

AUDITED COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities  
Years Ended December 31, 2021 and 2020  
With Report of Independent Auditors

Ernst & Young LLP



Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Audited Combined Financial Statements and  
Supplementary Information

Years Ended December 31, 2021 and 2020

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

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

## Report of Independent Auditors

The Board of Directors  
Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

### Opinion

We have audited the combined financial statements of Prime Healthcare Services, Inc. – New Jersey Hospitals and Controlled Entities (collectively, “the Companies”), which comprise the combined balance sheets as of December 31, 2021 and 2020, and the related combined statements of income, member’s equity (deficit) 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 Companies at December 31, 2021 and 2020, and the results of their operations and their 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 Companies 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 Companies’ ability to continue as a going concern for one year after the date that the financial statements are available to be 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 Companies' 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 Companies' 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 combining balance sheets as of December 31, 2021 and 2020, and the related combining statements of income, equity (deficit), and cash flows are presented for purposes of additional analysis and is 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 13, 2022

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Combined Balance Sheets  
*(Dollars in Thousands)*

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 34,541	\$ 48,084
Patient accounts receivable	92,231	73,684
Third-party payer settlements	4,325	4,649
Provider fee receivable	5,751	10,187
Supplies inventory	9,656	10,049
Prepaid expenses	5,177	4,203
Insurance claims and reserves recoverable	10,231	9,241
Related-party receivables	75,951	36,209
Other current assets	4,754	7,825
Total current assets	242,617	204,131
Property and equipment, net of accumulated depreciation and amortization	160,426	170,381
Insurance claims and reserves recoverable, net of current portion	26,457	24,321
Goodwill	24,635	24,635
Other assets	6,133	7,530
Total assets	\$ 460,268	\$ 430,998

*See accompanying notes to combined financial statements.*

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Combined Balance Sheets (continued)  
(Dollars in Thousands)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Liabilities and member's equity</b>		
Current liabilities:		
Accounts payable	\$ 27,744	\$ 24,351
Accrued expenses	43,176	38,493
Insurance claims liabilities and reserves	10,231	9,241
Related-party payables	18,064	24,439
Third-party payer settlements	5,686	9,156
Medicare advances	38,510	19,159
Capital leases	6,516	10,633
Long-term debt	54	148
Total current liabilities	149,981	135,620
Long-term liabilities:		
Sales leaseback liabilities	174,921	174,708
Insurance claims liabilities and reserves, net of current portion	33,057	30,566
Medicare advances, net of current portion	20,542	58,096
Capital leases, net of current portion	14,438	13,557
Long-term debt, net of current portion	–	54
Other long-term liabilities	14,657	17,677
Total long-term liabilities	257,615	294,658
Equity:		
Member's equity (deficit)	43,541	(6,369)
Noncontrolling interest	9,131	7,089
Total equity	52,672	720
Total liabilities and equity	\$ 460,268	\$ 430,998

*See accompanying notes to combined financial statements.*

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Combined Statements of Income  
(Dollars in Thousands)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenue</b>		
Net patient service revenue	\$ 651,753	\$ 541,143
Other operating revenue	19,710	25,448
Net revenue	<u>671,463</u>	566,591
Government stimulus income	22,830	68,412
Net revenue and government stimulus income	<u>694,293</u>	635,003
 <b>Operating expenses</b>		
Compensation and employee benefits	329,743	330,344
General and administrative	51,623	44,603
Supplies	95,142	86,430
Professional services	110,329	108,159
Depreciation and amortization	27,494	26,820
Rent and lease	5,247	5,260
Long-lived asset impairment	2,669	–
	<u>622,247</u>	601,616
 Income from operations	72,046	33,387
Interest expense	(19,981)	(22,709)
Other nonoperating loss	(113)	(570)
Net income	<u>51,952</u>	10,108
 Net income attributable to noncontrolling interest	(2,042)	(2,050)
Net income attributable to controlling interest	<u>\$ 49,910</u>	<u>\$ 8,058</u>

*See accompanying notes to combined financial statements.*



Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Combined Statements of Member’s Equity (Deficit)  
*(Dollars in Thousands)*

	<b>Member's Equity (Deficit)</b>	<b>Noncontrolling Interest</b>	<b>Total Equity</b>
Balance, December 31, 2019	\$ (14,427)	\$ 5,039	\$ (9,388)
Controlling interest in net income	8,058	–	8,058
Noncontrolling interest in net income	–	2,050	2,050
Balance, December 31, 2020	(6,369)	7,089	720
Controlling interest in net income	<b>49,910</b>	–	<b>49,910</b>
Noncontrolling interest in net income	–	<b>2,042</b>	<b>2,042</b>
Balance, December 31, 2021	<b><u>\$ 43,541</u></b>	<b><u>\$ 9,131</u></b>	<b><u>\$ 52,672</u></b>

*See accompanying notes to combined financial statements.*

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Combined Statements of Cash Flows  
(Dollars in Thousands)

	December 31	
	2021	2020
<b>Operating activities</b>		
Net income	\$ 51,952	\$ 10,108
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,494	26,820
Gain on sale of assets	(188)	–
Long-lived asset impairment	2,669	–
Amortization of deferred financing costs	213	310
Changes in assets and liabilities:		
Patient accounts receivable	(18,547)	4,657
Supplies inventory	393	32
Prepaid expenses	(974)	(1,561)
Other assets	3,788	(3,120)
Related-party receivables/payables	(46,117)	(76,859)
Accounts payable	2,340	(2,480)
Accrued expenses, insurance claims liabilities and reserves, and other long-term liabilities	2,018	13,892
Medicare advances	(18,203)	77,254
Third-party payer settlements and provider fee receivable	1,290	3,183
Net cash provided by operating activities	8,128	52,236
<b>Investing activities</b>		
Purchases of property and equipment	(10,532)	(17,970)
Proceeds from sale of assets	188	–
Net cash used in investing activities	(10,344)	(17,970)
<b>Financing activities</b>		
Payments on long-term debt	(148)	(149)
Payments on capital lease obligations	(11,179)	(11,229)
Net cash used in financing activities	(11,327)	(11,378)
Net (decrease) increase in cash and cash equivalents	(13,543)	22,888
Cash and cash equivalents at beginning of year	48,084	25,196
Cash and cash equivalents at end of year	\$ 34,541	\$ 48,084
<b>Supplemental cash flow information</b>		
Cash paid during the year for interest	\$ 19,782	\$ 21,183
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Financing obligations incurred for the acquisition of property and equipment	\$ 7,943	\$ 8,878
Property, plant, and equipment included in accounts payable	\$ 1,414	\$ 361

See accompanying notes to combined financial statements.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Notes to Combined Financial Statements  
(Dollars in Thousands)

Years Ended December 31, 2021 and 2020

**1. Basis of Presentation and Significant Accounting Policies**

**Nature of Business**

Prime Healthcare Services – Saint Clare’s, LLC dba Saint Clare’s Health System (“SCNJ”), Prime Healthcare Services – Saint Michael’s LLC dba Saint Michael’s Medical Center (“SMMC”), and Prime Healthcare Services – St. Mary’s Passaic, LLC, dba Saint Mary’s General Hospital (“SMHP”), are acute care hospitals in the state of New Jersey. Saint Michael’s Clinics, Inc dba Peter Ho Clinic (“SMC”) is a not-for-profit clinic located in the state of New Jersey. These hospitals, their wholly-owned medical groups, a wholly-owned home health entity, and SMC, are collectively called the “Companies”. Prime Healthcare Services, Inc. (“PHSI”), the parent company of SCNJ, SMMC, and SMHP, owns and operates 31 acute care hospitals in communities across the United States. PHSI is the sole member of the SCNJ, SMMC, and SMHP, and has no limitation to its member liability.

SCNJ is a community hospital system located in Morris and Sussex Counties, New Jersey, acquired by PHSI on October 1, 2015. SCNJ consists of Saint Clare’s Denville Hospital, with 272 licensed beds, Saint Clare’s Boonton Hospital with 146 licensed beds, and Saint Clare’s Dover Hospital with 109 licensed beds.

SMMC is an acute care and regional tertiary care facility located in Newark, New Jersey, acquired by PHSI on May 1, 2016 with 352 licensed beds. SMMC provides general emergency services and a broad range of care relating to orthopedics, treatment of diseases such as diabetes, cancer, and infectious diseases; and inpatient and outpatient behavioral health care among others. SMMC is also a teaching and research center.

SMHP is an acute care facility located in Passaic, New Jersey, acquired by PHSI on August 15, 2014. SMHP is a community-based, tertiary medical center with 293 licensed beds, providing a broad range of cardiovascular, cancer care, maternal-child health, and outpatient behavioral health services.

SMC is an HIV/AIDS treatment clinic created in 2016, that provides comprehensive medical services, case management, psychological services, nutrition counseling, and substance abuse counseling for people who are HIV positive or have contracted AIDS. SMC is managed by SMMC, who retains the majority voting interest with 4 of the 6 board members being part of the SMMC executive team.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

**Basis of Presentation**

The combined financial statements of the Companies have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), and intra-entity transactions and profits or losses have been eliminated. Entities that are controlled by SMHP, SMMC, and SCNJ through a majority voting interest are included in these combined financial statements.

**Liquidity**

The Companies had net income of \$51,952 for the year ended December 31, 2021. The Companies have a cash balance of \$34,541 and a working capital surplus of \$92,636 as of December 31, 2021. Management believes the Companies can support themselves for one year from the date that the financial statements are available to be issued.

In 2020 and 2021, the Companies received financial assistance under the CARES Act that increased cash flows. The recognition of these funds is further discussed below.

**Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including implicit price concessions. The estimates for implicit price concessions are based upon management’s assessment of historical write-offs and expected net collections; business and economic conditions; trends in federal, state and private employer health care coverage; and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections as a primary source of information in estimating the collectability of the Companies’ accounts receivable. Subsequent changes in the Companies’ estimate of collectability due to a change in the financial status of a payer, for example a bankruptcy, is recognized as bad debt expense within operating expenses in the Companies’ combined statements of income.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from the patients and third-party payers. In some cases, reimbursement is based on formulas that cannot be determined until cost reports are filed and audited or otherwise settled by the various programs. See below for further discussion of the Companies' contracts with customers.

The following is a summary of sources of net patient service revenues:

	<b>Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
Medicare	\$ 163,472	25.1%	\$ 134,413	24.9%
Medicare Managed Care	87,908	13.5%	74,832	13.8%
Medicaid	62,364	9.6%	52,582	9.7%
Medicaid Managed Care	97,171	14.9%	72,966	13.5%
Commercial – Contracted	221,178	33.9%	183,803	34.0%
Commercial – Non-Contracted	14,126	2.2%	15,259	2.8%
Self-pay/other	5,534	0.8%	7,288	1.3%
<b>Total</b>	<b>\$ 651,753</b>	<b>100.0%</b>	<b>\$ 541,143</b>	<b>100.0%</b>

The Companies' revenues generally relate to contracts with patients in which the Companies' performance obligations are to provide health care services to the patients. Revenues are recorded during the period the Companies' obligations to provide health care services are satisfied. The performance obligations are satisfied over a period of time, and revenues are recognized based on charges incurred. The Companies' performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer, and the transaction prices for the services provided are dependent upon the terms provided by or negotiated with the third-party payers. A summary of the payment arrangements with major third-party payers is as follows:

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

*Medicare*

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare reimburses the Companies for covered outpatient services rendered to Medicare beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications. The Companies' classification of patients under the Medicare program and the appropriateness of their admissions are subject to an independent review. The Companies are also paid for services rendered to Medicare managed care program beneficiaries, also known as Medicare Part C, or Medicare Advantage, where the federal government contracts with private insurers to provide members with Medicare benefits.

Inpatient non-acute services, certain outpatient services, medical education costs, and defined capital costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. The Companies are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year that examination is substantially completed. These differences were immaterial for the year ended December 31, 2021 and decreased net patient service revenue by \$8,896 for the year ended December 31, 2020. The Companies do not believe that there are significant credit risks associated with this government agency.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

*Medicaid*

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Outpatient services are reimbursed based on a mixture of fee schedules and a cost reimbursement methodology. The Companies are reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid state auditors. The Companies also participate in Medicaid managed care arrangements. Payments for services of Medicaid beneficiaries that participate in those programs include prospectively determined rates and fee schedule payments. The estimated amounts due to or from the Medicaid state auditors are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year examination is substantially complete. These differences were immaterial for the years ended December 31, 2021 and 2020. The Companies do not believe that there are significant credit risks associated with this government agency.

*Commercial Contracted*

The Companies have also entered into agreements with certain commercial insurance carriers, health maintenance organizations (“HMO”s), and preferred provider organizations. The basis for payment to the Companies under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

*Commercial Noncontracted*

The Companies also provide their services to patients enrolled in programs of commercial insurance carriers, HMOs, and preferred provider organizations under which the Companies do not have agreements. The Companies recognize revenue for these patients based on their usual customary rates for these services, adjusted for historical trends in the Companies’ payment for similar services.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

Laws and regulations governing the third-party payer arrangements are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Normal estimation differences between subsequent cash collections on patient accounts receivable and net patient accounts receivable estimated in the prior year are reported as adjustments to net patient service revenue in the current period.

***State and Local Supplemental Programs***

During 2021, SMMC and SMHP received additional Medicaid funding under the New Jersey County Option Hospital Fee Pilot Program (“HFPP”). This program is administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health Services and began in 2021 in certain counties in New Jersey. The program requires that participating hospitals pay quarterly assessed fees based on estimated Medicaid utilization data within the county, and such payments are then pooled with federal Medicaid matching funds and redistributed to the participating hospitals as State Directed Payments. The State Directed Payments are subject to annual settlement based on actual Medicaid utilization data and other factors. The program was in effect for SMMC’s and SMHP’s third and fourth quarters of 2021 and resulted in fees paid of \$4,534 and Medicaid State Directed Payments received of \$5,447.

Effective July 1, 2014, the state replaced the Hospital Relief Subsidy Fund with the Delivery System Reform Incentive Payment Pool (“DSRIP”). DSRIP is available to certain hospitals that can establish performance improvement activities in one of eight specified clinical improvement areas. DSRIP covers the period of July 1 to June 30 of each fiscal year and is part of the dynamic Medicaid delivery system reform, and part of the broader Section 1115 Waiver program that provides a better way to deliver Medicaid funding to hospitals. Following the initial project period, the subsidy can be adjusted positively or negatively depending on the performance during a fiscal period. Such adjustments are processed prospectively.

DSRIP officially ended June 30, 2020 and was replaced by the Quality Improvement Program – New Jersey (“QIP-NJ”) that had a transitional year from DSRIP to QIP-NJ that began July 1, 2020 to June 30, 2021. QIP-NJ officially began on July 1, 2021 through December 31, 2021. After December 31, 2021, the program year will be from January 1 through December 31.



Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

QIP-NJ is a Medicaid pay-for-performance initiative administered by the Department of Health in partnership with the Department of Human Services. It is focused on behavioral health (“BH”) and maternal health and open to all acute care hospitals in New Jersey. The Companies will earn incentive payments through the achievement of performance targets on state-selected quality measures that demonstrate improvements in maternal care processes, reductions in maternal morbidity, improvements in connections with BH services, and reductions in potentially preventable utilization for BH population.

Although many states that use similar programs may be required to pay into the program using intergovernmental transfers (“IGTs”) to draw down federal matching funds – New Jersey does not require such IGTs. The Companies recognized \$22,827 and \$10,583 in net patient service revenue from HFPP, DSRIP, and QIP-NJ during the years ended December 31, 2021 and 2020, respectively.

*Charity Care*

The Companies provide care to patients who lack financial resources and are deemed to be medically indigent based on criteria established under the Companies’ charity care policy. This care is provided without charge or at amounts less than the Companies’ established rates. Because the Companies do not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. The direct and indirect costs related to this care totaled approximately \$5,578 and \$6,548 for the years ended December 31, 2021 and 2020, respectively. Direct and indirect costs for providing charity care are estimated by calculating a ratio of cost to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients. In addition, the Companies provide services to other medically indigent patients who meet certain financial criteria established by the New Jersey Department of Health without charge or at amounts that are less than the cost of the services provided to the recipients.

The Companies received funding from the Health Care Subsidy Fund to compensate for charity care. During the years ended December 31, 2021 and 2020, the Companies received \$7,484 and \$6,273 for charity care, respectively, which is included in net patient service revenue in the combined statements of income. The Health Care Subsidy Fund amounts are subject to change from year to year based on available state budget amounts and allocation methodologies.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

**COVID-19 Pandemic and CARES Act Funding**

In January 2020, the Secretary of the U.S. Department of Health and Human Services (“HHS”) declared a national public health emergency due to a novel strain of coronavirus. In March 2020, the World Health Organization declared a public health emergency due to the outbreak of COVID-19. During 2020, many state and local authorities put measures in place to keep people at home, close schools and businesses, and, in many areas, temporarily paused elective procedures provided by health care organizations. While many of these measures were lifted in late 2020, certain measures remain in place as of December 31, 2021, across various geographic regions. The Companies cannot predict, with reasonable certainty, the impact the pandemic will have on future operations.

The U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act in March 2020, the Paycheck Protection Program and Health Care Enhancement Act on April 24, 2020, the Consolidated Appropriations Act, 2021 on December 27, 2020, and the American Rescue Plan Act of 2021 on March 11, 2021 (together the “Stimulus Laws”). The Stimulus Laws authorized \$186,500,000 funds to be distributed to hospitals and other healthcare providers through the Public Health and Social Services Emergency Fund (the “PHSSEF”). General and targeted payments from the PHSSEF are intended to compensate health care providers for lost revenues or increased expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, and reporting requirements, including limitations on balance billing and not using PHSSEF funds to reimburse expenses or losses that other sources are obligated to reimburse. The Companies also received state and local government funds in response to the COVID-19 pandemic.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

Payments received or receivable are recorded at fair value as government stimulus income when the Companies meet the respective terms and conditions and reporting requirements up to the amount of funds that have been received or can be reasonably estimated not to exceed lost revenues and health-care-related expenses attributable to the coronavirus through the measurement period, as defined in the terms and conditions. On December 27, 2020, the Federal government passed the Consolidated Appropriations Act, which further clarified HHS guidance allowing for transferring certain categories of grant funds among providers within a hospital system and modified the methodology for determining lost revenues in connection with the grants. HHS issued further guidance in June 2021 clarifying the deadline to use and report on the use of funds. The guidance supported the Companies' conclusion that substantially all funds could be recognized as government stimulus income as lost revenues and increased expenses from inception of the pandemic to date exceeded funds received. The Companies received \$136,886 of funds from PHSSEF and state and local governments, of which \$22,830 and \$68,412 were recognized as government stimulus income for the years ended December 31, 2021 and 2020, respectively. As allowed by the guidelines released by HHS, PHSI reallocated \$20,558 of funds to the Companies during the year ended December 31, 2021 and the Companies reallocated \$66,202 of funds to PHSI during the year ended December 31, 2020. HHS allows for PHSI to allocate the targeted distribution received to any of its other subsidiaries that are eligible health care providers. PHSI and the Companies will continue to monitor the terms and conditions of the Stimulus Laws and the impact of the pandemic on revenues and expenses. If PHSI or the Companies are unable to attest or comply with current or future terms and conditions, the ability to retain some or all of the distributions received may be impacted.

As part of the pandemic relief measures, the federal government incorporated additional reimbursement to health care providers by suspending Medicare sequestration payments from May 1, 2020 to March 31, 2022, and by providing an additional 20% add-on payment for Medicare beneficiaries who were admitted to a hospital for COVID-19. Providers are also eligible to receive Medicare reimbursements for uninsured patients serviced for COVID-19 under the Health Resources and Services Administration COVID-19 claims reimbursement program. The Companies recorded net patient service revenues of \$11,065 and \$11,311 during the years ended December 31, 2021 and 2020, respectively, related to these reimbursements.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

In addition, the Stimulus Laws expanded the Medicare Accelerated and Advance Payment Program (“AAPP”). Inpatient acute care hospitals were able to request accelerated payments of up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments) based on payment amounts for inpatient acute care hospitals on the provider’s Medicare fee-for-service reimbursements in the last six months of 2019. Based on terms released on October 1, 2020, through the Continuing Appropriations Act, 2021 and Other Extensions Act, such accelerated payments are interest free for inpatient acute care hospitals for 29 months, and the program currently requires CMS to recoup the payments beginning one year after receipt by the provider, by withholding future Medicare fee-for-service payments for claims at a rate of 25% for the first 11 months, and 50% for the 6 months afterward, until the full accelerated payment has been recouped. The program currently requires any outstanding balance remaining after 29 months to be repaid by the provider or be subject to an interest rate currently set at 4%. During the year ended December 31, 2020, the Companies received \$77,255 of AAPP payments, of which \$18,203 was recouped during the year ended December 31, 2021. The remaining \$59,052 in AAPP liabilities include \$38,510 recorded in Medicare advances and \$20,542 in Medicare advances, net of current portion. The Stimulus Laws also provide for a deferral of payments of the employer portion of the Social Security (“SSI”) tax required to be made for the period of March 27, 2020 to December 31, 2020, allowing half of the payroll taxes to be deferred until December 2021 and the remaining half until December 2022. The Companies deferred the SSI payment from April 2020 until December 31, 2020. As of December 31, 2021, the Companies repaid a total of \$5,363 of the deferred SSI taxes. The remaining deferred amount of \$5,363 is recorded in accrued expenses as of December 31, 2021.

**Other Operating Revenue**

The Companies recognize revenue from State and County grant funds for operating and offering behavioral health type services to the local communities within other operating revenue. Grant revenue is recognized at fair value as the Companies meet the terms of the agreements. Additionally, the Companies collect other operating revenue from cafeteria sales and sublease income throughout the year.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

**Supplies Inventory**

Supplies inventory is stated at the lower of cost, determined by the average cost method, or net realizable value. Inventories consist primarily of medical and surgical supplies and pharmaceuticals.

**Property and Equipment**

Property and equipment is recorded at net book value, which is the original cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 2 to 30 years. Amortization of leasehold improvements is computed over the lesser of the lease term and the estimated useful lives of the assets and is included in depreciation and amortization expense. Equipment capitalized under capital lease obligations is amortized over the lesser of the life of the lease or the useful life of the asset. However, if there is a bargain purchase option or the ownership title of the equipment transfers to the Companies at the end of lease term, equipment is amortized over the useful life of the asset.

**Long-Lived Assets**

The Companies review long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The Companies consider assets to be impaired and writes them down to fair value if estimated undiscounted cash flows associated with those assets are less than their carrying amounts. Fair value is based upon the present value of the associated cash flows. Changes in circumstances (for example, changes in laws or regulations, technological advances or changes in strategies) may also reduce the useful lives from initial estimates. Changes in planned use of intangibles may result from changes in customer base, contractual agreements, or regulatory requirements.

During the year ended December 31, 2021, the Companies determined that long-lived assets related to Saint Clare's Sussex Facility, which were primarily land and building, were substantially impaired, and recorded an impairment charge of \$2,669 within long-lived asset impairment expense in the combined statements of income. The Companies did not have material impairments during the years ended December 31, 2020.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Principal areas requiring the use of estimates include third-party settlements, valuation of patient accounts receivable, impairment and useful lives of long-lived assets, professional and general liability claims, and reserves for legal contingencies.

**Income and Other Taxes**

The Companies are single member limited liability companies, therefore, they do not pay corporate income taxes on their taxable income. Their taxable income or losses are included on the PHSI consolidated income tax return. The Companies may disburse funds necessary to satisfy PHSI's tax liability.

The literature related to uncertain tax positions prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Companies are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. Generally, the Companies are subject to examination by U.S. federal (or state and local) income tax authorities for three years from the filing of a tax return.

**Cash and Cash Equivalents**

The Companies consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

**Goodwill**

Goodwill represents the excess of the consideration paid and liabilities assumed over the fair value of the net assets acquired, including identifiable intangible assets. Goodwill and other indefinite-lived acquired intangible assets are not amortized but evaluated for impairment annually (October 1), or whenever events or changes in circumstances indicate that the value of a certain asset may be impaired. Generally, the Companies' evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. If we determine, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative impairment test would be performed. The quantitative test for impairment requires the Companies to make judgments relating to future cash flows, growth rates, and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flows.

On October 1, 2021, the Companies fulfilled their annual goodwill impairment test through the use of a qualitative assessment to determine if it was more likely than not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The Companies' qualitative approach considers the general economic conditions, the industry the entity operates, changes in the market for an entity's services, regulatory and political development, actual financial performance compared with projected results of relevant prior periods, cost factors and other entity specific events.

The Companies concluded no indicators of impairment were identified. No impairments related to goodwill were recognized in 2021 and 2020.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

**Fair Value of Financial Instruments**

The Companies' combined balance sheets include the following financial instruments: cash and cash equivalents, patient accounts receivable, prepaid expenses, other current assets, related party receivables and payables, estimated third-party payer settlements, provider fee receivables and payables, accounts payable, accrued expenses, insurance claims and reserves recoverable, and insurance claims liabilities and reserves. The Companies consider the carrying amounts of current assets, and current liabilities in the combined balance sheets to approximate the fair value of these financial instruments and their expected realization.

**Concentration of Credit Risk**

Cash and cash equivalents are maintained at financial institutions and, generally, balances may exceed federally insured per depositor limits at each financial institution. The Companies have not experienced any losses to date related to these balances. The Companies monitor the financial condition of these institutions on an ongoing basis and do not believe any significant credit risk exists as of December 31, 2021.

At December 31, 2021 and 2020, net patient accounts receivables were comprised of the following programs:

	<b>2021</b>	<b>2020</b>
Medicare	<b>18.4%</b>	20.4%
Medicare Managed Care	<b>18.5%</b>	21.0%
Medicaid	<b>2.8%</b>	2.7%
Medicaid Managed Care	<b>10.3%</b>	10.3%
Commercial – Contracted	<b>26.9%</b>	32.2%
Commercial – Non-Contracted	<b>19.5%</b>	9.0%
Self-Pay/Other	<b>3.6%</b>	4.4%



Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

Management believes there are minimal credit risks associated with receivables from government programs. Receivables from managed care programs and others are from various payers who are subject to differing economic conditions and do not represent concentrated risks to the Companies. Management continually monitors and adjusts the reserves associated with receivables.

**Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. ASU 2016-02 establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of income. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) Targeted Improvements*, to provide another transition method in addition to the existing modified retrospective transition approach, by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The FASB issued ASU 2020-05, which deferred the effective date of the new leases standard for entities other than public business entities. For the Companies, ASC 842 is effective for annual periods beginning after December 15, 2021. The Companies are currently evaluating the impact of their pending adoption of the new standard on their combined financial statements. The Companies plan to elect the practical expedient packages to not reassess at adoption (a) expired or existing contracts for whether they are or contain a lease, (b) the lease classification of any existing leases or (c) initial indirect costs for existing leases.

On June 16, 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduced an expected credit loss methodology for the impairment of financial assets measured at amortized cost basis. That methodology replaces the probable, incurred loss model for those assets. The FASB added topic 326 and made several consequential amendments to the FASB accounting standards codification. On November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326)*, which extended the adoption deadline for ASU 2016-13 from beginning on December 15, 2018, to fiscal years beginning after December 15, 2022, for private companies, including interim periods within those fiscal years. Early adoption continues to be allowed. The Companies are currently evaluating the impact of their pending adoption of the new standard on their combined financial statements.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**1. Basis of Presentation and Significant Accounting Policies (Continued)**

**Reclassifications**

Certain prior-year line items on the combined balance sheets that were not individually required to be broken out have been reclassified to conform to the current year presentation. Prepaid expenses and other current assets were presented separately on the balance sheets, which was previously combined. There was no change in the reported total current assets and total current liabilities related to this reclassification.

**2. Goodwill and Intangible Assets**

**Goodwill**

Gross goodwill was \$62,365 as of December 31, 2021 and 2020. Accumulated impairment losses as of the same balance sheet dates were \$37,730.

Goodwill of \$9,559 allocated to SMMC reporting unit has a negative carrying value as of December 31, 2021 and 2020.

**Intangible Assets**

The Companies' intangible assets consist primarily of trade names, which were acquired in connection with acquisitions, and are amortized over 15 years.

The gross carrying amount of the Companies' intangible assets was \$13,685 and \$13,453 as of December 31, 2021, and 2020, respectively, and the net carrying amount was \$6,045 and \$6,493 as of December 31, 2021 and 2020, respectively, and are recorded in other non-current assets.

The weighted average remaining amortization period for intangible assets subject to amortization is approximately nine years. There are no expected residual values related to these intangible assets.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**2. Goodwill and Intangible Assets (continued)**

Amortization expense on these intangible assets was \$680 and \$645 during the years ended December 31, 2021 and 2020, respectively. Expected amortization expense on intangible assets for the five years subsequent to December 31, 2021, and thereafter, is as follows:

Years ending December 31:		
2022	\$	692
2023		692
2024		692
2025		692
2026		657
Thereafter		2,620
	\$	<u>6,045</u>

**3. Property and Equipment**

Property and equipment consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 36,804	\$ 37,503
Buildings and improvements	122,599	120,286
Equipment	138,543	127,991
	<u>297,946</u>	285,780
Less accumulated depreciation and amortization	(149,641)	(123,093)
	148,305	162,687
Construction-in-progress	12,121	7,694
	<u>\$ 160,426</u>	<u>\$ 170,381</u>

Depreciation expense was \$26,814 and \$26,175 for the years ended December 31, 2021 and 2020, respectively.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**3. Property and Equipment (continued)**

Equipment cost includes \$43,322 and \$62,151 of equipment under capital lease arrangements as of December 31, 2021 and 2020, respectively. Related accumulated depreciation totaled \$16,959 and \$28,986 as of December 31, 2021 and 2020, respectively.

**4. Leases**

In May 2016, in connection with the acquisition of St. Michael's Medical Center, PHSI sold the related real estate and hospital building to Medical Properties Trust ("MPT"). PHSI then leased back the real estate and hospital building for periods of ten years, with options to extend the term of the lease for two additional five-year periods. Monthly rent is defined as 8.50% of the lease base, subject to annual escalation of the greater of 2% or the Consumer Price Index. PHSI has the right of first refusal to purchase the properties for the price that a third party offers. PHSI has the option to purchase the real estate and hospital buildings at the greater of fair market value or the allocated lease base of the applicable properties. These transactions do not qualify for sale leaseback accounting because of PHSI's deemed continuing involvement with the buyer-lessor, including the requirement to pay reserves for major repairs, which is considered a form of contingent collateral and results in the transaction being recorded under the financing method. Additionally, during 2016, PHSI entered into a sale leaseback transaction with respect to St. Clare's Health System. Due to the option to purchase included in the lease, this transaction was recognized as a finance obligation. Later in 2016, an additional \$15,000 in financing was provided to St. Clare's LLC Boonton property. Monthly rent is defined as 8.67% of the lease base, subject to annual escalation of the greater of 2% or the Consumer Price Index. PHSI has the right of first refusal to purchase the properties for the price that a third party offers. PHSI has the option to purchase the real estate and hospital buildings at the greater of fair market value or the allocated lease base of the applicable properties.

Rent payments, consisting of interest-only payments, were \$17,014 and \$16,680 for the years ended December 31, 2021 and 2020, respectively. The unamortized deferred financing costs of \$3,079 was classified as a reduction of the sales leaseback liability on the accompanying balance sheets.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**4. Leases (continued)**

The Companies' lease financing obligations consist of the following, before deferred financing costs:

<u>Hospital</u>	<u>December 31,</u>		<u>Maturity Date<sup>(1)</sup></u>
	<u>2021</u>	<u>2020</u>	
St. Michael's Medical Center	\$ 63,000	\$ 63,000	August 2035
St. Clare's Health System	<u>115,000</u>	<u>115,000</u>	August 2035
	<u>\$ 178,000</u>	<u>\$ 178,000</u>	

<sup>(1)</sup>Both St. Michael's Medical Center and St. Clare's Health System's leases were arranged under MPT Master Lease V (ML V). On August 14, 2020, in connection with PHSI's acquisition of St. Francis Medical Center, PHSI entered into a sale leaseback agreement with MPT under ML V, which amended its maturity date from 2031 to 2035.

Total monthly payments for these facilities were \$1,418 and \$1,390 for the year ended December 31, 2021 and 2020, respectively, and are classified as interest expense in the combined statements of income.

Lease expense, consisting primarily of building rent and equipment leases, amounted to \$5,247 and \$5,260 for the years ended December 31, 2021 and 2020, respectively.

Capital leases bear interest at rates ranging from 1.6% to 8.0% and have maturity dates through December 2027.

As of December 31, 2021, future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year), future minimum capital leases and lease financing payments are as follows:

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**4. Leases (continued)**

	<b>Capital Leases</b>	<b>Operating Lease Commitments</b>	<b>Sale Leaseback Commitments</b>
Years ending December 31:			
2022	\$ 7,413	\$ 489	\$ 18,073
2023	6,272	125	18,434
2024	5,057	–	18,803
2025	2,529	–	19,179
2026	1,345	–	19,562
Thereafter	6	–	372,642
Total minimum payments	22,622	<u>\$ 614</u>	466,693
Less amounts representing interest	(1,668)		(288,693)
	20,954		178,000
Less current portion	(6,516)		–
Less deferred financing cost	–		(3,079)
	<u>\$ 14,438</u>		<u>\$ 174,921</u>

**5. Professional Liability, Workers’ Compensation and Healthcare Insurance**

Desert Valley Insurance, Limited (“DVIL”) provides workers’ compensation, professional liability, and medical insurance coverage to the Companies. DVIL is owned by Prime A Investments LLC (“Prime A”), a related party of the Companies.

**Workers’ Compensation Insurance**

DVIL provides workers’ compensation insurance on an occurrence basis. Under the terms of the policies, DVIL is obligated to insure each workers’ compensation claim up to a maximum of \$1,000 per claim. Losses in excess of \$1,000 per claim and a \$500 corridor deductible in aggregate paid losses are insured by the Safety National Insurance Company. The coverage includes a \$1,000 policy limit on bodily injury by disease.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**5. Professional Liability, Workers' Compensation and Healthcare Insurance (continued)**

**Professional Liability Insurance**

DVIL provides professional liability insurance on a claims-made basis. Under this policy, insurance premiums cover only those claims actually reported during the policy term. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims related to occurrences during the policy term but reported after the policy's termination may be uninsured. Under the current policy, the medical groups of the Companies are covered up to \$1,000 per claim and a \$3,000 general aggregate limit with no deductible. The hospitals of the Companies are covered up to \$7,000 per claim with no deductible. Excess losses up to \$40,000 per incident and general aggregate are insured by third party insurers. The Companies renewed their claims payable policy with DVIL for the next policy year ending January 1, 2023, under similar terms for the medical groups and hospitals. Excess coverage with third-party insurers were increased by \$5,000 per incident to \$45,000 in 2022.

U.S. GAAP requires that a health care facility recognize the estimated costs of malpractice claims in the period of the incident of malpractice, if it is reasonably possible that liabilities may be incurred, and losses can be reasonably estimated. The claim reserve is based on the most recent data available to the Companies; however, the estimate is subject to a significant degree of inherent variability.

The estimate is continually monitored and reviewed, and as the reserve is adjusted, the difference is reflected in current operations. While the ultimate amount of professional liability is dependent on future developments, management is of the opinion that the associated liabilities relating to the amounts incurred but not reported before the policy's termination date, recognized in the accompanying combined financial statements within insurance claims liabilities and reserves of \$6,601 and \$6,246 as of December 31, 2021 and 2020, respectively, are adequate to cover such claims. Management is not aware of any potential professional liability claims whose settlement, if any, would have a material adverse effect on the Companies' financial position.

**Medical Insurance**

The Companies' medical insurance is covered under the PHSI Exclusive Provider Organization program, which is a comprehensive medical plan that features PHSI's in-network providers. Premiums incurred totaled \$30,566 and \$31,209 for the years ended December 31, 2021 and 2020, respectively.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**6. Related-Party Transactions**

Related-party receivables are unsecured, non-interest bearing, due on demand, and consist of the following as of December 31:

	<b>2021</b>	<b>2020</b>
Due from Prime Healthcare Foundation Inc. and subsidiaries	\$ 275	\$ 84
Due from PHSI and its other subsidiaries	<b>75,676</b>	36,125
	<b>\$ 75,951</b>	<b>\$ 36,209</b>

These receivable balances represent the receivables from PHSI’s Exclusive Provider Organization program, receivables from allocations initiated by PHSI’s treasury management system to PHSI and its other subsidiaries, and stimulus funds reallocated from PHSI and its other subsidiaries as allowed by the guidelines released by HHS (Note 1).

Related-party payables are unsecured, non-interest bearing, due on demand, and consist of the following as of December 31:

	<b>2021</b>	<b>2020</b>
Due to Prime Healthcare Management, Inc. (“PHMI”) and related entities	\$ 18,064	\$ 24,439

The Companies pay PHMI, a related party, for management services provided by PHMI. Management fees were \$19,408 and \$21,904 for the years ended December 31, 2021 and 2020, respectively, and are classified within professional services expense on the accompanying combined statements of income.

The Companies entered into agreements with DVIL to provide workers’ compensation insurance, professional and general liability insurance, and earthquake and flood insurance coverage. Premiums incurred totaled \$9,132 and \$8,923 for the years ended December 31, 2021 and 2020, respectively. The Companies health insurance for employees is entered through its parent company with DVIL. Premiums incurred totaled \$30,566 and \$31,209 for the years ended December 31, 2021 and 2020, respectively, and are classified within compensation and employee benefits on the accompanying combined statements of income (Note 5).



Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**6. Related-Party Transactions (continued)**

The Companies entered into a service contract with Bio-Med Services, Inc. (“BMI”), a related party under common ownership, under which BMI provides asset management services, including but not limited to repairs and maintenance of medical equipment. Service fees incurred to BMI totaled \$8,740 and \$8,278 for the years ended December 31, 2021 and 2020, respectively, and are classified within professional services expense on the accompanying combined statements of income.

The Companies pay PrimEra Technologies, Inc., a related party, for outsourced IT, coding, and other revenue cycle services. Fees relating to these services totaled \$2,942 and \$2,519 for the years ended December 31, 2021 and 2020, respectively. These fees are classified within professional services expense on the accompanying combined statements of income.

SMMC and SMHP pay Central Business Office, a related party, for management fees which totaled \$2,710 and \$2,379 for the years ended December 31, 2021 and 2020, respectively. These fees are classified within professional services expense on the accompanying combined statements of income.

**7. Retirement Savings Plan**

The Companies participate in the 401(k) plan of their parent company, PHSI. The plan covers substantially all of the Companies’ employees. The Companies’ contribution to the plan is at the Companies’ discretion but limited to the maximum amount deductible for federal income tax purposes under the applicable Internal Revenue Code. The Companies incurred contribution costs of \$2,606 and \$2,514 during the years ended December 31, 2021 and 2020 related to the plan.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**8. Contingencies**

**Litigation**

The Companies are subject to a variety of claims and lawsuits that arise from time to time in the ordinary course of their business, acquisitions, or other transactions. While the Companies' management currently believes that resolving all of these matters, individually or in the aggregate, will not have a material adverse impact on the Companies' financial position or results of operations, the litigation and other claims that the Companies face are subject to inherent uncertainties and management's view of these matters may change in the future. Should an unfavorable final outcome occur, there exists the possibility of a material adverse impact on the Companies' financial position, results of operations and cash flows for the period in which the effect becomes probable and reasonably estimable.

**Legislation and Health Insurance Portability and Accountability Act (“HIPAA”)**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment of past reimbursement received for patient services. While the Companies are subject to similar regulatory review, management believes that the outcome of any potential regulatory review will not have a material adverse effect on the Companies' combined financial position.

HIPAA assures health insurance portability, reduces health care fraud and abuse, guarantees security and privacy of health information, and enforces standards for health information. The Health Information Technology for Economic and Clinical Health Act expanded upon HIPAA in a number of ways, including establishing notification requirements for certain breaches of protected health information. The Companies may be subject to significant fines and penalties if found not to be compliant with these federal provisions.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**8. Contingencies (continued)**

**Labor Relations**

As of December 31, 2021, the Companies had approximately 4,400 employees, of whom approximately 27% are represented by various labor organizations.

The table below shows the Companies' employees who are represented by unions as of December 31, 2021:

Facility	Employee Group	Union	Date in Which Collective Bargaining Agreement Expires
St. Michael's Medical Center	Professional and Service Employees	1199J (Guild)	May 29, 2022
St. Michael's Medical Center	Residents	Committee of Interns and Residents	August 29, 2022
St. Michael's Medical Center	Boiler Room and Maintenance Dept. Employees	International Union of Engineers ("IUOE") Local 68	April 30, 2023
St. Michael's Medical Center	Registered Nurses and Nurse Anesthetists. Technical Employees in certain departments only	Jersey Nurses Economic Security Organization ("JNESO")	In negotiations
St. Mary's Hospital – Passaic	Skilled Maintenance Employees	IUOE Local 68-68A-68B	August 14, 2023
St. Mary's Hospital – Passaic	Registered Nurses	JNESO	August 14, 2023
St. Mary's Hospital – Passaic	Technical Employees	JNESO	August 14, 2023

Through the date these combined financial statements were available to be issued, St. Michael's Medical Center collective bargaining agreement with JNESO was under negotiation. During negotiation, the Companies and union employees have agreed to work under the expired contract until a new contract is finalized.

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

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

**8. Contingencies (continued)**

**Provider Contracts**

Many of the Companies' payer and provider contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of medical services. Such differing interpretations may not come to light until a substantial period of time has passed following contract implementation. Liabilities for claims disputes are recorded when the loss is probable and can be estimated. Any adjustments to reserves are reflected in current operations.

**9. Subsequent Events**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Companies recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Companies' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued; however, such events are subject to disclosure. The Companies have evaluated subsequent events through May 13, 2022, which is the date the financial statements were available to be issued.

# Supplementary Information

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Supplementary Information – Combining Balance Sheet  
(Dollars in Thousands)

As of December 31, 2021

	SMHP	SCNJ	SMMC	Eliminations	Combined
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2,677	\$ 17,240	\$ 14,624	\$ –	\$ 34,541
Patient accounts receivable	19,037	47,953	25,241	–	92,231
Third-party payer settlements	581	691	3,053	–	4,325
Provider fee receivable	2,249	–	3,502	–	5,751
Supplies inventory	3,251	3,377	3,028	–	9,656
Prepaid expenses	546	3,475	1,156	–	5,177
Insurance claims and reserves recoverable	3,730	5,563	938	–	10,231
Related-party receivables	–	93,373	6,863	(24,285)	75,951
Other current assets	902	2,529	2,658	(1,335)	4,754
Total current assets	32,973	174,201	61,063	(25,620)	242,617
Property and equipment, net of accumulated depreciation and amortization	47,869	71,043	41,514	–	160,426
Insurance claims and reserves recoverable, net of current portion	9,298	13,916	3,243	–	26,457
Goodwill	89	14,987	9,559	–	24,635
Other assets	–	2,834	3,299	–	6,133
Total assets	\$ 90,229	\$ 276,981	\$ 118,678	\$ (25,620)	\$ 460,268

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Supplementary Information – Combining Balance Sheet (continued)  
(Dollars in Thousands)

As of December 31, 2021

	SMHP	SCNJ	SMMC	Eliminations	Combined
<b>Liabilities and member's equity</b>					
Current liabilities:					
Accounts payable	\$ 5,560	\$ 13,373	\$ 8,840	\$ (29)	\$ 27,744
Accrued expenses	8,647	24,959	10,876	(1,306)	43,176
Insurance claims liabilities and reserves	3,730	5,563	938	–	10,231
Related-party payables	40,088	–	2,261	(24,285)	18,064
Third-party payer settlements	533	865	4,288	–	5,686
Medicare advances	9,062	9,734	19,714	–	38,510
Capital leases	932	4,103	1,481	–	6,516
Long-term debt	31	8	15	–	54
Total current liabilities	<b>68,583</b>	<b>58,605</b>	<b>48,413</b>	<b>(25,620)</b>	<b>149,981</b>
Long-term liabilities:					
Sales leaseback liabilities	–	112,642	62,279	–	174,921
Insurance claims liabilities and reserves, net of current portion	10,582	16,384	6,091	–	33,057
Medicare advances, net of current portion	–	20,542	–	–	20,542
Capital leases, net of current portion	2,489	7,835	4,114	–	14,438
Long-term debt, net of current portion	–	–	–	–	–
Other long-term liabilities	69	9,603	4,985	–	14,657
Total long-term liabilities	<b>13,140</b>	<b>167,006</b>	<b>77,469</b>	<b>–</b>	<b>257,615</b>
Equity (deficit):					
Member's equity (deficit)	8,506	51,370	(16,335)	–	43,541
Noncontrolling interest	–	–	9,131	–	9,131
Total equity (deficit)	<b>8,506</b>	<b>51,370</b>	<b>(7,204)</b>	<b>–</b>	<b>52,672</b>
Total liabilities and equity (deficit)	<b>\$ 90,229</b>	<b>\$ 276,981</b>	<b>\$ 118,678</b>	<b>\$ (25,620)</b>	<b>\$ 460,268</b>

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Supplementary Information – Combining Balance Sheet  
(Dollars in Thousands)

As of December 31, 2020

	SMHP	SCNJ	SMMC	Eliminations	Combined
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 372	\$ 31,928	\$ 15,784	\$ –	\$ 48,084
Patient accounts receivable	16,666	36,743	20,275	–	73,684
Third-party payer settlements	765	333	3,551	–	4,649
Provider fee receivable	689	5,431	4,067	–	10,187
Supplies inventory	3,701	3,352	2,996	–	10,049
Prepaid expenses	880	1,600	1,723	–	4,203
Insurance claims and reserves recoverable	3,246	5,105	890	–	9,241
Related-party receivables	–	57,087	3,670	(24,548)	36,209
Other current assets	960	2,535	4,330	–	7,825
Total current assets	27,279	144,114	57,286	(24,548)	204,131
Property and equipment, net of accumulated depreciation and amortization	52,532	74,223	43,626	–	170,381
Insurance claims and reserves recoverable, net of current portion	7,782	13,356	3,183	–	24,321
Goodwill	89	14,987	9,559	–	24,635
Other assets	300	5,644	4,292	(2,706)	7,530
Total assets	\$ 87,982	\$ 252,324	\$ 117,946	\$ (27,254)	\$ 430,998



Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Supplementary Information – Combining Balance Sheet (continued)  
(Dollars in Thousands)

As of December 31, 2020

	SMHP	SCNJ	SMMC	Eliminations	Combined
<b>Liabilities and member's equity</b>					
Current liabilities:					
Accounts payable	\$ 4,100	\$ 12,218	\$ 8,033	\$ –	\$ 24,351
Accrued expenses	6,479	20,173	11,841	–	38,493
Insurance claims liabilities and reserves	3,246	5,105	890	–	9,241
Related-party payables	46,242	1,403	1,342	(24,548)	24,439
Third-party payer settlements	701	747	7,708	–	9,156
Medicare advances	5,711	6,316	7,132	–	19,159
Capital leases	1,003	5,820	3,810	–	10,633
Long-term debt	32	91	25	–	148
Total current liabilities	67,514	51,873	40,781	(24,548)	135,620
Long-term liabilities:					
Sales leaseback liabilities	–	112,482	62,226	–	174,708
Insurance claims liabilities and reserves, net of current portion	8,905	15,685	5,976	–	30,566
Medicare advances, net of current portion	9,691	29,725	18,680	–	58,096
Capital leases, net of current portion	2,147	7,355	4,055	–	13,557
Long-term debt, net of current portion	31	8	15	–	54
Other long-term liabilities	1,167	13,355	5,861	(2,706)	17,677
Total long-term liabilities	21,941	178,610	96,813	(2,706)	294,658
Equity (deficit):					
Member's (deficit) equity	(1,473)	21,841	(26,737)	–	(6,369)
Noncontrolling interest	–	–	7,089	–	7,089
Total (deficit) equity	(1,473)	21,841	(19,648)	–	720
Total liabilities and equity (deficit)	\$ 87,982	\$ 252,324	\$ 117,946	\$ (27,254)	\$ 430,998

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Supplementary Information – Combining Statement of Income  
(Dollars in Thousands)

Year Ended December 31, 2021

	SMHP	SCNJ	SMMC	Eliminations	Combined
<b>Revenue</b>					
Net patient service revenue	\$ 152,570	\$ 316,477	\$ 182,706	\$ –	\$ 651,753
Other operating revenue	4,112	10,388	7,719	(2,509)	19,710
Net revenue	156,682	326,865	190,425	(2,509)	671,463
Government stimulus income	2,219	2,220	18,391	–	22,830
Net revenue and government stimulus income	158,901	329,085	208,816	(2,509)	694,293
<b>Operating expenses</b>					
Compensation and employee benefits	73,825	162,286	93,632	–	329,743
General and administrative	10,660	27,075	13,888	–	51,623
Supplies	26,697	32,197	36,248	–	95,142
Professional services	29,316	47,773	35,414	(2,174)	110,329
Depreciation and amortization	7,573	10,783	9,138	–	27,494
Rent and lease	815	3,668	1,099	(335)	5,247
Long-lived asset impairment	–	2,669	–	–	2,669
	148,886	286,451	189,419	(2,509)	622,247
Income from operations	10,015	42,634	19,397	–	72,046
Interest expense	(109)	(12,919)	(6,953)	–	(19,981)
Other nonoperating income (loss)	73	(186)	–	–	(113)
Net income	9,979	29,529	12,444	–	51,952
Net income attributable to noncontrolling interest	–	–	(2,042)	–	(2,042)
Net income attributable to controlling interest	\$ 9,979	\$ 29,529	\$ 10,402	\$ –	\$ 49,910

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Supplementary Information – Combining Statement of Income  
(Dollars in Thousands)

Year Ended December 31, 2020

	<b>SMHP</b>	<b>SCNJ</b>	<b>SMMC</b>	<b>Eliminations</b>	<b>Combined</b>
<b>Revenue</b>					
Net patient service revenue	\$ 117,908	\$ 261,747	\$ 161,488	\$ –	\$ 541,143
Other operating revenue	3,590	14,769	9,619	(2,530)	25,448
Net revenue	121,498	276,516	171,107	(2,530)	566,591
Government stimulus income	9,143	28,168	31,101	–	68,412
Net revenue and government stimulus income	130,641	304,684	202,208	(2,530)	635,003
<b>Operating expenses</b>					
Compensation and employee benefits	71,792	162,822	95,730	–	330,344
General and administrative	9,172	26,168	9,276	(13)	44,603
Supplies	21,074	30,924	34,432	–	86,430
Professional services	24,749	48,817	36,770	(2,177)	108,159
Depreciation and amortization	7,462	10,674	8,684	–	26,820
Rent and lease	954	3,609	1,037	(340)	5,260
	135,203	283,014	185,929	(2,530)	601,616
(Loss) income from operations	(4,562)	21,670	16,279	–	33,387
Interest income (expense)	13	(14,790)	(7,932)	–	(22,709)
Other nonoperating loss	(19)	(551)	–	–	(570)
Net (loss) income	(4,568)	6,329	8,347	–	10,108
Net income attributable to noncontrolling interest	–	–	(2,050)	–	(2,050)
Net (loss) income attributable to controlling interest	\$ (4,568)	\$ 6,329	\$ 6,297	\$ –	\$ 8,058

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Supplementary Information – Combining Statement of Member’s Equity (Deficit)  
*(Dollars in Thousands)*

	<b>SMHP Member's Equity (Deficit)</b>	<b>SCNJ Member's Equity</b>	<b>SMMC Member's Deficit</b>	<b>Noncontrolling Interest</b>	<b>Combined Equity</b>
Balance, December 31, 2019	\$ 3,095	\$ 15,512	\$ (33,034)	\$ 5,039	\$ (9,388)
Controlling interest in net (loss) income	(4,568)	6,329	6,297	–	8,058
Noncontrolling interest in net income	–	–	–	2,050	2,050
Balance, December 31, 2020	(1,473)	21,841	(26,737)	7,089	720
Controlling interest in net income	<b>9,979</b>	<b>29,529</b>	<b>10,402</b>	–	<b>49,910</b>
Noncontrolling interest in net income	–	–	–	<b>2,042</b>	<b>2,042</b>
Balance, December 31, 2021	<b><u>\$ 8,506</u></b>	<b><u>\$ 51,370</u></b>	<b><u>\$ (16,335)</u></b>	<b><u>\$ 9,131</u></b>	<b><u>\$ 52,672</u></b>

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Supplementary Information – Combining Statement of Cash Flows  
(Dollars in Thousands)

Year Ended December 31, 2021

	SMHP	SCNJ	SMMC	Eliminations	Combined
<b>Operating activities</b>					
Net income	\$ 9,979	\$ 29,529	\$ 12,444	\$ –	\$ 51,952
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	7,573	10,783	9,138	–	27,494
Gain on sale of assets	–	(188)	–	–	(188)
Long-lived asset impairment	–	2,669	–	–	2,669
Amortization of deferred debt issuance costs	–	160	53	–	213
Changes in assets and liabilities:					
Patient accounts receivable	(2,371)	(11,210)	(4,966)	–	(18,547)
Supplies inventory	450	(25)	(32)	–	393
Prepaid expenses	334	(1,875)	567	–	(974)
Other assets	358	2,480	2,321	(1,371)	3,788
Related-party receivables/payables	(6,154)	(37,689)	(2,274)	–	(46,117)
Accounts payable	1,370	1,167	(168)	(29)	2,340
Accrued expenses, insurance claims liabilities and reserves, and other long-term liabilities	1,231	1,173	(1,786)	1,400	2,018
Medicare advances	(6,340)	(5,765)	(6,098)	–	(18,203)
Third-party payer settlements and provider fee receivable	(1,544)	5,191	(2,357)	–	1,290
Net cash provided by (used in) operating activities	4,886	(3,600)	6,842	–	8,128
<b>Investing activities</b>					
Purchases of property and equipment	(1,468)	(5,107)	(3,957)	–	(10,532)
Proceeds from sale of assets	–	188	–	–	188
Net cash used in investing activities	(1,468)	(4,919)	(3,957)	–	(10,344)
<b>Financing activities</b>					
Payments on long-term debt	(32)	(91)	(25)	–	(148)
Payments on capital lease obligations	(1,081)	(6,078)	(4,020)	–	(11,179)
Net cash used in financing activities	(1,113)	(6,169)	(4,045)	–	(11,327)
Increase (decrease) in cash and cash equivalents	2,305	(14,688)	(1,160)	–	(13,543)
Cash and cash equivalents at beginning of year	372	31,928	15,784	–	48,084
Cash and cash equivalents at end of year	\$ 2,677	\$ 17,240	\$ 14,624	\$ –	\$ 34,541
<b>Supplemental cash flow information</b>					
Cash paid during the year for interest	\$ 116	\$ 12,758	\$ 6,908	\$ –	\$ 19,782
<b>Supplemental disclosure of noncash investing and financing activities</b>					
Financing obligations incurred for the acquisition of property and equipment	\$ 1,352	\$ 4,841	\$ 1,750	\$ –	\$ 7,943
Property, plant, and equipment included in accounts payable	\$ 174	\$ 6	\$ 1,234	\$ –	\$ 1,414

Prime Healthcare Services, Inc. – New Jersey Hospitals  
and Controlled Entities

Supplementary Information – Combining Statement of Cash Flows  
(Dollars in Thousands)

Year Ended December 31, 2020

	SMHP	SCNJ	SMMC	Eliminations	Combined
<b>Operating activities</b>					
Net (loss) income	\$ (4,568)	\$ 6,329	\$ 8,347	\$ –	\$ 10,108
Adjustments to reconcile net (loss) income to net cash provided by operating activities:					
Depreciation and amortization	7,462	10,674	8,684	–	26,820
Amortization of deferred debt issuance costs	–	252	58	–	310
Changes in assets and liabilities:					
Patient accounts receivable	(830)	7,909	(2,422)	–	4,657
Supplies inventory	(101)	117	16	–	32
Prepaid expenses	(478)	303	(1,361)	(25)	(1,561)
Other assets	149	(376)	(2,893)	–	(3,120)
Related-party receivables/payables	(13,675)	(32,065)	(31,144)	25	(76,859)
Accounts payable	(1,915)	(1,646)	1,081	–	(2,480)
Accrued expenses, insurance claims liabilities and reserves, and other long-term liabilities	2,649	7,008	4,235	–	13,892
Medicare advances and deferred government stimulus funds	15,402	36,041	25,811	–	77,254
Third-party payer settlements and provider fee receivable	2,267	(2,216)	3,132	–	3,183
Net cash provided by operating activities	6,362	32,330	13,544	–	52,236
<b>Investing activities</b>					
Purchases of property and equipment	(4,363)	(7,109)	(6,498)	–	(17,970)
Net cash used in investing activities	(4,363)	(7,109)	(6,498)	–	(17,970)
<b>Financing activities</b>					
Payments on long-term debt	(31)	(92)	(26)	–	(149)
Payments on capital lease obligations	(2,100)	(5,815)	(3,314)	–	(11,229)
Net cash used in financing activities	(2,131)	(5,907)	(3,340)	–	(11,378)
(Decrease) increase in cash and cash equivalents	(132)	19,314	3,706	–	22,888
Cash and cash equivalents at beginning of year	504	12,614	12,078	–	25,196
Cash and cash equivalents at end of year	\$ 372	\$ 31,928	\$ 15,784	\$ –	\$ 48,084
<b>Supplemental cash flow information</b>					
Cash paid during the year for interest	\$ 79	\$ 13,489	\$ 7,615	\$ –	\$ 21,183
<b>Supplemental disclosure of noncash investing and financing activities</b>					
Financing obligations incurred for the acquisition of property and equipment	\$ 2,844	\$ 2,913	\$ 3,121	\$ –	\$ 8,878
Property, plant, and equipment included in accounts payable	\$ 85	\$ 18	\$ 258	\$ –	\$ 361

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