Consolidated Financial Statements and Supplementary Information

Holy Name Medical Center, Inc. and Subsidiaries
Years Ended December 31, 2021 and 2020
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, 2021 and 2020

Contents

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Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Holy Name Medical Center, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2021, and consolidating statements of operations and changes in net assets for the year then ended, and the Financial Responsibility Supplemental Schedule as of and for the year ended December 31, 2021, as required by the U.S. Department of Education, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

May 31, 2022

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31 2021	December 31 2020
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 38,981**	$ 42,877
Assets whose use is limited and that are required for current liabilities	**8,159**	8,777
Investments	**140,247**	161,977
Patient accounts receivable, net	**59,145**	48,602
Other receivables	**11,431**	4,163
Supplies	**11,379**	11,166
Prepaid expenses and other current assets	**7,191**	8,727
Total current assets	**276,533**	286,289
Assets whose use is limited, less current portion	**11,774**	11,916
Property, plant, and equipment, net	**164,466**	170,611
Right-of-use assets	**32,750**	30,416
Other assets	**60,789**	56,260
Total assets	**$ 546,312**	$ 555,492
Liabilities and net assets		
Current liabilities:		
Accrued interest payable	**$ 137**	$ 691
Current installments of long-term debt	**9,427**	8,831
CMS advance, current portion	**36,651**	8,137
Operating lease liabilities, current portion	**7,144**	5,419
Accounts payable and other accrued expenses	**59,714**	54,256
Accrued payroll and vacation	**21,877**	21,234
Due to third-party payers	**5,744**	5,946
Total current liabilities	**140,694**	104,514
Other liabilities	**5,534**	11,291
Long-term debt, excluding current installments	**72,928**	82,226
CMS advance, excluding current portion	**5,311**	40,686
Operating lease liabilities, excluding current portion	**29,765**	27,899
Due to third-party payers, excluding current portion	**14,731**	21,787
Total liabilities	**268,963**	288,403
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	**254,728**	246,572
Net assets with donor restrictions	**22,621**	20,517
Total net assets	**277,349**	267,089
Total liabilities and net assets	**$ 546,312**	$ 555,492

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Statements of Operations

	Year Ended December 31	
	2021	**2020**
	(In Thousands)	
Revenue:		
Net patient service revenue	**$ 475,896**	$ 389,026
CARES Act Provider Relief Fund revenue	**1,534**	83,407
Other operating revenue	**43,686**	22,976
Net assets released from restriction for operations	**1,101**	1,160
Total revenue	**522,217**	496,569
Expenses:		
Salaries and wages	**199,887**	181,639
Physician fees	**11,509**	11,059
Employee benefits	**31,476**	24,906
Supplies and other	**201,561**	175,724
Depreciation and amortization	**20,754**	19,032
Interest	**2,106**	2,841
Total expenses	**467,293**	415,201
Income from operations	**54,924**	81,368
Nonoperating gains and losses, net	**10,232**	(2,202)
Insurance recoveries related to storm (*Note 1*)	**18,104**	–
Estimated loss related to storm (*Note 1*)	**(21,093)**	–
Change in net unrealized gains and losses on equity investments and assets whose use is limited	**(2,423)**	3,413
Excess of revenue over expenses	**59,744**	82,579
Net assets released from restriction for capital purposes	**4,695**	72
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	**(1,349)**	820
Transfers to affiliates, net	**(54,934)**	(44,270)
Increase in net assets without donor restrictions	**$ 8,156**	$ 39,201

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

		Net Assets With Donor Restrictions			
	Net Assets Without Donor Restrictions	**Purpose and Time Restrictions**	**Permanent Endowment**	**Total Net Assets With Donor Restrictions**	**Total**
			(In Thousands)		
Balance at January 1, 2020	$ 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
Excess of revenue over expenses	**59,744**	**–**	**–**	**–**	**59,744**
Restricted investment gain and investment income	**–**	**648**	**33**	**681**	**681**
Net assets released from restriction for capital purposes	**4,695**	**(4,695)**	**–**	**(4,695)**	**–**
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	**(1,349)**	**(91)**	**–**	**(91)**	**(1,440)**
Net assets released from restriction for operations	**–**	**(1,101)**	**–**	**(1,101)**	**(1,101)**
Transfers to affiliates, net	**(54,934)**	**–**	**–**	**–**	**(54,934)**
Contributions	**–**	**6,924**	**386**	**7,310**	**7,310**
Increase in net assets	**8,156**	**1,685**	**419**	**2,104**	**10,260**
Balance at December 31, 2021	**$ 254,728**	**$ 20,557**	**$ 2,064**	**$ 22,621**	**$ 277,349**

See accompanying notes.

Holy Name Medical Center, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31 2021	2020
	(In Thousands)	
Operating activities		
Change in net assets	**$ 10,260**	$ 40,808
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**20,754**	19,032
Amortization of deferred financing costs	**160**	234
Loss on fixed assets disposal and terminated projects	**14,624**	5,246
Loss on extinguishment of debt	**296**	311
Net realized and change in net unrealized gains (losses) on investments and assets whose use is limited	**(6,369)**	(4,082)
Restricted contributions, investment and interest income	**(7,991)**	(2,066)
Transfers to affiliates, net	**54,934**	44,270
Changes in operating assets and liabilities:		
Patient accounts receivable, net	**(10,543)**	2,180
Other current assets	**(5,945)**	(3,568)
Other assets	**(59,463)**	(63,146)
Change in right-of-use assets	**1,257**	2,929
Accounts payable and other accrued expenses	**5,458**	16,663
Accrued payroll and vacation	**643**	2,105
Due to third-party payers	**(7,258)**	8,507
Other liabilities	**(5,757)**	(4,091)
CMS advance	**(6,861)**	48,823
Accrued interest payable	**(554)**	(649)
Net cash (used in) provided by operating activities	**(2,355)**	113,506
Investing activities		
Acquisition of property and equipment, net	**(47,539)**	(47,705)
Net purchases and sales of assets whose use is limited and investments	**28,160**	(66,045)
Proceeds from insurance recoveries	**18,104**	–
Proceeds on sale of fixed assets	**202**	–
Net cash provided by (used in) investing activities	**(1,073)**	(113,750)
Financing activities		
Payments on long-term debt and finance lease obligations	**(53,937)**	(33,150)
Proceeds from the issuance of debt	**45,437**	39,356
Payment of deferred financing costs for debt issuance	**(658)**	(18)
Restricted contributions and interest income	**7,991**	2,066
Net cash (used in) provided by financing activities	**(1,167)**	8,254
Net (decrease) increase in cash, cash equivalents and restricted cash	**(4,595)**	8,010
Cash, cash equivalents and restricted cash at beginning of year	**53,371**	45,361
Cash, cash equivalents and restricted cash at end of year	**$ 48,776**	$ 53,371
Reconciliation of cash, cash equivalents and restricted cash at end of year to the consolidated balance sheets		
Cash and cash equivalents	**$ 38,981**	$ 42,877
Assets limited as to use: cash and cash equivalents	**8,435**	8,980
Investments: cash and cash equivalents	**1,150**	1,317
Other assets: cash and cash equivalents	**210**	197
Total cash, cash equivalents and restricted cash	**$ 48,776**	$ 53,371
Supplemental disclosures of cash flow information		
Cash paid for interest, including capitalized interest	**$ 3,132**	$ 3,836

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 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 2021 and 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

1. Summary of Significant Accounting Policies (continued)

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

Patient Accounts Receivable and Net Patient Service Revenue

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

1. Summary of Significant Accounting Policies (continued)

Investments and Investment Return

The Company maintains a pooled investment program for certain investments held by the Medical Center and Foundation. Investments (including assets whose use is limited) consist of cash and cash equivalents, mutual funds – fixed income, mutual funds – equity, equities, alternative investments, certificates of deposit, corporate bonds, 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 $324,000 at December 31, 2021, for the investment pool. There is uncertainty in determining values of alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change.

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

Assets Whose Use is Limited

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

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 $3,103,000 and $1,418,000 at December 31, 2021 and 2020, 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, 2021 and 2020, amounts on deposit with trustees aggregated approximately $4,400,000 and $4,602,000, respectively. At December 31, 2021, contributions payable of approximately $78,000 was recorded as a liability and resulted in total liabilities under the plans of approximately $2,983,000. At December 31, 2020, there were no contributions payable and total liabilities under the plans were approximately $4,602,000. 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 2021, there were forfeitures of approximately $1,803,000. 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 2021 and 2020, the Company contributed approximately $309,000 and $417,000, respectively, to these plans. For the years ended December 31, 2021 and 2020, the Company recorded investment income of approximately $390,000 and $1,085,000, respectively, as a component of other operating revenue. Changes to the liabilities for these plans are recorded in employee benefits expense in the accompanying consolidated statements of operations.

1. Summary of Significant Accounting Policies (continued)

Split Dollar Life Insurance

During 2020, the Company entered into an agreement and granted a loan to fund life insurance premium payments for a certain key employee. The loan is collateralized by the assignment of the cash surrender value of the respective life insurance policies. In addition, the loan was issued with full recourse. The policies are owned by the executive and they have sole control over the listed beneficiaries. The loan is payable within sixty days after receipt of demand. The total value of the loan, included in other assets in the accompanying consolidated balance sheets at December 31, 2021 and 2020 was approximately $27,424,000 and $27,080,000, respectively.

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, 2021 and 2020, the accumulated amortization of deferred financing costs was approximately $1,929,000 and $1,769,000, respectively. Unamortized deferred financing costs of approximately $658,000 and $455,000 at December 31, 2021 and 2020, 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 nonoperating items. Nonoperating gains and losses, net consist primarily of investment income, income from equity method investments, and gains and losses on sales and disposals of property and equipment.

Advertising Costs

The Company expenses advertising costs as incurred. For the years ended December 31, 2021 and 2020, advertising costs totaled approximately $4,934,000 and $4,217,000, 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 2021 and 2020 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 nonessential medical and surgical procedures and suspended elective procedures, which resumed at different dates during the year ended December 31, 2020. The Company's volume and operations were impacted to varying degrees throughout 2021, particularly as the pandemic entered waves two and three in early 2021 and in late 2021, respectively.

In response to COVID-19, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to 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 has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs), most recently in September 2021, 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 and 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)

For the years ended December 31, 2021 and 2020, the Company received and recognized approximately $1.5 million and $83.4 million, respectively, in funding which is included in CARES Act Provider Relief Fund revenue in the accompanying consolidated statements of operations. The recognized revenue has been determined based on applicable accounting guidance, Post-Payment Notice of Reporting Requirements and FAQs that the Company has interpreted as being applicable to the accompanying consolidated financial statements. Distributions from the Provider Relief Fund are available for specified service periods through December 31, 2022 with various required data submissions (data regarding activity for Provider Relief Fund receipts through June 30, 2020 and the use of such funds through June 30, 2021 was submitted to HHS on September 29, 2021; data for funds received from July 1, 2020 to December 31, 2020 and the use of such funds through December 31, 2021 was submitted to HHS on March 31, 2022). Management will continue to monitor communications from HHS applicable to the Provider Relief Fund 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 through February 16, 2023.

At December 31, 2021 and 2020, $36,651,000 and $8,137,000, respectively, are included in CMS advance, current portion in the accompanying consolidated balance sheets. As of December 31, 2021 and 2020, there was $5,311,000 and $40,686,000, respectively, included in CMS advance, excluding current portion in the accompanying consolidated balance sheets.

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 Company paid half of the liability in December 2021. The amount expected to be paid in 2022 is included in accrued payroll and vacation in the accompanying consolidated balance sheet at December 31, 2021.

1. Summary of Significant Accounting Policies (continued)

The Company has applied for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. For the year ended December 31, 2021, the Company received $2,736,000 in FEMA reimbursement payments and recognized the amount within other operating revenue in the accompanying consolidated statement of operations. In addition, the Company submitted a project worksheet for approximately $3,147,000, which is subject to FEMA approval as of December 31, 2021.

Under the CARES Act, the Company was eligible to receive an employee retention credit, which is a credit against the employer portion of Social Security taxes for certain wages between March 13, 2020 and December 31, 2020. The CAA extended the employee retention credit through June 30, 2021, while also modifying the provisions of the credit. In March 2022, the Company filed the applications for the employee retention credit for approximately $2,710,000. Accordingly, no amounts were recorded in 2021.

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.

Estimated Loss Related to Storm

As a result of the storm that occurred in September 2021, the basement of the Company's emergency department and other fixed assets were damaged. During the year ended December 31, 2021, insurance proceeds of $18,104,000 were received in relation to the damage and is included in insurance recoveries related to storm in the accompanying consolidated statement of operations. The estimated loss of $21,093,000 for the year ended December 31, 2021 represents the write-down in the net book value of the damaged fixed assets and the non-capitalizable portion of remediation costs incurred to repair the storm damage and file the insurance claims. The Company also received insurance proceeds of $2,896,000 for business interruption recoveries for lost revenue for the year ended December 31, 2021, and is included in other operating revenue in the accompanying consolidated statement of operations. In 2022, the Company received additional insurance proceeds of $23,422,000 for insurance recoveries.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the presentation in the 2021 financial statements.

1. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The ASU aligns the requirement for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this standard. The standard requires the customer in a hosting arrangement that is a service contract to follow the guidance in Accounting Standards Codifications Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense by determining which project stage an implementation activity relates to and the nature of the costs. The standard also requires the customer to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, among other provisions. The amendments in ASU No. 2018-15 are effective for the Company for annual reporting periods beginning after December 15, 2020, and interim periods thereafter. The amendments can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The adoption of ASU No. 2018-15 in 2021 did not have a material impact on the Company's consolidated financial statements.

Pending Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, loans and certain other instruments, entities will be required to use a new forward looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. The ASU is effective for annual periods beginning after December 15, 2022. The Company is in the process of evaluating the impact of ASU No. 2016-13 on its consolidated financial statements.

2. Uncompensated Care and Community Benefit

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

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

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

For patients who are deemed eligible for charity care and patients who apply and qualify for financial aid under the Company's financial aid policy, care given but not paid for is classified as charity care. For the years ended December 31, 2021 and 2020, the estimated cost of charity care was approximately $27.8 million and $19.2 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.

2. Uncompensated Care and Community Benefit (continued)

Uncompensated care consists of the following:

	Year Ended December 31			
	2021		**2020**	
	(In Thousands)			
Charity care at estimated cost[a]	**$**	**3,649**	$	3,754
Free care and reduced price medical care under the Company's compassionate care program at estimated cost[b]		**4,091**		3,015
Implicit price concessions at estimated cost[c]		**20,013**		12,411
Total uncompensated care	**$**	**27,753**	$	19,180

[a]*Charity Care:* For patients that do not receive free care and who are deemed eligible for charity care, care given but not paid for is classified as charity care. Management believes that, because of the difficulties involved with obtaining patient cooperation, the present charity care guidelines understate the Company's charity care amounts and overstate the level of bad debts reported. The cost of charity care is estimated by utilizing a cost accounting system and includes the direct and indirect cost of providing charity care services. Funds received from the New Jersey Health Care Subsidy Fund (HCSF) to offset charity services provided totaled approximately $497,000 and $360,000 for the years ended December 31, 2021 and 2020, respectively.

[b]*Free Care and Company's Compassionate Care Program:* In addition to charity care reported under the DOH criteria, the Company provides a significant amount of uncompensated care, which includes free care and care provided to patients at reduced prices. Beginning in 2009, the Company initiated a compassionate care program to make available free and reduced fee care programs for qualifying patients under its financial aid policy. The cost of free and compassionate care is estimated by utilizing a cost accounting system and includes the direct and indirect cost of providing such services.

[c]*Implicit Price Concessions:* To record net patient service revenue at an estimated net realizable amount, management determines implicit price concessions as a direct reduction of net patient service revenue. The cost of the patient services to which implicit price concessions relates was estimated by utilizing a cost accounting system and includes the direct and indirect cost of providing medical and professional services.

2. Uncompensated Care and Community Benefit (continued)

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

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

Community benefits also include losses incurred in providing services to patients who participate in certain public health programs such as Medicaid. Payments received by the Company for patient services provided to Medicaid program participants are less than the estimated cost of providing such services. Therefore, to the extent Medicaid payments are less than the cost of care provided to Medicaid patients, the uncompensated cost of that care is considered to be a community benefit. The total shortfall of Medicaid uncompensated costs for the years ended December 31, 2021 and 2020, was approximately $17,511,000 and $21,452,000, 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 Company expects to be entitled in exchange for providing patient care. The Company uses a portfolio approach as a practical expedient to account for categories of patient contracts as collective groups rather than recognizing revenue on an individual contract basis. The portfolio consists of major payer classes for inpatient and outpatient revenue. Based on historical collection trends and other analyses, the Company believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

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

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

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

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

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2021 and 2020, changes in the Company's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2021 and 2020, was not significant.

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

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

Net patient service revenue disaggregated by payer is as follows:

	Year Ended December 31	
	2021	**2020**
	(In Thousands)	
Medicare, including managed care	**$ 189,194**	$ 138,770
Medicaid, including Medicaid pending and managed care	**54,050**	41,345
Managed care	**213,998**	181,679
Commercial and other	**17,322**	22,143
Self-pay	**1,332**	5,089
	$ 475,896	$ 389,026

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 is as follows:

	Year Ended December 31	
	2021	**2020**
	(In Thousands)	
Inpatient services	**$ 145,765**	$ 141,858
Outpatient services	**330,131**	247,168
	$ 475,896	$ 389,026

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

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

	December 31	
	2021	**2020**
	(In Thousands)	
Patient receivables	**$ 52,437**	$ 39,720
Contract assets	**6,708**	8,882
	$ 59,145	$ 48,602

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

Settlements with third-party payers (see description of third-party payment programs below) for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Company's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are 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, 2021 and 2020, there were no material amounts recognized as a result of changes in estimates of prior year settlements.

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

Third-Party Payment Programs

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

> *Medicare:* Hospitals are paid for most Medicare patient services under national prospective payment systems and other methodologies of the Medicare program for certain other services. Federal regulations provide for adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.
>
> *Medicaid:* Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. The Company is reimbursed for outpatient services at a tentative rate with final settlement determined after the submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary.
>
> *Other Third-Party Payers:* The Company also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Company under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 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 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

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

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

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

4. Fair Value Measurements

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

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

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- Level 2 – Observable inputs that are based on inputs not quoted in active markets but corroborated by market data.

- Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

4. Fair Value Measurements (continued)

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, 2021 and 2020, are classified in the table below in one of the three categories described above:

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

	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	2,952	–	85,664
Mutual funds – equity	45,815	–	–	45,815
Equities	4,935	–	–	4,935
Corporate bonds	12,872	–	–	12,872
Certificates of deposit	2,486	–	–	2,486
U.S. Government obligations	11,751	–	–	11,751
	$ 213,942	$ 2,952	$ –	
Investments measured at net asset value:				
Commingled funds				12,237
Stable value funds				713
Total				$ 229,844

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	
	2021	**2020**
	(In Thousands)	
By donors:		
Cash and cash equivalents	**$ 5,104**	$ 5,475
Mutual funds – fixed income	**–**	543
Mutual funds – equity	**6,466**	6,139
Equities	**257**	249
Corporate bonds	**1,478**	1,654
U.S. Government obligations	**605**	689
Alternative investments (equity method value)	**15**	15
Commingled funds	**982**	621
Certificates of deposit	**1,684**	1,791
Accrued interest	**11**	12
	16,602	17,188
Under bond indenture agreements:		
Cash and cash equivalents	**3,331**	3,505
	3,331	3,505
Total assets whose use is limited	**19,933**	20,693
Less assets whose use is limited and that are required for current liabilities	**8,159**	8,777
Noncurrent assets whose use is limited	**$ 11,774**	$ 11,916

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	
	2021	**2020**
	(In Thousands)	
Series 2021 Revenue Bonds:		
Debt service fund – interest	**$ 7**	$ –
Debt service reserve fund	**1,293**	–
	1,300	–
Series 2020 Revenue Bonds:		
Debt service fund – principal	**2,031**	1,846
Series 2016 Revenue Bonds:		
Debt service fund – interest	**–**	611
Debt service fund – principal	**–**	1,048
	–	1,659
Total under bond indenture agreements	**$ 3,331**	$ 3,505

The Company's gross unrealized losses of individual fixed income securities in 2021 and 2020 classified as assets whose use is limited were not significant at December 31, 2021 and 2020, 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 2021	December 31 2020
	(In Thousands)	
Cash and cash equivalents	**$ 1,150**	$ 1,317
Mutual funds – fixed income	**58,656**	84,542
Mutual funds – equity	**32,849**	36,434
Equities	**4,827**	4,687
Corporate bonds	**10,959**	11,218
U.S. Government obligations	**12,340**	11,062
Certificates of deposit	**700**	695
Alternative investments (equity method value)	**282**	290
Commingled funds	**18,359**	11,615
Accrued interest	**125**	117
	$ 140,247	$ 161,977

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

	Year Ended December 31 2021	Year Ended December 31 2020
	(In Thousands)	
Interest, dividend income, and realized gains and losses on investments	**$ 11,301**	$ 2,402
Gains (losses) from alternative investments, net	**6**	(85)
	$ 11,307	$ 2,317

At December 31, 2021 and 2020, 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	
	2021	**2020**
	(In Thousands)	
Land	**$ 14,031**	$ 13,503
Land improvements	**3,509**	3,425
Building and fixed equipment	**280,071**	294,724
Major movable equipment	**167,279**	161,273
	464,890	472,925
Less accumulated depreciation and amortization	**319,625**	318,478
	145,265	154,447
Construction-in-progress	**19,201**	16,164
Property and equipment, net	**$ 164,466**	$ 170,611

Depreciation and amortization expense for the years ended December 31, 2021 and 2020, was approximately $20,754,000 and $19,032,000, respectively.

During 2021 and 2020, the Company capitalized approximately $472,000 and $437,000, 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 2021 and 2020, approximately $434,000 and $672,000, respectively, were amortized for this equipment.

During 2021 and 2020, the Company recognized losses on fixed asset disposals and terminated projects of approximately $14,624,000 and $5,246,000, respectively. The losses on fixed asset disposals and terminated projects are recorded within the excess of revenue over expenses.

8. Long-Term Debt

A summary of long-term debt follows:

	December 31	
	2021	**2020**
	(In Thousands)	
Mortgage loans[(a)]	**$ 1,243**	$ 1,567
Series 2016 Bonds[(b)]	**–**	47,175
Series 2020 Bonds[(c)]	**15,040**	19,100
Series 2021 Bonds[(d)]	**45,437**	–
Taxable term loan[(e)]	**16,879**	18,681
Automobile loans[(f)]	**131**	252
Finance lease obligations – at rates varying from 2.75% to 3.0%, with varying maturities through 2058[(g)]	**4,283**	4,737
Total long-term debt	**83,013**	91,512
Less: deferred financing costs, net	**658**	455
Less: current portion of long-term debt	**9,427**	8,831
Long-term debt, net of current portion	**$ 72,928**	$ 82,226

[(a)]*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. During June 2021, the mortgage loan was paid in full.

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, 2021, the principal balance outstanding was $1,243,000. The mortgage loan is guaranteed by the Medical Center.

8. Long-Term Debt (continued)

(b)*Holy Name Medical Center* – In 2016, the New Jersey Health Care Facilities Financing Authority (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. In July 2021, the principal amount and interest of bonds were paid in full with proceeds from the issuance of the Series 2021 Bonds. See note (d) below for further information on the Series 2021 Bonds.

(c)*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 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, 2021, the Series 2020 Bonds consist of $15,040,000, 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.

(d)*Holy Name Medical Center* – In July 2021, the Authority issued $45,437,000 of Series 2021 Bonds on behalf of the Medical Center. The proceeds of the financing were used to fund and pay in full the Series 2016A and Series 2016B Bonds. At December 31, 2021, the Series 2021 Bonds consist of $45,437,000, maturing annually through July 1, 2030, with an interest rate of 1.78%. The bonds are collateralized by a pledge of gross receipts and a first mortgage lien on certain land, buildings and equipment.

(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, 2021, the taxable term loan principal outstanding balance was $16,879,000. The loan is collateralized by a pledge of gross receipts and a first mortgage lien on certain land, buildings and equipment.

8. Long-Term Debt (continued)

(f) *Holy Name Medical Center* – The Medical Center entered into several term loan agreements with BMW Financial. The term loans are collateralized by the automobiles with an annual rate varying from 2.95% to 3.55% with varying maturities through 2025. At December 31, 2021, the principal balances outstanding were $131,000.

(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. This lease obligation was fully paid at December 31, 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. This lease obligation was fully paid at December 31, 2021.

iii. $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.

iv. $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.

8. Long-Term Debt (continued)

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)					
2022	$ 6,905	$ 243	$ 1,852	$ 47	$ 380	$ 9,427
2023	6,665	253	1,903	46	110	8,977
2024	6,720	263	1,954	19	20	8,976
2025	6,775	273	2,008	19	24	9,099
2026	6,575	211	2,063	–	27	8,876
Thereafter	26,837	–	7,099	–	3,722	37,658
	$ 60,477	$ 1,243	$ 16,879	$ 131	$ 4,283	$ 83,013

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, 2021 and 2020, the Company was in compliance with these financial covenants.

The Medical Center has an unsecured line of credit for $6,100,000, with an expiration date of August 31, 2022. At December 31, 2021 and 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.

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

9. Leases (continued)

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 **2021**	December 31 **2020**
	(In Thousands)	
Lease cost		
Finance lease cost:		
Amortization of right-of-use assets	**$ 434**	$ 672
Interest on lease liabilities	**130**	149
Operating lease cost	**7,322**	5,331
Short-term lease cost	**673**	810
Sublease income	**(2,515)**	(2,173)
Total lease cost	**$ 6,044**	$ 4,789
Right-of-use assets and liabilities		
Right-of-use assets – finance leases	**$ 4,826**	$ 5,260
Right-of-use liabilities – finance leases	**$ 4,283**	$ 4,737
Right-of-use assets – operating leases	**32,750**	30,416
Right-of-use liabilities – operating leases	**36,909**	33,318
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	**$ 130**	$ 149
Operating cash flows from operating leases	**6,320**	4,809
Financing cash flows from finance leases	**492**	825
Right-of-use assets obtained in exchange for new operating lease liabilities	**8,682**	22,783
Weighted average remaining lease term – finance leases	**33 years**	31 years
Weighted average remaining lease term – operating leases	**7.73 years**	8.00 years
Weighted average discount rate – finance leases	**2.96%**	2.93%
Weighted average discount rate – operating leases	**0.96%**	1.05%

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, 2021:

	Finance Leases	Operating Leases
	(In Thousands)	
2022	$ 501	$ 7,500
2023	223	6,076
2024	132	5,176
2025	135	4,112
2026	138	2,651
Thereafter	6,000	12,603
Total lease payments	7,129	38,118
Less imputed interest	2,846	1,209
Total lease obligations	4,283	36,909
Less current portion	380	7,144
Long-term portion	$ 3,903	$ 29,765

Rental expense to unrelated parties approximated $9,324,000 and $7,221,000 in 2021 and 2020, respectively.

10. Pension Plan

In June 1997, the Company implemented a 401(k) retirement plan for which all employees who have attained the age of 21 are eligible to participate. Employees are eligible for Company contributions following one year of service and having completed at least 1,000 hours of service. Employees are fully vested in the plan after five years of service. Employees may contribute 1% to 50% of their salary on a pretax basis, not to exceed IRS limitations of $19,500 in 2021 and 2020. All pretax contributions are 100% vested by the employee. The Company matches 50% of the first 6% of employee contributions. In addition, the Company may contribute on behalf of each employee an additional 1% of his/her salary, at the Company’s discretion. The Company contributed approximately $4,270,000 and $4,189,000 into the plan in 2021 and 2020, 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	
	2021	**2020**
	(In Thousands)	
Scholarships for nursing students, program and department expenses, educational training, special projects and purchase of equipment	**$ 2,526**	$ 2,666
Medical staff continuing education and special projects	**405**	380
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	**15,200**	11,641
Funds held by the Foundation on behalf of the Medical Center to support the School of Nursing	**12**	2,049
Funds held by the Foundation, on behalf of CRUDEM	**565**	275
Funding for hemodialysis services	**1,849**	1,861
	$ 20,557	$ 18,872

Net assets with donor restrictions include permanent endowments that have been restricted by donors to be maintained in perpetuity and invested by the Company, the income of which is expendable to support health care services. During 2021, endowments of approximately $386,000 were received by the Company. During 2020, no endowments were received by the Company. As of December 31, 2021 and 2020, there were approximately $186,000 and zero pledge receivables, respectively.

11. Net Assets with Donor Restrictions (continued)

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

	December 31 2021	2020
	(In Thousands)	
Funds held by the Foundation on behalf of the Medical Center to support Villa Marie Claire	**$ 1,604**	$ 1,572
Funds held by the Foundation on behalf of the Medical Center to support the Graduate Medical Program	**386**	–
Funds held by the Foundation on behalf of the Medical Center to support the MS Center	**64**	63
Funds held by the Foundation on behalf of CRUDEM	**10**	10
	$ 2,064	$ 1,645

During 2021 and 2020, approximately $5,796,000 and $1,232,000 of net assets, including amounts raised in 2021, were released from restriction.

12. Related-Party Transactions

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

Due to changes in health care payment models, increased local competition and uncertainty in health care reform, management implemented a strategy to align incentives between physician groups and the Medical Center. The Medical Center provides funding to various medical corporations in Bergen County (the Physician Network) which are controlled by the Corporation. The Medical Center continually reassesses amounts due from related parties for collectability based upon the results of their operations and other circumstances. The Medical Center has assessed the operations of the Physician Network at December 31, 2021 and 2020, and determined that approximately $54,934,000 and $44,270,000, respectively, of amounts due from certain members of the Physician Network would not be repaid and accounted for such amounts as transfers to affiliates in the accompanying consolidated statements of operations. The net amounts due from the Physician Network were approximately $16,748,000 and $15,095,000 at December 31, 2021 and 2020, 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	
	2021	**2020**
	(In Thousands)	
Total revenue	**$ 4,850**	$ 4,398
Total expenses	**(4,144)**	(4,187)
Excess of revenue over expenses	**$ 706**	$ 211

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, 2021 and 2020, 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 Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Significant concentrations of patient accounts receivable, net are as follows:

	December 31	
	2021	**2020**
Medicare and Medicaid	**23%**	24%
Blue Cross	**21**	14
Managed care	**38**	40
Other third-party payers (none over 10%)	**12**	21
Self-pay	**6**	1
	100%	100%

16. Accrued Malpractice Claims

The Company purchases first dollar coverage for professional and general liability insurance coverage. The Company has a claims-made policy with a commercial insurance carrier for malpractice. The policy covers $1 million per occurrence and $3 million in the aggregate. In addition, the Company purchased additional excess coverage for amounts up to $10 million. Estimated liabilities relating to asserted and unasserted claims are recorded by the Company as reserve for insurance claims within accounts payable and other accrued expenses and other liabilities in the consolidated balance sheets and total approximately $4,896,000 and $4,140,000 at December 31, 2021 and 2020, respectively. Receivables for expected insurance recoveries are included in other receivables and other assets in the consolidated balance sheets and total approximately $4,896,000 and $4,140,000 at December 31, 2021 and 2020, respectively. An estimate for unreported incidents and losses is actuarially determined based on Medical Center-specific and industry experience data. The Company recorded an estimated liability for claims incurred but not reported of approximately $1,655,000 and $1,538,000 at December 31, 2021 and 2020, respectively, within accounts payable and other accrued expenses in the accompanying consolidated balance sheets.

17. Functional Expenses

The Company provides general health care services to residents within its geographic area. Expenses related to provision of these services for the years ended December 31, 2021 and 2020 were as follows:

	Health Care and Related Services	Program Support and General Services	Total
		(In Thousands)	
December 31, 2021			
Salaries and wages	**$ 176,919**	**$ 22,968**	**$ 199,887**
Physician fees	**10,402**	**1,107**	**11,509**
Employee benefits	**27,525**	**3,951**	**31,476**
Supplies and other	**176,198**	**25,363**	**201,561**
Depreciation and amortization	**17,175**	**3,579**	**20,754**
Interest	**1,838**	**268**	**2,106**
Total	**$ 410,057**	**$ 57,236**	**$ 467,293**
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

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:

	December 31 2021	December 31 2020
	(In Thousands)	
Financial assets at year-end:		
Cash and cash equivalents	**$ 38,981**	$ 42,877
Patient accounts receivable, net	**59,145**	48,602
Investments	**140,247**	161,977
Pledges receivable, net	**3,103**	1,418
Assets limited as to use	**19,933**	20,693
Total financial assets at year-end	**261,409**	275,567
Less amounts not available to be used within one year:		
Net assets with donor restrictions beyond one year	**11,774**	11,916
Pledges receivable beyond one year and amounts restricted for specific purposes	**2,407**	751
Financial assets not available to be used within one year	**14,181**	12,667
Financial assets available to meet general expenditures within one year	**$ 247,228**	$ 262,900

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

Additionally, the Company maintains a $6.1 million line of credit, as discussed in more detail in Note 8. As of December 31, 2021, $6.1 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, 2021, is as follows (in thousands):

Property, plant, and equipment, net		
Property, plant, and equipment, net at December 31, 2020	$	170,611
Property, plant and equipment, net, acquired with debt during 2021		–
Property, plant and equipment, net, acquired without debt during 2021		(9,182)
Net change in construction in progress		3,037
Total property, plant and equipment, net at December 31, 2021		164,466
Long-term debt as of December 31, 2020		86,320
Long-term debt as of December 31, 2021		78,072
Total revenues and gains, net without donor restrictions		
Total operating revenue		522,217
Nonoperating gains and losses, net		10,232
Insurance recoveries related to storm		18,104
Total revenues and gains, net without donor restrictions	$	550,553
Nonoperating and net investment loss		
Estimated loss from flood		21,093
Change in net unrealized gains and losses on equity investments whose use is limited		2,423
Change in net unrealized gains and losses on other-than-trading investments whose use is limited		1,349
Nonoperating and net investment loss	$	24,865

20. Subsequent Events

Subsequent events have been evaluated through May 31, 2022, 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, 2021

	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	$ 27,105	$ 761	$ 291	$ 95	$ 1,300	$ 80	$ 140	$ 9,200	$ 9	$ –	$ 38,981
Assets who use is limited and that are required for current liabilities	3,331	–	–	–	4,828	–	–	–	–	–	8,159
Investments	139,882	–	–	–	365	–	–	–	–	–	140,247
Patient accounts receivable, net	58,596	274	–	–	–	–	275	–	–	–	59,145
Due from affiliates, net	59,588	–	–	–	–	–	–	–	269	(59,857)	–
Other receivables	10,183	145	82	1	877	1	142	–	–	–	11,431
Supplies	11,341	–	–	–	37	1	–	–	–	–	11,379
Prepaid expenses and other current assets	6,301	2	254	322	181	59	10	62	–	–	7,191
Total current assets	316,327	1,182	627	418	7,588	141	567	9,262	278	(59,857)	276,533
Assets whose use is limited, less current portion	4,413	–	–	–	7,361	–	–	–	–	–	11,774
Assets held by related organization	2,376	–	–	–	–	–	–	–	–	(2,376)	–
Property, plant, and equipment, net	134,567	322	24,566	28	–	4,960	23	–	–	–	164,466
Right-of-use assets	12,124	–	20,626	–	–	–	–	–	–	–	32,750
Other assets	57,792	–	590	–	2,407	–	–	–	–	–	60,789
Total assets	$ 527,599	$ 1,504	$ 46,409	$ 446	$ 17,356	$ 5,101	$ 590	$ 9,262	$ 278	$ (62,233)	$ 546,312

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

December 31, 2021

	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	$ 137	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 137
Current installments of long-term debt	9,184	–	243	–	–	–	–	–	–	–	9,427
CMS advance, current portion	36,651	–	–	–	–	–	–	–	–	–	36,651
Operating lease liabilities, current portion	4,261	–	2,883	–	–	–	–	–	–	–	7,144
Accounts payable and accrued expenses	50,532	5,214	17,271	518	14,956	12,741	9,461	8,874	4	(59,857)	59,714
Accrued payroll and vacation	21,082	172	4	185	298	33	87	16	–	–	21,877
Due to third-party payers	5,744	–	–	–	–	–	–	–	–	–	5,744
Total current liabilities	127,591	5,386	20,401	703	15,254	12,774	9,548	8,890	4	(59,857)	140,694
Other liabilities	5,435	–	99	–	–	–	–	–	–	–	5,534
Long-term debt, excluding current installments	71,956	–	972	–	–	–	–	–	–	–	72,928
CMS advance, excluding current portion	5,311	–	–	–	–	–	–	–	–	–	5,311
Operating lease liabilities, excluding current portion	7,848	–	21,917	–	–	–	–	–	–	–	29,765
Due to third-party payers, excluding current portion	14,731	–	–	–	–	–	–	–	–	–	14,731
Total liabilities	232,872	5,386	43,389	703	15,254	12,774	9,548	8,890	4	(59,857)	268,963
Commitments and contingencies											
Net assets (deficiency):											
Without donor restrictions	272,106	(3,882)	3,020	(257)	(15,739)	(7,673)	(8,958)	372	274	15,465	254,728
With donor restrictions	22,621	–	–	–	17,841	–	–	–	–	(17,841)	22,621
Total net assets (deficiency)	294,727	(3,882)	3,020	(257)	2,102	(7,673)	(8,958)	372	274	(2,376)	277,349
Total liabilities and net assets (deficiency)	$ 527,599	$ 1,504	$ 46,409	$ 446	$ 17,356	$ 5,101	$ 590	$ 9,262	$ 278	$ (62,233)	$ 546,312

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended December 31, 2021

	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)						
Revenue:											
Net patient service revenue	$ 471,412	$ 3,712	$ –	$ –	$ –	$ –	$ 772	$ –	$ –	$ –	$ 475,896
CARES Act provider relief fund revenue	1,240	294	–	–	–	–	–	–	–	–	1,534
Other operating revenue	29,304	292	6,412	–	5,007	829	473	3,528	–	(2,159)	43,686
Net assets released from restriction for operations	332	–	–	–	769	–	–	–	–	–	1,101
Total revenue	502,288	4,298	6,412	–	5,776	829	1,245	3,528	–	(2,159)	522,217
Expenses:											
Salaries and wages	190,941	2,474	134	1,921	1,555	491	1,606	465	300	–	199,887
Physician fees	11,552	–	–	101	–	–	6	–	–	(150)	11,509
Employee benefits	29,538	515	26	593	232	106	298	144	24	–	31,476
Supplies and other	186,860	1,441	5,053	1,296	7,015	557	460	859	29	(2,009)	201,561
Depreciation and amortization	18,948	128	1,323	35	1	311	6	2	–	–	20,754
Interest	2,042	–	64	–	–	–	–	–	–	–	2,106
Total expenses	439,881	4,558	6,600	3,946	8,803	1,465	2,376	1,470	353	(2,159)	467,293
Income (loss) from operations	62,407	(260)	(188)	(3,946)	(3,027)	(636)	(1,131)	2,058	(353)	–	54,924
Nonoperating gains and losses, net	11,153	6	(928)	–	1	–	–	–	–	–	10,232
Insurance recoveries related to storm	18,104	–	–	–	–	–	–	–	–	–	18,104
Estimated loss related to storm	(21,093)	–	–	–	–	–	–	–	–	–	(21,093)
Change in net unrealized gains and losses on equity investments and assets whose use is limited	(2,423)	–	–	–	–	–	–	–	–	–	(2,423)
Change in net interest of Holy Name Health Care Foundation and Harmony Health	(4,187)	–	–	–	–	–	–	–	–	4,187	–
Excess (deficiency) of revenue over expenses	63,961	(254)	(1,116)	(3,946)	(3,026)	(636)	(1,131)	2,058	(353)	4,187	59,744
Net assets released from restriction for capital purposes	3	–	–	–	4,692	–	–	–	–	–	4,695
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	(1,349)	–	–	–	–	–	–	–	–	–	(1,349)
Transfers from (to) subsidiaries	5,500	–	–	–	(5,500)	–	–	–	–	–	–
Transfers (to) from affiliates	(58,880)	–	–	3,946	–	–	–	–	–	–	(54,934)
Increase (decrease) in net assets without donor restrictions	$ 9,235	$ (254)	$ (1,116)	$ –	$ (3,834)	$ (636)	$ (1,131)	$ 2,058	$ (353)	$ 4,187	$ 8,156

Holy Name Medical Center, Inc. and Subsidiaries

Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2021

	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	$ 262,871	$ (3,628)	$ 4,136	$ (257)	$ (11,905)	$ (7,037)	$ (7,827)	$ (1,686)	$ 627	$ 11,278	$ 246,572
Change in net assets without donor restrictions	9,235	(254)	(1,116)	–	(3,834)	(636)	(1,131)	2,058	(353)	4,187	8,156
Net assets as of end of year	$ 272,106	$ (3,882)	$ 3,020	$ (257)	$ (15,739)	$ (7,673)	$ (8,958)	$ 372	$ 274	$ 15,465	$ 254,728
With donor restrictions											
Net assets as of beginning of year	$ 20,517	$ –	$ –	$ –	$ 15,610	$ –	$ –	$ –	$ –	$ (15,610)	$ 20,517
Change in beneficial interest in Holy Name Health Care Foundation	2,231	–	–	–	–	–	–	–	–	(2,231)	–
Restricted investment gain and investment income	108	–	–	–	573	–	–	–	–	–	681
Change in net unrealized gains and losses on other-than-trading investments and assets whose use is limited	(118)	–	–	–	27	–	–	–	–	–	(91)
Net assets released from restriction for operations	(332)	–	–	–	(769)	–	–	–	–	–	(1,101)
Net assets released from restriction for capital purposes	(3)	–	–	–	(4,692)	–	–	–	–	–	(4,695)
Contributions	218	–	–	–	7,092	–	–	–	–	–	7,310
Change in net assets with donor restrictions	2,104	–	–	–	2,231	–	–	–	–	(2,231)	2,104
Net assets as of end of year	$ 22,621	$ –	$ –	$ –	$ 17,841	$ –	$ –	$ –	$ –	$ (17,841)	$ 22,621

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, 2021

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	$ 254,728
Consolidated balance sheets	Net assets with donor restrictions	$ 22,621
Note 12. Related-Party Transactions	Secured and unsecured related party receivable	$ 16,748
Note 12. Related-Party Transactions	Unsecured related party receivable	$ 16,748
Note 19. Department of Education Title IV	Property, plant and equipment, net, at December 31, 2020	$ 170,611
Note 19. Department of Education Title IV	Property, plant and equipment, net, acquired with debt during 2021	–
Note 19. Department of Education Title IV	Property, plant and equipment, net, acquired without debt during 2021	(9,182)
Note 19. Department of Education Title IV	Net change in construction in progress	3,037
Note 19. Department of Education Title IV	Total property, plant and equipment, net, at December 31, 2021	$ 164,466
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2020	$ 30,416
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2021	$ 32,750
Not applicable	Intangible assets	$ –
Note 1. Summary of Significant Accounting Policies	Post-employment and pension liabilities	$ 2,983
Note 19. Department of Education Title IV	Long-term debt – for long term purposes at December 31, 2020	$ 86,320

Holy Name Medical Center, Inc. and Subsidiaries

Financial Responsibility Supplemental Schedule (continued)

December 31, 2021

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, 2021	$ 78,072
Not applicable	Line of credit for construction in progress	$ –
Note 9. Leases	Right-of-use liabilities at December 31, 2020	$ 38,055
Note 9. Leases	Right-of-use liabilities at December 31, 2021	$ 41,192
Not applicable	Annuities with donor restrictions	$ –
Not applicable	Term endowments with donor restrictions	$ –
Not applicable	Life income funds with donor restrictions	$ –
Consolidated Statements of Changes in Net Assets	Net assets with donor restrictions: restricted in perpetuity	$ 2,064
Total expenses and losses:		
Consolidated Statements of Operations	Total expenses without donor restrictions	$ 467,293
Note 19. Department of Education Title IV	Nonoperating and net investment loss	$ 24,865
Not applicable	Net investment loss	$ –
Not applicable	Pension-related changes other than net periodic costs	$ –

Financial Responsibility Supplemental Schedule (continued)

December 31, 2021

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	$ 254,728
Consolidated Balance Sheets	Net assets with donor restrictions	$ 22,621
Not applicable	Intangible assets	$ –
Note 12. Related-Party Transactions	Secured and unsecured related party receivable	$ 16,748
Note 12. Related-Party Transactions	Unsecured related party receivable	$ 16,748
Modified assets:		
Consolidated Balance Sheets	Total assets	$ 546,312
Not applicable	Intangible assets	$ –
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2020	$ 30,416
Note 9. Leases	Right-of-use assets, operating leases at December 31, 2021	$ 32,750
Note 12. Related-Party Transactions	Secured and unsecured related party receivable	$ 16,748
Note 12. Related-Party Transactions	Unsecured related party receivable	$ 16,748

Financial Responsibility Supplemental Schedule (continued)

December 31, 2021

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	$ 8,156
Note 19. Department of Education Title IV	Total revenues and gains, net without donor restrictions	$ 550,553

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