38,825	$ 516	$ 17,804	$ 4,493	$ 414	$ 976	$ 648	$ (56,181)	$ 555,492

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended December 31, 2020

(In Thousands)

	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
Revenue:											
Net patient service revenue	$ 385,347	$ 3,093	$ –	$ –	$ –	$ –	$ 586	$ –	$ –	$ –	$ 389,026
CARES Act provider relief fund revenue	82,988	378	–	–	–	–	41	–	–	–	83,407
Other operating revenue	13,479	327	4,885	–	4,564	600	507	456	6	(1,848)	22,976
Net assets released from restriction for operations	256	–	–	–	904	–	–	–	–	–	1,160
Total revenue	482,070	3,798	4,885	–	5,468	600	1,134	456	6	(1,848)	496,569
Expenses:											
Salaries and wages	173,846	2,535	128	1,416	1,116	286	1,459	550	303	–	181,639
Physician fees	11,103	–	–	100	–	–	6	–	–	(150)	11,059
Employee benefits	23,286	457	24	441	171	51	297	158	21	–	24,906
Supplies and other	167,458	1,297	3,771	384	3,293	514	403	258	44	(1,698)	175,724
Depreciation and amortization	17,804	115	770	59	1	261	7	14	1	–	19,032
Interest	2,759	–	82	–	–	–	–	–	–	–	2,841
Total expenses	396,256	4,404	4,775	2,400	4,581	1,112	2,172	980	369	(1,848)	415,201
Income (loss) from operations	85,814	(606)	110	(2,400)	887	(512)	(1,038)	(524)	(363)	–	81,368
Non-operating (losses) and gains, net	(1,541)	–	(661)	–	–	–	–	–	–	–	(2,202)
Change in net unrealized gains and losses on equity investments and assets whose use is limited	3,413	–	–	–	–	–	–	–	–	–	3,413
Change in net interest of Holy Name Health Care Foundation and Harmony Health	(1,193)	–	–	–	–	–	–	–	–	1,193	–
Excess (deficiency) of revenue over expenses	86,493	(606)	(551)	(2,400)	887	(512)	(1,038)	(524)	(363)	1,193	82,579
Net assets released from restriction for capital purposes	1	–	–	–	71	–	–	–	–	–	72
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	820	–	–	–	–	–	–	–	–	–	820
Transfers from (to) subsidiaries	1,788	–	–	–	(1,788)	–	–	–	–	–	–
Transfers (to) from affiliates	(46,670)	–	–	2,400	–	–	–	–	–	–	(44,270)
Increase (decrease) in net assets without donor restrictions	$ 42,432	$ (606)	$ (551)	$ –	$ (830)	$ (512)	$ (1,038)	$ (524)	$ (363)	$ 1,193	$ 39,201

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2020

	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
						(In Thousands)					
Without donor restrictions											
Net assets as of the beginning of year	$ 220,439	$ (3,022)	$ 4,687	$ (257)	$ (11,075)	$ (6,525)	$ (6,789)	$ (1,162)	$ 990	$ 10,085	$ 207,371
Change in net assets without donor restrictions	42,432	(606)	(551)	–	(830)	(512)	(1,038)	(524)	(363)	1,193	39,201
Net assets as of end of year	$ 262,871	$ (3,628)	$ 4,136	$ (257)	$ (11,905)	$ (7,037)	$ (7,827)	$ (1,686)	$ 627	$ 11,278	$ 246,572
With donor restrictions											
Net assets as of beginning of year	$ 18,910	$ –	$ –	$ –	$ 14,207	$ –	$ –	$ –	$ –	$ (14,207)	$ 18,910
Change in beneficial interest in Holy Name Health Care Foundation	1,403	–	–	–	–	–	–	–	–	(1,403)	–
Restricted investment gain and investment income	85	–	–	–	234	–	–	–	–	–	319
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	175	–	–	–	598	–	–	–	–	–	773
Net assets released from restriction for operations	(256)	–	–	–	(904)	–	–	–	–	–	(1,160)
Net assets released from restriction for capital purposes	(1)	–	–	–	(71)	–	–	–	–	–	(72)
Contributions	201	–	–	–	1,546	–	–	–	–	–	1747
Change in net assets with donor restrictions	1,607	–	–	–	1,403	–	–	–	–	(1,403)	1,607
Net assets as of end of year	$ 20,517	$ –	$ –	$ –	$ 15,610	$ –	$ –	$ –	$ –	$ (15,610)	$ 20,517

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, 2020

Reference to Financial Statements and/or Notes	Ratio Element	Amount *(In Thousands)*
Primary reserve ratio:		
Expendable net assets:		
Consolidated balance sheets	Net assets without donor restrictions	$ 246,572
Consolidated balance sheets	Net assets with donor restrictions	$ 20,517
Note 12. Related-Party Transactions	Secured and unsecured related party receivable	$ 15,095
Note 12. Related-Party Transactions	Unsecured related party receivable	$ 15,095
Note 19. Department of Education Title IV	Property, plant and equipment, net, at December 31, 2019	$ 147,184
Note 19. Department of Education Title IV	Property, plant and equipment, net, acquired with debt during 2020	257
Note 19. Department of Education Title IV	Property, plant and equipment, net, acquired without debt during 2020	10,045
Note 19. Department of Education Title IV	Net change in construction in progress	13,125
Note 19. Department of Education Title IV	Total property, plant and equipment, net, at December 31, 2020	$ 170,611
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2019	$ 12,016
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2020	$ 30,416
Not applicable	Intangible assets	$ –
Note 1. Summary of Significant Accounting Policies	Post-employment and pension liabilities	$ 4,602
Note 19. Department of Education Title IV	Long-term debt – for long term purposes at December 31, 2019	$ 78,959

Reference to Financial Statements and/or Notes	Ratio Element	Amount *(In Thousands)*
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, 2020	$ 86,320
Not applicable	Line of credit for construction in progress	$ –
Note 9. Leases	Right-of-use liabilities at December 31, 2019	$ 17,551
Note 9. Leases	Right-of-use liabilities at December 31, 2020	$ 38,055
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	$ 1,645
Total expenses and losses:		
Consolidated Statements of Operations	Total expenses without donor restrictions	$ 415,201
Consolidated Statements of Operations	Non-operating and net investment (loss)	$ (2,202)
Not applicable	Net investment loss	$ –
Not applicable	Pension-related changes other than net periodic costs	$ –

Reference to Financial Statements and/or Notes	Ratio Element		Amount *(In Thousands)*
Equity ratio:			
Modified net assets:			
Consolidated Balance Sheets	Net assets without donor restrictions	$	246,572
Consolidated Balance Sheets	Net assets with donor restrictions	$	20,517
Not applicable	Intangible assets	$	–
Note 12. Related-Party Transactions	Secured and unsecured related party receivable	$	15,095
Note 12. Related-Party Transactions	Unsecured related party receivable	$	15,095
Modified assets:			
Consolidated Balance Sheets	Total assets	$	555,492
Not applicable	Intangible assets	$	–
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2019	$	12,016
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2020	$	30,416
Note 12. Related-Party Transactions	Secured and unsecured related party receivable	$	15,095
Note 12. Related-Party Transactions	Unsecured related party receivable	$	15,095

Holy Name Medical Center, Inc. and Subsidiaries

Financial Responsibility Supplemental Schedule (continued)

Reference to Financial Statements and/or Notes	Ratio Element	Amount *(In Thousands)*
Net income ratio:		
Consolidated Statements of Operations	Change in net assets without donor restrictions	$ 39,201
Note 19. Department of Education Title IV	Total revenues and gains, net without donor restrictions	$ 503,119

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

ey.com