Consolidated Financial Statements, Supplementary Information and Report of Independent Certified Public Accountants

Hunterdon Healthcare System, Inc. and Affiliates

December 31, 2024 and 2023

Hunterdon Health

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Hunterdon Healthcare System, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of Hunterdon Healthcare System, Inc. and Affiliates, (the System), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the System as of December 31, 2024 and 2023, and the results of its operations 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 System 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 System'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System'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
The accompanying consolidating balance sheets as of December 31, 2024 and the related consolidating statements of operations and changes in net assets without donor restriction and statement of operations and shareholders' equity for the year then ended are presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records

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used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania
May 22, 2025

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATED BALANCE SHEETS

December 31,
(In Thousands)

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 51,638	$ 53,096
Patient accounts receivable	48,332	42,462
Other receivables	6,791	8,375
Due from unconsolidated joint ventures	1,446	503
Supplies	5,378	4,718
Prepaid expenses and other current assets	4,677	6,932
Total current assets	118,262	116,086
Investments	182,648	170,104
Assets whose use is limited		
Board-designated funds	16,018	14,089
Donor-restricted assets	30,969	29,711
Property and equipment, net	135,616	140,138
Right-of-use assets, operating leases	21,029	26,407
Other assets		
Investment in unconsolidated joint ventures	4,308	4,661
Goodwill	11,330	11,330
Other	21,321	18,572
Beneficial interest in perpetual trusts	3,589	3,404
Total assets	$ 545,090	$ 534,502
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 32,069	$ 36,692
Accrued payroll and payroll taxes	25,320	23,703
Third-party payor settlements	4,110	5,739
Operating lease obligations, current portion	5,741	6,746
Long-term debt, current portion	5,503	3,117
Accrued interest payable	-	518
Total current liabilities	72,743	76,515
Long-term debt, net of current portion	98,699	104,032
Operating lease obligations, net of current portion	16,313	20,827
Other liabilities		
Accrued retirement benefits	6,792	19,285
Deferred revenue	1,863	3,489
Other	23,405	19,756
Total liabilities	219,815	243,904
Net assets		
Without donor restrictions		
Hunterdon Healthcare System, Inc. and affiliates	290,077	256,691
Noncontrolling interests	2,479	2,329
	292,556	259,020
With donor restrictions	32,719	31,578
Total net assets	325,275	290,598
Total liabilities and net assets	$ 545,090	$ 534,502

The accompanying notes are an integral part of these consolidated financial statements.

Hunterdon Healthcare Systems, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years ended December 31,
(In Thousands)

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues		
Patient service revenues	$ 451,012	$ 415,858
Other revenues	25,901	38,085
Net assets released from restrictions for operations	560	2,305
Total revenues	477,473	456,248
Expenses		
Salaries and wages	232,903	223,064
Employee benefits	46,268	40,412
Physician fees	20,479	18,260
Supplies	62,492	59,356
Other	95,184	91,199
Depreciation and amortization	15,032	14,573
Interest	3,422	3,669
Total expenses	475,780	450,533
Operating income	1,693	5,715
Other gains and losses		
Investment returns, net	18,449	21,033
Accrued retirement benefit cost	(1,233)	(2,443)
Change in fair value of interest rate swap agreements	717	(624)
Loss on sale of property and equipment	(24)	(47)
Other gains and losses, net	17,909	17,919
Revenues and gains over expenses and losses before noncontrolling interests	19,602	23,634
Revenues and gains over expenses and losses attributed to noncontrolling interests	(1,406)	(1,269)
Revenues and gains over expenses and losses attributed to Hunterdon Healthcare System, Inc. and affiliates	18,196	22,365

Continued on next page

The accompanying notes are an integral part of these consolidated financial statements.

Hunterdon Healthcare Systems, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years ended December 31,
(In Thousands)

	2024	2023
Revenues and gains over expenses and losses attributed to Hunterdon Healthcare System, Inc. and affiliates *(previous page)*	$ 18,196	$ 22,365
Changes in net assets without donor restrictions		
Other changes in accrued retirement benefits	13,726	9,828
Net assets released from restrictions for capital acquisitions	1,530	1,386
Change in noncontrolling interests	150	59
Other	(66)	(1,688)
Increase in net assets without donor restrictions	33,536	31,950
Changes in net assets with donor restrictions		
Contributions	1,191	1,695
Investment return		
Interest and dividends	106	98
Change in net unrealized gains and losses	1,749	2,256
Change in value of beneficial interest in perpetual trusts	185	477
Net assets released from restrictions	(2,090)	(3,691)
Increase in net assets with donor restrictions	1,141	835
Increase in net assets	34,677	32,785
Net assets, beginning of year	290,598	257,813
Net assets, end of year	$ 325,275	$ 290,598

The accompanying notes are an integral part of these consolidated financial statements.

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,
(In Thousands)

	2024	2023
Cash flows from operating activities:		
Increase in net assets	$ 34,677	$ 32,785
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gains and losses on investments	(15,371)	(19,199)
Depreciation and amortization	15,032	14,573
Change in fair value of interest rate swap agreements	(717)	624
Other changes in accrued retirement benefits	(13,726)	(9,828)
Equity in income (losses) from unconsolidated joint ventures	752	(82)
Restricted contributions	(1,191)	(1,695)
Loss on sale of assets	24	47
Other noncash items	-	1,157
Change in value of beneficial interest in perpetual trusts	(185)	(477)
Changes in operating assets and liabilities:		
Patient accounts receivable	(5,870)	(977)
Other receivables	1,584	356
Due from unconsolidated joint ventures	(943)	89
Supplies	(660)	(74)
Prepaid expenses and other assets	223	(1,290)
Accounts payable and accrued expenses	(3,524)	10,285
Right-of-use assets, operating leases, net	(141)	(167)
Third-party payor settlements	(1,629)	804
Accrued retirement benefits	1,233	2,443
Other liabilities	2,023	(666)
Net cash provided by operating activities	11,591	28,708
Cash flows from investing activities:		
Acquisition of property and equipment	(10,810)	(19,264)
Proceeds from sale of assets	803	7
Investment in unconsolidated joint ventures	(399)	(263)
Change in investments and assets whose use is limited	(1,081)	(9,521)
Cash paid for acquisitions, net	-	(250)
Net cash used in investing activities	(11,487)	(29,291)
Cash flows from financing activities:		
Repayment of long-term debt	(3,474)	(3,251)
Proceeds from restricted contributions	1,191	1,695
Proceeds from issuance of long-term debt	-	481
Net cash used in financing activities	(2,283)	(1,075)
Cash and cash equivalents and restricted cash and cash equivalents:		
Net decrease	(2,179)	(1,658)
Balances, beginning of year	60,453	62,111
Balances, end of year	$ 58,274	$ 60,453
Supplemental disclosures of cash flow information:		
Interest paid	$ 3,940	$ 3,638
Reconciliation of cash and cash equivalents and restricted cash and cash equivalents:		
Cash and cash equivalents	$ 51,638	$ 53,096
Assets whose use is limited, donor-restricted, cash	6,636	7,357
	$ 58,274	$ 60,453

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION

Hunterdon Healthcare System, Inc. (HHS) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) established to operate exclusively for charitable, scientific and educational purposes, as a regional health network serving Hunterdon, Warren, Somerset and Mercer Counties in New Jersey and Bucks County in Pennsylvania. The consolidated financial statements include the accounts of Hunterdon Healthcare System, Inc. and its affiliates as follows:

Hunterdon Medical Center (the Medical Center), a New Jersey not-for-profit acute care medical center and any other qualifying members, in the performance of charitable, educational, scientific and hospital purposes within the service area with a wide range of inpatient and outpatient services, including medical, surgical, obstetrical, gynecological, pediatric, emergency and ambulatory care.

The Medical Center controls the following not-for-profit professional corporations: Hunterdon Primary Care, P.C., Hunterdon Specialty Care, P.C. and Hunterdon Urgent Care, P.C. (collectively d/b/a Hunterdon Medical Group). Hunterdon Medical Group employs certain physicians, nurse practitioners and physician assistants and provide services at primary care and specialty practices owned by the Medical Center.

Midjersey Health Corporation (Midjersey), a for-profit entity that conducts various health related proprietary activities, is owned 100 percent by HHS. Midjersey has the following ownership interests:

- 51 percent ownership in Hunterdon Center for Surgery, LLC (HCS), an outpatient surgery center.
- 51 percent of Raritan Family Healthcare LLC (Raritan Family), a primary health care provider.
- 100 percent interest in Delaware Valley Office Associates (DVO), a for-profit which owns rental properties.
- 67 percent interest in Hunterdon Imaging Associates (HIA), a for-profit which received service fees based on imaging services that ceased operations on January 31, 2021 and is the process of liquidating.

Hunterdon Regional Community Health, Inc. (HRCH), a tax-exempt organization that is the sole corporate member or wholly owns:

- Hunterdon Hospice, Incorporated, a tax-exempt organization that provides hospice care.
- Visiting Health & Supportive Services, Inc., a tax-exempt organization that provided companion care services that ceased operations on September 30, 2020 and is the process of liquidating.
- Briteside Adult Day Centers, Inc., a tax-exempt organization that provides adult daycare services.
- Hunterdon Regional Pharmacy, Inc. (the Pharmacy), a for-profit retail pharmacy.

Hunterdon Healthcare Foundation, Inc. (the Foundation), a New Jersey not-for-profit that coordinates fund raising activities for the System.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Hunterdon Healthcare System, Inc. and affiliates as described in Note 1 (collectively, the System). The noncontrolling interests relate to the following: HCS, Raritan Family and HIA, which are reported as a component of net assets. Intercompany transactions and balances have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP) consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 954, *Health Care Entities*, and other pronouncements applicable to health care organizations.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in recording patient accounts receivable and patient service revenue, third-party payor settlements, useful lives of property and equipment, goodwill and intangibles, interest rate swaps, self-insurance program liabilities, imputed interest rates for leases, actuarial estimates for accrued retirement benefits, and the reported fair values of certain assets and liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents and restricted cash and cash equivalents include cash on hand and highly liquid investments with an original maturity of 12 months or less.

The System has balances with financial institutions that exceed federal depository insurance limits. Management does not believe the credit risk related to these deposits to be significant.

Patient Accounts Receivable

Patient accounts receivable are recorded when there is an unconditional right to payment, subject only to the passage of time. Patient accounts receivable, including billed accounts and unbilled accounts, which have the unconditional right to payment, and estimated amounts due from third-party payors for retroactive adjustments, are recorded as receivables since the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. The estimated uncollectible amounts are generally considered implicit price concessions that are recorded as a direct reduction to patient accounts receivable.

Supplies

Supplies are stated at the lower of cost, determined using the first-in, first-out method or net realizable value.

Investments and Assets Whose Use is Limited and Investment Risk

Assets whose use is limited primarily includes designated assets set aside by the Board of Trustees, over which the Board retains control, including deferred compensation plans with investments and assets under split dollar agreements for certain employees and physicians through an insurance company and donor-restricted assets. Amounts required to meet current liabilities have been reclassified as current assets in the consolidated balance sheets.

Investments in mutual funds with readily determinable fair values and all investments in bonds are measured at fair value. Investments in commingled funds are recorded at the net asset value (NAV) of the fund as estimated by the external investment managers and is based on the net asset value of the funds. NAVs are reviewed and evaluated based on information provided by the external investment managers for reasonableness. Investment returns, net (includes realized gains and losses on investments, interest and dividends and unrealized gains and losses on investments) is included in excess of revenues and gains over expenses and losses unless donor stipulation or law restricts the income or loss. Gains and losses on the sale of investments are based on an identified cost basis. Donated investments are reported at fair value at the date of receipt.

The investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheets are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Property and Equipment

Property and equipment are carried at cost, except donated assets, which are recorded at fair value at date of donation. Finance lease arrangements are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the asset and is included in depreciation and amortization. Depreciation expense is calculated on all depreciable assets, based on the straight-line method utilizing estimated useful lives ranging from 3 to 40 years.

Construction in progress represents amounts expended or incurred toward property and equipment projects that have not been completed. No depreciation or amortization has been recorded for these items. Interest cost incurred, net of investment income earned on borrowed funds during the period of construction, is capitalized as a component of the cost of acquiring those assets. In cases where internal cash reserves are used to fund construction, interest is capitalized based on average accumulated expenditures multiplied by the weighted-average interest rate on existing debt. There was no capitalized interest for the years ended December 31, 2024 and 2023.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

Leases and Right-of-Use Assets

An arrangement is determined to be a lease at inception of the contract. Right-of-use (ROU) assets represent the underlying assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. An estimated incremental borrowing rate is derived from information available at the lease commencement date, in determining the present value of lease payments. This rate is determined based on information obtained from bankers, the secured debt fair value and publicly available data for instruments with similar characteristics.

Operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices, as well as medical and office equipment. Finance leases are for medical equipment and are included in property and equipment - moveable equipment. The real estate lease agreements typically have initial terms of five to ten years, and equipment lease agreements typically have initial terms of three to five years. Leases with an initial term of 12 months or less (short-term leases) are not recorded in the consolidated balance sheets.

Real estate leases may include one or more options to renew, with renewals that typically can extend the lease term from five to ten years. The exercise of lease renewal options is at the System's sole discretion. In general, renewal options are not considered to be reasonably likely to be exercised; therefore, renewal options are generally not recognized as part of ROU assets and lease liabilities. The useful life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The majority of the medical equipment leases have terms of three years with no renewal options or bargain purchase options, accordingly, these assets are depreciated over their lease term.

Certain lease agreements for real estate include payments based on actual common area maintenance expenses. These variable lease payments are recognized as other operating expenses in the consolidated statements of operations and changes in net assets and are not included in the ROU asset or liability balances. The current lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred from certain issuances and are being amortized over the terms of the related debt using the effective interest method and is included in depreciation and amortization expense in the consolidated statements of operations and changes in net assets. Deferred financing costs are reported as direct reductions of long-term debt.

(in thousands)

Other Assets

Other assets at December 31, 2024 and 2023 are as follows:

	2024	2023
Insurance recoveries	$ 10,916	$ 8,650
Interest rate swaps	4,417	3,700
Land held for sale	213	213
Pharmacy deposits	776	692
Deferred tax assets	1,559	1,435
Contributions receivable, net	2,404	2,844
Other	1,036	1,038
	$ 21,321	$ 18,572

Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts are arrangements whereby a donor establishes and funds a trust, and the assets are held in perpetuity or for a period of time, with the income earned distributed annually to the System for both restricted and unrestricted use. The System recognizes the contribution and receivable as net assets with donor restrictions, in the period the trust is established at its present value, which equals the fair value of the underlying assets. The fair value of these assets is based on the net asset value reported by the fund manager, which are reviewed by management for reasonableness. Adjustments to the trusts to reflect changes in fair value are recognized as changes to net assets with donor restrictions.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is tested annually for impairment or earlier upon the occurrence of certain events or substantive changes in circumstances that indicate goodwill is more-likely-than-not impaired. There were no triggering events during 2024 or 2023.

Derivative Instruments and Hedging Activities

Derivative financial instruments are employed to manage risks. The principal financial instruments used for cash flow hedging purposes are interest rate swaps. The interest rate swap agreements are entered into to manage exposure to interest rate changes. The financial instruments are recognized in the consolidated balance sheets at fair value. The interest rate swaps do not qualify for hedge accounting and as such the changes in the fair value of its interest rate swaps are reported in other gains and losses as a component of excess of revenues over expenses in the consolidated statements of operations and changes in net assets.

Policies and procedures are established to limit the potential for counterparty risk, including establishing limits for credit exposure and continually assessing the creditworthiness or counterparties. The exposure to credit risk associated with its derivative financial instruments is measured on an individual counterparty basis, as well as by groups of counter parties that share similar attributes.

Self-Insured Health Benefits

The System is self-insured for employee health benefits. The provision for estimated employee health benefits includes estimates for the ultimate cost for both reported claims and claims incurred but not reported and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Estimated Malpractice Costs

The liability for estimated medical malpractice claims, included in other liabilities, includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Anticipated insurance recoveries associated with reported claims are reported separately as other assets in the consolidated balance sheets at net realizable value.

Net Assets

Net assets, revenues, gains and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenues, gains and other support not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

- Net Assets With Donor Restrictions - net assets with donor restrictions are those whose use by the System have been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Certain net assets with donor restrictions are required to be maintained by the System in perpetuity.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported in nonoperating revenues and gains. A number of unpaid volunteers contribute their time to the System. The value of this contributed time is not reflected in the consolidated financial statements.

Patient Service Revenues

Patient service revenue is reported at the amounts that reflect the consideration to which the System is expected to be entitled to in exchange for providing patient care for both the hospital and any employed physicians. These amounts are due from patients, third-party payors (including managed care organizations and government programs, i.e., Medicare and Medicaid), and others and they include variable consideration for retroactive adjustments due to settlement of future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Generally, patients and third-party payors are billed several days after the services are performed or shortly after discharge. Patient service revenue is recognized in the period in which the performance obligations are satisfied under contracts by transferring services to patients.

(in thousands)

Performance obligations are determined based on the nature of the services provided. Revenue is recognized for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. The System believes that this method provides an appropriate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations are satisfied over time related to patients receiving inpatient acute care services. Performance obligations are measured from admission to the point when there are no further services required for the patient for the episode of care, which is generally the time of discharge. Revenue is recognized for performance obligations satisfied at a point in time, which generally relate to patients receiving physician and hospital outpatient services, when: (1) services are provided and (2) when it is believed the patient does not require additional services for the episode of care.

Other Revenues

The composition of other revenue for the years ended December 31, 2024 and 2023 is set forth in the following table:

	2024	2023
Grant revenue:		
Federal Emergency Management Agency (FEMA)	$ 448	$ 2,388
New Jersey Economic Development Energy Resilience Bank - Note 10	-	6,058
Other	3,738	3,487
	4,186	11,933
Value-based incentive payments	8,372	12,343
Health and wellness centers	2,976	2,799
Contributions	1,246	1,338
Rental income	1,767	1,351
State of New Jersey subsidy payments	400	986
Other	6,954	7,335
	$ 25,901	$ 38,085

The System received grants, which are considered non-exchange transactions, from the federal government distributed under the Federal Emergency Management Agency (FEMA), related to the COVID-19 pandemic. For the years ended December 31, 2024 and 2023, recorded amounts from FEMA of $448 and $2,388, respectively, which are included in other revenues in the consolidated statement of operations and changes in net assets. These FEMA grants are subject to audit and compliance with federal regulations. The System believes it has met the conditions to retain these funds, and no amounts are reserved for repayment at December 31, 2024 and 2023. Also, future grant payments are uncertain at this time.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2024 and 2023, advertising costs were $2,406 and $1,467, respectively, which are included in supplies expenses in the accompanying consolidated statements of operations and changes in net assets.

Income Taxes

HHS, the Medical Center, HRCH and the Foundation, except for the affiliates mentioned below, are tax-exempt not-for-profit organizations under Section 501(c)(3) of the IRC. Accordingly, these organizations are not subject to income taxes on income generating activities that are substantially related to their tax-exempt purposes or that are statutorily excluded from income tax for organizations exempt under Section 501(c)(3). Therefore, no provision for federal and state income taxes is required. The federal tax-exempt organization business income tax returns are no longer subject to examination by the Internal Revenue Service (IRS) for years before 2020. Midjersey and the Pharmacy are taxable for-profit entities. These entities use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The System’s taxable for-profit entities recorded a net benefit for income taxes for the years ended December 31, 2024 and 2023 of $(746) and $16, respectively, and these amounts are included in other expenses in the consolidated statements of operations and changes in net assets. Deferred tax assets of $1,559 and $1,435, respectively, at December 31, 2024 and 2023, are included in other assets in the consolidated balance sheets. These amounts represent the deferred tax consequences attributable to temporary differences. The temporary differences comprise lease payments, depreciation, and other temporary differences. Certain for-profit subsidiaries have federal net operating loss (NOL) carryforwards of approximately $317 that expire through 2037 and State of New Jersey NOL carryforwards of approximately $7,175 that also expire through 2044. Certain for-profit subsidiaries have federal NOL carryforwards of approximately $3,775 that expire indefinitely.

In assessing the realization of deferred tax assets, management is required to consider whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and must be supported by sufficient positive evidence. Management considers the scheduled reversal of deferred tax assets and liabilities, projected future taxable income and tax planning strategies in making this assessment. The Pharmacy has had multiple years of net operating losses. As a result, management has recorded a full valuation allowance against the deferred tax asset.

Certain items of income and expenses are recognized for income tax purposes in different periods from those periods in which such items are recognized for financial reporting purposes. These timing difference items include provisions for uncollectible fees and tax and book depreciation differences. Deferred tax assets and liabilities, if any, are provided for the tax effect of these differences.

The System recognizes income tax positions when it is more-likely-than-not that the position will be sustainable based on the merits of the position. Management has concluded that there are no material tax liabilities that need to be recorded.

Excess of Revenues and Gains Over Expenses and Losses

The consolidated statements of operations and changes in net assets includes the determination of excess of revenues and gains over expenses and losses, which is the performance indicator. Changes in net assets without donor restrictions, which are excluded from the performance indicator consistent with industry practice, include other changes in accrued retirement benefits and contributions of long-lived assets including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets, change in noncontrolling interests, and other items.

(in thousands)

Reclassifications

Certain prior period consolidated financial statement amounts have been reclassified to conform to current period presentation.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the consolidated balance sheets at December 31, 2024 and 2023, consist of the following:

	2024	2023
Cash and cash equivalents	$ 51,638	$ 53,096
Patient accounts receivable	48,332	42,462
Investments	182,648	170,104
	282,618	265,662
Available lines of credit - Note 10	30,000	30,000
	$ 312,618	$ 295,662

The System has other assets whose use is limited that are for donor-restricted purposes. These assets are not available for general expenditure within the next year and are not reflected in the amounts above.

As part of the System's liquidity management, the policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4 - CHARITY AND UNCOMPENSATED CARE

In furtherance of its charitable purpose, the System provides a wide variety of benefits to the community, including offering various community-based social service programs, such as health screenings, training for emergency service personnel, social service and support counseling for patients and families, pastoral care and crisis intervention. Additionally, a large number of health-related educational programs are provided for the benefit of the community, including health enhancements and wellness, classes on specific conditions, telephone information services and costs related to programs designed to improve the general standards of the health of the community.

The System provides medical care without charge or at reduced costs to residents of its community who meet the criteria under the state regulation for charity care. The definition of charity care includes services provided at no charge or at a reduced charge to patients who are uninsured or underinsured. The System maintains records to identify and monitor the level of charity care it provides. These records support the amount of charges foregone from services and supplies furnished under its charity care policy. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. An overall cost to charge ratio was applied to arrive at the cost of charity care. As a result, the cost of providing charity care was $4,206 and $3,758 for the years ended December 31, 2024 and 2023, respectively.

(in thousands)

The State of New Jersey provides certain subsidy payments to qualified hospitals to partially fund uncompensated care and certain other costs. Subsidy payments recognized as revenues amounted to $289 and $560 for the years ended December 31, 2024 and 2023, respectively, and are included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

NOTE 5 - PATIENT SERVICE REVENUE

The System disaggregates revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenues and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

The composition of patient care service revenues by primary payor for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Medicare and Medicare managed care	34%	32%
Medicaid and Medicaid managed care	6	7
Aetna	15	15
Blue cross, all products except Medicare/Medicaid	29	30
Self-pay/uninsured	1	1
Other third-party commercial	15	15
	100%	100%

The composition of patient care service revenues by type of service for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Inpatient	26%	26%
Outpatient	51	50
Physician services	23	24
	100%	100%

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of payment arrangements with major third-party payors follows:

- Medicare: Inpatient acute care, psychiatric and rehabilitation services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. In addition, the System is reimbursed for certain cost reimbursable items at tentative interim rates, with final settlement determined after submission of annual costs reports and audits thereof by the Medicare fiscal intermediary. The System’s Medicare cost reports have been settled through December 31, 2019.

- Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge based on severity of illness. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services are paid based on a published fee schedule. The System's Medicaid cost reports have been settled through December 31, 2021.

- Blue Cross: Inpatient acute care services rendered to Blue Cross subscribers are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services are paid at prospectively determined rates. Outpatient services are reimbursed based on ambulatory payment classifications.

- Other Payors: The System has also entered into payment arrangements with certain managed care and commercial insurance carriers, Medicare and Medicaid managed care insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, or per day, outpatient fee schedules, and discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the System'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 System. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to 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 payor, correspondence with the payor and the System's historical settlement activity, 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. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Patient service revenues include net favorable adjustments of $4,624 and $1,529 for the years ended December 31, 2024 and 2023, respectively, related to tentative and/or final settlements of prior year cost reports and other third-party payor adjustments.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients, and offers those uninsured or underinsured patients a discount, either by policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustment, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as an adjustment to patient service revenues in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as an implicit price concession as a component of patient service revenue.

(in thousands)

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and other patient balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients.

NOTE 6 - INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

The composition of investments and assets whose use is limited at December 31, 2024 and 2023 is set forth in the following table:

	2024	2023
Investments:		
Cash and cash equivalents	$ 203	$ 5,244
Government bonds	4,326	2,426
Corporate bonds	24,116	23,024
Mutual funds, fixed income	41,586	36,744
Mutual funds, domestic equity	90,913	82,118
Mutual funds, international equity	21,504	20,548
	$ 182,648	$ 170,104
Assets whose use is limited:		
Board-designated funds:		
Cash and cash equivalents	$ 1,388	$ 1,105
Commingled funds, equities and bonds	4,123	2,971
Mutual funds, fixed income	1,582	1,682
Mutual funds, domestic equity	6,709	6,128
Mutual funds, international equity	329	316
Split dollar life insurance	1,887	1,887
	16,018	14,089
Donor-restricted assets:		
Cash and cash equivalents	6,636	7,357
Commingled funds, U.S. large cap equities	9,091	8,460
Commingled funds, U.S. bonds	5,816	4,796
Mutual funds, fixed income	1,960	1,907
Mutual funds, domestic equity	4,073	3,974
Mutual funds, international equity	3,393	3,217
	30,969	29,711
	$ 46,987	$ 43,800

(in thousands)

Investment return consists of the following for the years ended December 31, 2024 and 2023:

	2024	2023
Investment returns, net:		
Interest and dividends, net	$ 4,827	$ 4,090
Net realized losses on the sale of investments	(120)	(198)
Change in net unrealized gains and losses on investments	13,742	17,141
	$ 18,449	$ 21,033

NOTE 7 - FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The System measures its investments, assets whose use is limited and interest rate swap agreements on a recurring basis in accordance with US GAAP.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the System for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

Transfers Between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported during the reporting period.

There were no transfers into or out of the levels per the tables below for the years ended December 31, 2024 and 2023.

(in thousands)

The following tables present financial instruments measured at fair value at December 31, 2024 and 2023:

	Fair Value as of December 31, 2024			
	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Government bonds	$ 4,326	$ -	$ 4,326	$ -
Corporate bonds	24,116	-	24,116	-
Mutual funds, fixed income	41,586	41,586	-	-
Mutual funds, domestic equity	90,913	90,913	-	-
Mutual funds, international equity	21,504	21,504	-	-
Assets whose use is limited:				
Mutual funds, fixed income	3,542	3,542	-	-
Mutual funds, domestic equity	10,782	10,782	-	-
Mutual funds, international equity	3,722	3,722	-	-
Split dollar life insurance	1,887	-	1,887	-
Beneficial interest in perpetual trusts	3,589			3,589
Interest rate swaps	4,417	-	4,417	-
	210,384	$ 172,049	$ 34,746	$ 3,589
Assets recorded at NAV [(a)]	19,030			
Cash and cash equivalents	8,246			
	$ 237,660			

	Fair Value as of December 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Government bonds	$ 2,426	$ -	$ 2,426	$ -
Corporate bonds	23,024	-	23,024	-
Mutual funds, fixed income	36,744	36,744	-	-
Mutual funds, domestic equity	82,118	82,118	-	-
Mutual funds, international equity	20,548	20,548	-	-
Assets whose use is limited:				
Mutual funds, fixed income	3,589	3,589	-	-
Mutual funds, domestic equity	10,102	10,102	-	-
Mutual funds, international equity	3,533	3,533	-	-
Split dollar life insurance	1,887	-	1,887	-
Beneficial interest in perpetual trusts	3,404	-	-	3,404
Interest rate swaps	3,700	-	3,700	-
	191,075	$ 156,634	$ 31,037	$ 3,404
Assets recorded at NAV [(a)]	16,227			
Cash and cash equivalents	13,706			
	$ 221,008			

[(a)] Certain investments that are measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

(in thousands)

Investments Measured Using NAV per Share Practical Expedient

Commingled funds are valued at the quoted NAV of shares held at year-end. NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Purchases and sales may occur daily.

The following table summarizes investments for which fair value is measured using NAV per share practical expedient as of December 31, 2024 and 2023, respectively.

	Fair Value 2024	Fair Value 2023	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Vanguard Target Date Funds	$ 4,123	$ 2,971	N/A	Daily	30 days
State Street Passive Bond Market Index Strategy	5,816	4,796	N/A	Daily	30 days
S&P 500 Index Strategy	3,198	2,893	N/A	Daily	30 days
State Street FTSE RAFI U.S. 1000 Index	5,893	5,567	N/A	Daily	30 days
	$ 19,030	$ 16,227			

Fair Value of Financial Instruments

Mutual funds are valued at the quoted NAV of shares held at year-end.

Government bonds and corporate bonds are valued at fair value, which are the amounts reported in the consolidated balance sheets, based on quoted market prices, if available or estimated using quoted market process of similar securities.

Beneficial interest in perpetual trusts is valued using fair value of the underlying assets held in the trust at year-end.

The fair value of the interest rate swap is determined by an independent third-party valuation specialist based on proprietary models of discounted cash flow. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and the credit risk of the System. The value represents the estimated exit price the System would pay or receive upon termination of the agreements.

The valuation methods as described above may produce a fair value that may not be indicative of what management would realize upon disposition or reflective of future fair values. Furthermore, although management 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 fair value measurement at the reporting date.

(in thousands)

Change in the beneficial interest in perpetual trusts for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Balance, beginning of the year	$ 3,404	$ 2,927
Change in beneficial interest in perpetual trusts	185	477
Balance, ending of the year	$ 3,589	$ 3,404

NOTE 8 - INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The System and physicians or other health systems located within the service area, have joined together, to expand surgical and certain other services within the local communities through jointly owned ventures. These ventures are for-profit limited liability companies (LLC).

A summary of the LLCs and ownership percentages is as follows:

At December 31, 2024 and 2023, HHS has a 50 percent interest in Hunterdon Health Care LLC d/b/a Hunterdon Healthcare Partners (HHP). HHP is a venture with Hunterdon Physician Practice Association (HPPA), an independent practice association. Approximately 90 percent of the Medical Center's medical staff members are members of HPPA. HHP provides improved access to care to the community through a clinically integrated health system. HHP also provides integrated electronic medical records for all of the professional members allowing physicians to collaborate to patient care. HHP is accounted for on the equity method.

At December 31, 2024 and 2023, HHS has a 50 percent interest in Midjersey Health Alliance LLC (the Alliance). The Alliance is a venture with Atlantic Health System (AHS) to promote activities to foster collaboration, achieve cost savings opportunities and to clinically integrate services between HHS and its strategic alliance partner AHS. The Alliance is accounted of on the equity method.

At December 31, 2024 and 2023, the Medical Center has a 50 percent interest in Hunterdon Ambulatory Services LLC (HAS), an ambulatory non-provider based diagnostic and therapeutic services provider. HAS is accounted for on the equity method.

At December 31, 2024 and 2023, Midjersey has a 50 percent interest in Bridgewater Ambulatory Surgery Center LLC (BAS). BAS is an outpatient surgery center. BAS is accounted for on the equity method.

Midjersey has a: a) 19.6 percent interest in Hunterdon Medical Office Associates, LLC (HMOA), and b) 13.4 percent interest in HOI Reality, LLC, which are ventures in medical office buildings (MOBs). The MOBs are accounted for on the cost method at December 31, 2024 and 2023.

- Midjersey has guaranteed the outstanding balance of two of HMOA's outstanding loans times an amount equal to 125 percent of their LLC membership percentage. At December 31, 2024, the guaranteed amount on the outstanding loans is $1,934.

The System provides rental space and management services to several of these ventures. The total revenue, included in other revenue, from these services was $1,950 and $1,853 for the years ended December 31, 2024 and 2023, respectively.

(in thousands)

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2024 and 2023 consist of the following:

	2024	2023
Land	$ 6,877	$ 6,877
Land improvements	9,047	9,102
Buildings	188,879	181,318
Leasehold improvements	12,794	25,980
Fixed equipment	45,280	43,114
Major moveable equipment	177,239	174,961
	440,116	441,352
Less: accumulated depreciation and amortization	(315,994)	(309,588)
	124,122	131,764
Construction in progress	11,494	8,374
	$ 135,616	$ 140,138

Depreciation and amortization expense related to property and equipment was $14,990 and $14,500 for the years ended December 31, 2024 and 2023, respectively.

The System has committed to several projects, which have $21,590 remaining on the commitments and are expected to be fully completed in 2030.

(in thousands)

NOTE 10 - LONG-TERM DEBT

Long-term debt at December 31, 2024 and 2023 consists of the following:

	2024	2023
New Jersey Health Care Facilities Financing Authority (Authority) Revenue Bonds, Series 2020A, payable annually through July 1, 2050, bearing interest at fixed rates ranging from 2.568% to 3.511%	$ 43,170	$ 43,610
Authority Refunding Bonds, Series 2020B, payable annually through July 1, 2050, bearing interest at a variable rate based on SOFR plus 1.37% (4.65% and 6.72% at December 31, 2024 and 2023, respectively)	32,723	33,127
Authority Revenue and Refunding Bonds, Series 2014A, Term Bonds, maturing July 1, 2036 and July 1, 2045, each bearing interest at a fixed rate of 4.00%	14,305	14,305
Authority Refunding Bonds, Series 2014B, payable monthly through December 1, 2029, bearing interest at a fixed rate of 2.44%	8,489	10,227
Authority Refunding Bonds, Series 2014D, payable monthly through December 1, 2034, bearing interest at a variable rate based on SOFR plus 1.55% (4.03% and 4.73% at December 31, 2024 and 2023, respectively)	2,869	3,126
New Jersey Economic Development Authority Energy Resilience Bank (ERB) loan promissory note payable for the COGEN plant with interest fixed at 2.00%, monthly principal and interest payments through May 1, 2044	3,349	3,430
Finance lease obligations, with various interest rates, secured by leased equipment	317	386
	105,222	108,211
Less: current portion due within one year	(5,503)	(3,117)
	99,719	105,094
Less: deferred financing costs, net of amortization	(1,020)	(1,062)
	$ 98,699	$ 104,032

2020 Bonds

On December 23, 2020, the Medical Center issued $44,460 of Revenue Bonds, Series 2020A (Series 2020A bonds) pursuant to a loan agreement between the Medical Center and the Authority. Proceeds from the Series 2020A bonds will be used to fund various capital improvements and equipment purchases related to the expansion of and renovations to various healthcare related facilities at the Medical Center and to pay costs incurred in connection with the issuance and sale of the Series 2020A bonds. The Series 2020A bonds have annual July 1st principal amounts ranging from $455 to $5,565 and includes $4,175 of Term Bonds maturing July 1, 2022 through 2030, $8,215 maturing July 1, 2031 through 2040 and $32,070 maturing July 1, 2041 through 2050. Interest is payable semiannually on July 1 and January 1.

On December 23, 2020, the Medical Center also issued $34,097 of Refunding Bonds, Series 2020B (Series 2020B bonds) pursuant to a loan agreement between the Medical Center and the Authority. Proceeds from the Series 2020B bonds were used to defease certain 2014A Series bonds and to pay costs incurred in connection with the issuance of the sale of the Series 2020B bonds. The Series 2020B bonds have annual July 1st principal amounts through 2045 ranging from $185 to $2,513. Interest is payable semiannually on July 1 and January 1.

2014 Bonds

On December 1, 2014, the Medical Center issued $42,735 of Revenue and Refunding Bonds, Series 2014A (Series 2014A bonds) pursuant to a loan agreement between the Medical Center and the Authority. Proceeds from the Series 2014A bonds were used to refund and redeem the Series 2006A bonds and to finance a portion of the costs of various capital improvements to the Medical Center's acute care facility; and to pay costs of issuance of the Series 2014A bonds. The Series 2014A bonds include $14,305 of Term Bonds maturing on July 1, 2036 and July 1, 2045. Interest is payable semiannually on July 1 and January 1.

On December 1, 2014, the Medical Center also issued $16,260, $6,360 and $4,935 of Refunding Bonds, Series 2014B, C and D, respectively (Series 2014B-D bonds), pursuant to a loan agreement between the Medical Center and the Authority. A bank purchased the Series 2014B-D bonds pursuant to a Direct Bond Purchase Agreement with an expiration date of December 23, 2034 and are subject to mandatory redemption. Proceeds from the Series 2014B and C bonds were used to refund and redeem the Series 2006B bonds and Series 2009 bonds, respectively, and the proceeds from the Series 2014D bonds were used to refinance a bank loan issued by Midjersey. The Series 2014C Bonds have been paid in full as scheduled. The Series 2014B-D bonds were special and limited obligations of the Authority, payable in monthly installments ranging from $20 to $153 through December 2034. The Series 2014D Bonds were early extinguished in April 2025.

Bond Covenants

The Medical Center, as the only Obligated Group member, has a Master Trust Indenture and First Supplemental Indenture, both dated as of December 1, 2014, as amended (Master Trust Indenture), with a bank, as Master Trustee for the 2020 and 2014 bonds. As security for the repayment of the bonds, the Medical Center has granted a security interest in and a first lien on its gross revenues. The Master Trust Indenture requires the Medical Center to comply with certain financial covenants. The Medical Center was in compliance with these requirements at December 31, 2024 and 2023.

ERB Loan

In 2019, the Medical Center entered into a loan and forgiveness agreement with the ERB for the construction of a co-generation plant project. The agreement has a maximum loan amount, which consists of a loan principal amount and a forgivable amount, as defined. At December 31, 2024 and 2023, the loan amount outstanding is included in long-term debt. The project completed in 2023 and the forgivable amount of $6,058 was recognized as other revenue in the consolidated statement of operations and changes in net assets.

(in thousands)

Future Principal Payments

Scheduled principal repayments on long-term debt at are as follows:

Years Ending December 31:		
2025	$	5,503
2026		2,864
2027		2,769
2028		2,832
2029		2,903
Thereafter		88,351
	$	105,222

Lines of Credit

At December 31, 2024 and 2023, the Medical Center has a $30,000 Working Capital line of credit agreement with a bank, which expires on June 27, 2025. The agreement allows borrowings of CB Floating Rate (CBRF) Loans and/or Secured Overnight Financing Rate (SOFR) Loans. CBFR loans bear interest at the CB Floating rate, higher of the Wall Street Journal Prime Rate and 2.50 percent (7.50 percent and 8.50 percent at December 31, 2024 and 2023, respectively), while SOFR loans bear interest at an adjusted term SOFR rate, as defined and adjusted by 0.10 percent plus margin of 0.45 percent with a rate floor of 0.00 percent (4.88 percent and 5.91 percent at December 31, 2024 and 2023, respectively). There are no amounts outstanding on the line of credit as of December 31, 2024 and 2023. At May 22 ,2025, the amount outstanding on the line of credit was $2,815.

NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS - INTEREST RATE SWAPS

In conjunction with the 2014D Bonds on December 23, 2014, the Medical Center entered into an interest rate swap agreement with a counterparty (the 2014 Swap). The notional amount declined annually until the termination of the agreement on December 2, 2024. The 2014 Swap has a notional amount of $3,145 at December 31, 2023, and requires the Medical Center to pay a fixed rate of 2.5 percent at December 31, 2023, to the counterparty in exchange for the counterparty agreeing to pay the Medical Center a variable rate equal to 69 percent of the sum of (i) daily compounded SOFR, plus (II) 0.11448 percent (3.77 percent at December 31, 2023).

In conjunction with the 2020B Bonds on April 5, 2021, the Medical Center entered into an interest rate swap agreement with a counterparty (the 2020 Swap). The notional amount declines annually until the termination of the agreement on December 23, 2035. The 2020 Swap has a notional amount of $32,756 and $33,127 at December 31, 2024 and 2023, respectively, and requires the Medical Center to pay a fixed rate of 1.521 percent to the counterparty agreeing to pay the Medical Center a variable rate equal to (a) the sum of (i) daily compounded SOFR, plus (ii) 0.11448 percent to but excluding the conversion date of April 2, 2024, and thereafter, a variable rate equal to (b) 81.5 percent of the sum of (i) daily compounded SOFR, plus (ii) 0.11448 percent (3.62 percent and 5.46 percent at December 31, 2024 and 2023, respectively).

(in thousands)

The reported fair value of the interest swap agreements are included in other assets at December 31, 2024 and 2023 in the consolidated balance sheets and represents the estimated amount that would be (paid)/received to terminate the interest rate swaps were they to be terminated at the consolidated balance sheet date.

	2014 Swap	2020 Swap	Total
Fair value, December 31, 2022	$ 37	$ 4,287	$ 4,324
Change in fair value	(13)	(611)	(624)
Fair value, December 31, 2023	24	3,676	3,700
Change in fair value	(24)	741	717
Fair value, December 31, 2024	$ -	$ 4,417	$ 4,417

NOTE 12 - LEASES

The following table presents the components of the right of use assets and liabilities related to leases and their classification as of December 31, 2024 and 2023:

Component of Lease Balances	Classification in Consolidated Balance Sheets	2024	2023
Assets:			
Operating lease assets	Right of use assets, operating leases	$ 21,029	$ 26,407
Finance lease assets	Property and equipment, net	396	193
		$ 21,425	$ 26,600
Liabilities:			
Operating lease liabilities			
Current	Operating lease obligations, current portion	$ 5,741	$ 6,746
Long term	Operating lease obligations, net of current portion	16,313	20,827
		22,054	27,573
Finance lease liabilities:			
Current	Long-term debt, current portion	159	386
Long term	Long-term debt, net of current portion	158	-
		317	386
		$ 22,371	$ 27,959

(in thousands)

The following table presents the components of lease expense and their classification in the consolidated statement of operations and changes in net assets for the years ended December 31, 2024 and 2023:

Component of Lease Balances	Classification in Consolidated Statements of Operations and Changes in Net Assets	2024	2023
Operating lease expense	Other	$ 8,948	$ 8,960
Finance lease expense:			
Amortization of leased assets	Depreciation and amortization	272	373
Interest on lease liabilities	Interest	13	6
Total finance lease expense		285	379
Total operating and finance lease expense		9,233	9,339
Variable and short-term lease expense	Other	757	1,372
		$ 9,990	$ 10,711

The weighted-average lease terms and discount rates for operating and finance leases at December 31, 2024 and 2023 are as follows:

	2024	2023
Weighted-average remaining lease term (years):		
Operating leases	6.29 years	6.59 years
Finance leases	2.00 year	1.00 year
Weighted-average discount rate:		
Operating leases	3.8%	3.8%
Finance leases	6.3%	1.5%

Cash flow related to leases for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash related to operating leases	$ 9,471	$ 9,127
Operating cash related to finance leases	$ 544	$ 756
Financing cash related to finance leases	$ -	$ 6
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ -	$ 7,634
Financing leases	$ 485	$ -

(in thousands)

The future minimum rental commitments for all noncancelable operating and finance leases as of December 31, 2024 are as follows:

Years Ending December 31,	Operating Leases	Finance Leases	Total
2025	$ 6,695	$ 178	$ 6,854
2026	5,636	168	5,823
2027	4,420	-	4,420
2028	3,659	-	3,659
2029	3,666	-	3,666
Thereafter	5,799	-	5,799
	29,875	346	30,221
Less: imputed interest	(7,821)	(29)	7,850
	22,054	317	22,371
Less: current portion	(5,741)	(159)	(5,900)
	$ 16,313	$ 158	$ 16,471

NOTE 13 - RETIREMENT BENEFIT PLANS

Defined Contribution Pension Plan

The System has the Hunterdon Healthcare 403(B) Retirement Savings Plan for certain System employees that are eligible for participation in the plan. The System will make a core annual contribution between 2 percent and 4 percent of each employee’s annual compensation based on years of service and a 50 percent match of each employee’s annual individual contribution to the plan to a maximum of 2 percent. Total expense recorded by the System for contributions into the plan for the years ended December 31, 2024 and 2023 was $7,684 and $6,720, respectively.

Defined Benefit Pension Plan

The Medical Center sponsors a noncontributory defined benefit pension plan (the Plan), which covered all eligible employees, as defined and was frozen on January 15, 2014. The plan provides for benefits to be paid to eligible employees at retirement, based primarily upon years of service and compensation. Contributions are intended to provide not only for benefits attributed to service to date but also for benefits expected to be earned in the future. The Medical Center’s funding policy is to contribute annually an amount equal to or greater than the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The mortality table used for projecting the benefit obligation is the Pri-2012 private plans mortality tables projected with the current years’ mortality improvement scale at December 31, 2024 and 2023.

(in thousands)

The following table summarizes information about the defined benefit plan:

	December 31, 2024	December 31, 2023
Accumulated benefit obligation	$ 194,533	$ 210,251
Changes in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 210,251	$ 205,253
Interest cost	9,956	10,101
Actuarial (gain) loss	(10,001)	6,437
Benefits paid	(15,673)	(11,540)
Projected benefit obligation, end of year	194,533	210,251
Changes in plan assets:		
Fair value of plan assets, beginning of year	190,966	178,583
Actual return on plan assets	12,448	23,923
Contributions by the Medical Center	-	-
Benefits and expenses paid	(15,673)	(11,540)
Fair value of plan assets, end of year	187,741	190,966
Funded status of the plan - accrued retirement benefits	$ (6,792)	$ (19,285)
Amounts recognized in accumulated net assets without donor restrictions:		
Net loss	$ 62,736	$ 76,462

(in thousands)

	Year ended December 31, 2024	Year ended December 31, 2023
Components of net periodic benefit cost recognized in other gains and losses:		
Interest cost	$ 9,956	$ 10,101
Expected return on plan assets	(11,067)	(10,340)
Amortization of net actuarial loss	2,344	2,682
Net pension benefit cost	1,233	2,443
Other changes in accrued retirement benefits recognized in net assets without donor restrictions:		
Net actuarial gain	(13,726)	(9,828)
Total recognized in net benefit cost and net assets without donor restrictions	$ (12,493)	$ (7,385)
Amounts expected to be recognized in net periodic benefit cost in the following year - 2025		
Net loss	$ 1,920	
Weighted-average assumptions used to determine benefit obligations at:		
Discount rate	5.56%	4.99%
Rate of compensation increase	N/A	N/A
Measurement date	December 31	December 31
Weighted-average assumptions used to determine net periodic benefit cost for the period and years ended:		
Discount rate	4.99%	5.21%
Expected long-term return on plan assets	6.00%	6.00%
Rate of compensation increase	N/A	N/A

The expected long-term rate of return on pension assets is selected by considering the expected duration of the projected benefit obligation (PBO) for the plan and the asset mix of the plan. The rate of return is expected to be the rate earned over the period until the benefits represented by the current PBO are paid. The expected return on plan assets is based on the expectations of historical long-term average rates of return on the different asset classes held in the pension fund. This is reflective of the current and projected asset mix of the funds and considers the historical returns earned on the asset allocation and the duration of the plan liabilities. Thus, a historical approach has been taken to development the expected return on asset assumption. The Medical Center believes the fundamental changes in the markets cannot be predicted over the long term. Rather, historical returns, realized across numerous economic cycles, should be representative of the market return expectations applicable to the funding of a long-term benefit obligation. Actual year-by-year returns can deviate substantially from the long-term expected return assumption. However, over time it is expected that the amount of over-performance will equal the amount of under-performance.

(in thousands)

The fair value hierarchy for the pension plan assets at December 31, 2024 are as follows:

	Total	Level 1	Level 2	Level 3
Pension assets:				
U.S. government bonds	$ 17,626	$ 17,626	$ -	$ -
Mutual funds, domestic fixed income	112,362	112,362	-	-
Mutual funds, domestic equity	6,935	6,935	-	-
Mutual funds, international equity	49,329	49,329	-	-
	186,252	$ 186,252	$ -	$ -
Cash and cash equivalents	1,489			
	$ 187,741			

The fair value hierarchy for the pension plan assets at December 31, 2023 are as follows:

	Total	Level 1	Level 2	Level 3
Pension assets:				
U.S. government bonds	$ 12,140	$ 12,140	$ -	$ -
Mutual funds, domestic fixed income	78,106	78,106	-	-
Mutual funds, domestic equity	59,135	59,135	-	-
Mutual funds, international equity	40,290	40,290	-	-
	189,671	$ 189,671	$ -	$ -
Cash and cash equivalents	1,295			
	$ 190,966			

The pension plan's weighted-average asset allocations at December 31, 2024 and 2023, by asset category, are as follows:

Asset Category	Target Allocations 2024	Target Allocations 2023	2024	2023
U.S. government bonds	9%	12%	10%	7%
Mutual funds invested in equity securities	32%	50%	30	52
Mutual funds invested in fixed income securities	59%	38%	60	41
			100%	100%

(in thousands)

In determining the asset allocation, the investment managers recognize its desire for funding and expense stability, the long-term nature of the pension obligation and current and projected cash needs for retiree benefit payments. An asset allocation analysis is performed to determine the long-term targets for the major asset classes of equity, debt and cash using an efficient frontier model. The asset allocation is reviewed quarterly and rebalanced if the variance to the targets exceeds 2.5 percent.

The Medical Center does not expect to contribute to the Plan during 2025.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending December 31:		
2025	$	13,735
2026		14,227
2027		14,605
2028		14,848
2029		14,875
2030-2034		73,827

Deferred Compensation Plans

The System also provides deferred compensation plans for certain employees and physicians. Total expense recorded for these plans for the years ended December 31, 2024 and 2023 was $594 and $274, respectively.

NOTE 14 - CONTINGENCIES AND COMMITMENTS

Professional and Patient Care Liability Insurance

The System has annually purchased a claims-made professional liability insurance policy, which provides coverage of $1,000 per occurrence and $3,000 annual aggregate. In addition, the System has purchased an additional layer of insurance above the base policy of $10,000. The System's professional liability insurance policy includes a deductible of $100 per occurrence and a $500 annual aggregate. Each individual employed physician is provided individual coverage in the amount of $1,000 per occurrence and $3,000 annual aggregate through a group purchased policy. Employed physicians are covered by the System's policy or additional layer of insurance. The System has estimated losses and recorded an undiscounted liability of approximately $1,008 at December 31, 2024 and 2023, relating to unasserted claims and incidents not yet reported to the insurance carrier, which are included in other liabilities in the accompanying consolidated balance sheets. In addition, the System has recorded a receivable (included in other assets) and related claim liability (included in other liabilities) for anticipated insurance recoveries of $10,916 and $8,650 at December 31, 2024 and 2023, respectively.

HCS has purchased annually a claims-made professional liability insurance policy. The policy currently provides coverage of $1,000 per occurrence and $3,000 annual aggregate. In addition, HCS has purchased an additional layer of insurance above the base policy of $2,000. HCS has no knowledge of any material claims or reportable events under this insurance policy.

(in thousands)

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2024 and 2023 are restricted for the following programs:

	2024	2023
Temporarily - Subject to expenditure for specific purpose:		
Property and equipment and research and education	$ 8,618	$ 9,691
Permanently - Investment in perpetuity whose income is expendable to support patient care or specified by donor:		
Beneficial interest in perpetual trusts	3,589	3,404
Donor-restricted endowments	20,512	18,483
	24,101	21,887
	$ 32,719	$ 31,578

Realized gains and losses are retained in either net assets without donor restrictions or net assets with donor restrictions in accordance with donors' wishes.

The System's endowment consists of eight funds that have been established by the Medical Center and seven funds that have been established by the Foundation to support the Medical Center and HRCH, in providing health care services. These funds are invested by the Medical Center and Foundation. As required by US GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are to be reported in net assets without donor restrictions as of year-end. These deficiencies result from unfavorable market fluctuations. There were no such deficiencies as of December 31, 2024 and 2023.

Interpretation of Relevant Law

The Boards of Trustees of the Medical Center and the Foundation have interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Medical Center and the Foundation classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The interest and dividend income earned on the accumulations to the donor-restricted endowment funds is classified as net assets with donor restrictions until the donor-imposed restrictions have been met and the amounts have been appropriated for expenditure.

Spending Policy

The Foundation distributes funds from its endowment account to the Medical Center when donor-imposed restrictions have been met. The Medical Center spends earnings on donor-restricted endowment funds when expenses have been incurred that satisfy the donor-imposed restrictions.

(in thousands)

Return Objectives and Risk Parameters

The Foundation and Medical Center have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income and growth, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Medical Center and Foundation must hold in perpetuity. Under this policy, as approved by the Medical Center's and Foundation's Boards of Trustees, the endowment assets are invested in a manner that is intended to produce moderate to high rates of return while assuming a moderate to low level of investment risk.

The following table presents changes in endowments for the years ended December 31, 2024 and 2023:

Endowment net assets, December 31, 2022	$ 16,418
Contributions, net asset transfers and other changes	(1,065)
Interest income	290
Change in unrealized gains and losses on investments	2,840
Endowment net assets, December 31, 2023	18,483
Contributions, net asset transfers and other changes	(186)
Interest income	130
Net realized gains on investments	162
Change in unrealized gains and losses on investments	1,923
Endowment net assets, December 31, 2024	$ 20,512

NOTE 16 - CONCENTRATION OF CREDIT RISK

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party arrangements. The significant concentrations of accounts receivable for services to patients include the following at December 31, 2024 and 2023:

	2024	2023
Medicare and Medicare managed care	40%	34%
Medicaid and Medicaid managed care	10	9
Aetna	13	14
Blue Cross, all products except Medicare/Medicaid	19	21
Self-pay/uninsured	3	4
Other third-party commercial	15	18
	100%	100%

(in thousands)

NOTE 17 - FUNCTIONAL EXPENSES

The System provides general healthcare services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2024 and 2023 included in the consolidated statements of operations are as follows:

2024	Healthcare Services	General and Administrative	Fundraising Expenses	Total
Salaries and wages	$ 209,170	$ 23,049	$ 684	$ 232,903
Employee benefits	42,364	3,786	118	46,268
Physician fees	20,322	157	-	20,479
Supplies	61,584	908	-	62,492
Other	56,484	38,307	393	95,184
Depreciation and amortization	7,200	7,832	-	15,032
Interest	2,854	568	-	3,422
	$ 399,978	$ 74,607	$ 1,195	$ 475,780

2023	Healthcare Services	General and Administrative	Fundraising Expenses	Total
Salaries and wages	$ 200,457	$ 21,894	$ 713	$ 223,064
Employee benefits	36,894	3,388	130	40,412
Physician fees	18,120	140	-	18,260
Supplies	58,360	996	-	59,356
Other	54,088	36,799	312	91,199
Depreciation and amortization	6,956	7,617	-	14,573
Interest	3,042	627	-	3,669
	$ 377,917	$ 71,461	$ 1,155	$ 450,533

The consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Certain costs not directly attributable to a function, including depreciation and amortization, are allocated to a function based on a square footage basis.

NOTE 19 - SUBSEQUENT EVENTS

The System evaluated its December 31, 2024 consolidated financial statements for subsequent events through May 22, 2025, the date the consolidated financial statements were available to be issued. The System is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements, except as noted elsewhere in the footnotes.

SUPPLEMENTARY INFORMATION

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING BALANCE SHEET

December 31, 2024
(In Thousands)

	Hunterdon Healthcare System, Inc.	Consolidated Hunterdon Medical Center	Consolidated Midjersey Health Corporation	Consolidated Hunterdon Regional Community Health, Inc.	Hunterdon Medical Center Foundation, Inc.	Eliminations	Consolidated Total
ASSETS							
Current assets							
Cash and cash equivalents	$ 123	$ 42,581	$ 3,375	$ 4,988	$ 571	$ -	$ 51,638
Patient accounts receivable	-	45,430	1,914	988	-	-	48,332
Other receivables	-	6,610	181	-	-	-	6,791
Due from unconsolidated joint ventures	-	1,434	-	-	-	12	1,446
Supplies	-	4,474	521	383	-	-	5,378
Prepaid expenses and other current assets	-	4,150	305	166	56	-	4,677
Total current assets	123	104,679	6,296	6,525	627	12	118,262
Investments	-	180,520	-	509	1,619	-	182,648
Assets whose use is limited							
Board-designated funds	-	16,018	-	-	-	-	16,018
Donor-restricted assets	-	22,079	-	-	8,890	-	30,969
Property and equipment, net	-	132,472	2,744	400	-	-	135,616
Right-of-use assets, operating leases	-	14,045	6,984	-	-	-	21,029
Other assets							
Investment in unconsolidated joint ventures	2,323	440	1,545	-	-	-	4,308
Goodwill and intangibles, net	-	7,867	3,463	-	-	-	11,330
Other	-	17,339	1,579	-	2,403	-	21,321
Beneficial interest in perpetual trusts	-	2,736	-	-	853	-	3,589
Due from related parties	-	16,323	-	-	-	(16,323)	-
Investment in controlled affiliates	2,185	-	-	-	-	(2,185)	-
Beneficial interest in net assets of the Foundation	-	9,595	-	1,593	-	(11,188)	-
Total assets	$ 4,631	$ 524,113	$ 22,611	$ 9,027	$ 14,392	$ (29,684)	$ 545,090

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING BALANCE SHEET - CONTINUED

December 31, 2024
(In Thousands)

	Hunterdon Healthcare System, Inc.	Consolidated Hunterdon Medical Center	Consolidated Midjersey Health Corporation	Consolidated Hunterdon Regional Community Health, Inc.	Hunterdon Medical Center Foundation, Inc.	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	$ 211	$ 29,115	$ 1,795	$ 653	$ 295	$ -	$ 32,069
Accrued payroll and payroll taxes	-	25,000	160	160	-	-	25,320
Third-party payor settlements	-	4,110	-	-	-	-	4,110
Operating lease obligations, current portion	-	4,020	1,721	-	-	-	5,741
Long-term debt, current portion	-	5,503	-	-	-	-	5,503
Due to related parties	-	-	1,337	3,154	428	(4,919)	-
Total current liabilities	211	67,748	5,013	3,967	723	(4,919)	72,743
Long-term debt, net of current portion	-	98,699	-	-	-	-	98,699
Operating lease obligations, net of current portion	-	10,536	5,777	-	-	-	16,313
Other liabilities							
Accrued retirement benefits	-	6,792	-	-	-	-	6,792
Deferred revenue	-	1,863	-	-	-	-	1,863
Due to related parties	2,678	-	8,713	-	-	(11,391)	-
Other	-	23,405	-	-	-	-	23,405
Total liabilities	2,889	209,043	19,503	3,967	723	(16,310)	219,815
Net assets and shareholders' equity							
Without donor restrictions	1,742	285,363	-	3,467	1,062	(1,557)	290,077
Shareholders' equity							
Common stock	-	-	742	-	-	(742)	-
Additional paid-in capital	-	-	1,448	-	-	(1,448)	-
Retained earnings							
Midjersey Health Corporation	-	-	(1,561)	-	-	1,561	-
Noncontrolling interests	-	-	2,479	-	-	-	2,479
	1,742	285,363	3,108	3,467	1,062	(2,186)	292,556
With donor restrictions	-	29,707	-	1,593	12,607	(11,188)	32,719
Total net assets and shareholders' equity	1,742	315,070	3,108	5,060	13,669	(13,374)	325,275
Total liabilities and net assets	$ 4,631	$ 524,113	$ 22,611	$ 9,027	$ 14,392	$ (29,684)	$ 545,090

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Year ended December 31, 2024
(In Thousands)

	Hunterdon Healthcare System, Inc.	Consolidated Hunterdon Medical Center	Consolidated Midjersey Health Corporation	Consolidated Hunterdon Regional Community Health, Inc.	Hunterdon Medical Center Foundation, Inc.	Eliminations	Consolidated Total
Revenues							
Patient service revenues	$ -	$ 423,656	$ 17,665	$ 9,691	$ -	$ -	$ 451,012
Other revenues	6,800	23,881	2,411	2	1,245	(8,438)	25,901
Net assets released from restrictions for operations	-	351	-	209	-	-	560
Total revenues	6,800	447,888	20,076	9,902	1,245	(8,438)	477,473
Expenses							
Salaries and wages	3,554	224,585	5,373	2,655	892	(4,156)	232,903
Employee benefits	703	43,999	897	520	149	-	46,268
Physician fees	-	20,479	-	-	-	-	20,479
Supplies	17	51,280	5,806	5,405	34	(50)	62,492
Other	2,650	89,831	5,171	997	767	(4,232)	95,184
Depreciation and amortization	-	14,617	276	139	-	-	15,032
Interest	-	3,447	334	-	-	(359)	3,422
Total expenses	6,924	448,238	17,857	9,716	1,842	(8,797)	475,780
Operating income (loss)	(124)	(350)	2,219	186	(597)	359	1,693
Other gains and losses							
Investment returns, net	-	18,745	-	65	(2)	(359)	18,449
Accrued retirement benefit cost	-	(1,233)	-	-	-	-	(1,233)
Change in fair value of interest rate swap agreements	-	717	-	-	-	-	717
Loss on sale of property and equipment	-	(24)	-	-	-	-	(24)
Other gains and losses, net	-	18,205	-	65	(2)	(359)	17,909
Revenues and gains over (under) expenses and losses before noncontrolling interests	(124)	17,855	2,219	251	(599)	-	19,602
Revenues and gains over expenses and losses attributed to noncontrolling interests	-	-	(1,406)	-	-	-	(1,406)
Revenues and gains over (under) expenses and losses attributed to Hunterdon Healthcare System, Inc. and affiliates	(124)	17,855	813	251	(599)	-	18,196
Other changes in net assets							
Other changes in accrued retirement benefits	-	13,726	-	-	-	-	13,726
Net assets released from restrictions for capital acquisitions	-	1,530	-	-	-	-	1,530
Change in noncontrolling interests	-	-	150	-	-	-	150
Other	-	9	(75)	-	-	-	(66)
Increase (decrease) in net assets without donor restrictions	$ (124)	$ 33,120	$ 888	$ 251	$ (599)	$ -	$ 33,536

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING BALANCE SHEET - HUNTERDON MEDICAL CENTER AND AFFILIATES

December 31, 2024
(In Thousands)

	Hunterdon Medical Center	Hunterdon Primary Care, P.C.	Hunterdon Specialty Care, P.C.	Hunterdon Urgent Care, P.C.	Eliminations	Consolidated Total
ASSETS						
Current assets						
Cash and cash equivalents	$ 30,781	$ 6,700	$ 3,765	$ 1,335	$ -	$ 42,581
Patient accounts receivable	40,229	2,446	2,515	240	-	45,430
Other receivables	6,578	-	32	-	-	6,610
Due from unconsolidated joint ventures	1,434	-	-	-	-	1,434
Supplies	4,474	-	-	-	-	4,474
Prepaid expenses and other current assets	4,150	-	-	-	-	4,150
Total current assets	87,646	9,146	6,312	1,575	-	104,679
Investments	180,520	-	-	-	-	180,520
Assets whose use is limited						
Board-designated funds	16,018	-	-	-	-	16,018
Donor-restricted assets	22,079	-	-	-	-	22,079
Property and equipment, net	130,302	2,137	33	-	-	132,472
Right-of-use assets, operating leases	14,045	-	-	-	-	14,045
Other assets						
Investment in unconsolidated joint ventures	440	-	-	-	-	440
Goodwill and intangibles, net	7,867	-	-	-	-	7,867
Other	17,339	-	-	-	-	17,339
Beneficial interest in perpetual trusts	2,736	-	-	-	-	2,736
Due from (to) related parties	26,459	(1,805)	(9,731)	1,841	(441)	16,323
Beneficial interest in net assets of the Foundation	9,595	-	-	-	-	9,595
Total assets	$ 515,046	$ 9,478	$ (3,386)	$ 3,416	$ (441)	$ 524,113

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING BALANCE SHEET - CONTINUED - HUNTERDON MEDICAL CENTER AND AFFILIATES

December 31, 2024
(In Thousands)

	Hunterdon Medical Center	Hunterdon Primary Care, P.C.	Hunterdon Specialty Care, P.C.	Hunterdon Urgent Care, P.C.	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	$ 28,277	$ 222	$ 390	$ 226	$ -	$ 29,115
Accrued payroll and payroll taxes	17,464	3,587	3,949	-	-	25,000
Third-party payor settlements	4,110	-	-	-	-	4,110
Operating lease obligations, current portion	4,020	-	-	-	-	4,020
Long-term debt, current portion	5,503	-	-	-	-	5,503
Due to related parties	441	-	-	-	(441)	-
Total current liabilities	59,815	3,809	4,339	226	(441)	67,748
Long-term debt, net of current portion	98,699	-	-	-	-	98,699
Operating lease obligations, net of current portion	10,536	-	-	-	-	10,536
Other liabilities						
Accrued retirement benefits	6,792	-	-	-	-	6,792
Deferred revenue	1,863	-	-	-	-	1,863
Other	23,405	-	-	-	-	23,405
Total liabilities	201,110	3,809	4,339	226	(441)	209,043
Net assets (deficit)						
Without donor restrictions	284,229	5,669	(7,725)	3,190	-	285,363
With donor restrictions	29,707	-	-	-	-	29,707
Total net assets (deficit)	313,936	5,669	(7,725)	3,190	-	315,070
Total liabilities and net assets (deficit)	$ 515,046	$ 9,478	$ (3,386)	$ 3,416	$ (441)	$ 524,113

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS - HUNTERDON MEDICAL CENTER AND AFFILIATES

Year ended December 31, 2024
(In Thousands)

	Hunterdon Medical Center	Hunterdon Primary Care, P.C.	Hunterdon Specialty Care, P.C.	Hunterdon Urgent Care, P.C.	Eliminations	Consolidated Total
Revenues						
Patient services revenues	$ 349,308	$ 36,269	$ 32,127	$ 5,952	$ -	$ 423,656
Other revenues	21,203	2,324	354	-	-	23,881
Net assets released from restrictions for operations	351	-	-	-	-	351
Total revenues	370,862	38,593	32,481	5,952	-	447,888
Expenses						
Salaries and wages	176,680	19,179	28,444	282	-	224,585
Employee benefits	41,703	1,012	1,263	21	-	43,999
Physician fees	19,719	46	336	378	-	20,479
Supplies	49,153	1,711	382	34	-	51,280
Other	62,473	13,576	10,786	2,996	-	89,831
Depreciation and amortization	14,617	-	-	-	-	14,617
Interest	3,447	-	-	-	-	3,447
Total expenses	367,792	35,524	41,211	3,711	-	448,238
Operating (loss) income	3,070	3,069	(8,730)	2,241	-	(350)
Other gains and losses						
Investment returns, net	18,745	-	-	-	-	18,745
Accrued retirement benefit cost	(1,233)	-	-	-	-	(1,233)
Change in fair value of interest rate swap agreements	717	-	-	-	-	717
Loss on sale of property and equipment	(24)	-	-	-	-	(24)
Other gains and losses, net	18,205	-	-	-	-	18,205
Revenues and gains over (under) expenses and losses	21,275	3,069	(8,730)	2,241	-	17,855
Other changes in net assets without donor restrictions						
Other changes in accrued retirement benefits	13,726	-	-	-	-	13,726
Net assets released from restrictions for capital acquisitions	1,530	-	-	-	-	1,530
Other	9	-	-	-	-	9
Increase (decrease) in net assets without donor restrictions	$ 36,540	$ 3,069	$ (8,730)	$ 2,241	$ -	$ 33,120

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING BALANCE SHEET - MIDJERSEY HEALTH CORPORATION

December 31, 2024
(In Thousands)

	Midjersey Health Corporation	Hunterdon Center for Surgery, LLC	Raritan Family Healthcare, LLC	Delaware Valley Office Associates	Hunterdon Imaging Associates	Eliminations	Consolidated Total
ASSETS							
Current assets							
Cash and cash equivalents	$ 1,455	$ 1,310	$ 444	$ 166	$ -	$ -	$ 3,375
Patient accounts receivable	-	1,723	191	-	-	-	1,914
Other receivables	47	-	121	13	-	-	181
Supplies	-	428	93	-	-	-	521
Due from related parties	-	-	-	22	-	(22)	-
Prepaid expenses and other current assets	78	216	11	-	-	-	305
Total current assets	1,580	3,677	860	201	-	(22)	6,296
Property and equipment, net	1,766	591	381	6	-	-	2,744
Right-of-use assets, operating leases	5,808	1,176	-	-	-	-	6,984
Other assets							
Investment in unconsolidated joint ventures	1,545	-	-	-	-	-	1,545
Goodwill and intangibles, net	-	414	3,049	-	-	-	3,463
Investments in controlled affiliates	5,440	-	-	-	-	(5,440)	-
Other	1,559	-	20	-	-	-	1,579
Total assets	$ 17,698	$ 5,858	$ 4,310	$ 207	$ -	$ (5,462)	$ 22,611
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)							
Current liabilities							
Accounts payable and accrued expenses	$ 239	$ 1,533	$ 6	$ 17	$ -	$ -	$ 1,795
Accrued payroll and payroll taxes	10	150	-	-	-	-	160
Operating lease obligations, current portion	1,236	485	-	-	-	-	1,721
Due to related parties	1,325	34	-	-	-	(22)	1,337
Total current liabilities	2,810	2,202	6	17	-	(22)	5,013
Operating lease obligations, net of current portion	4,929	848	-	-	-	-	5,777
Other liabilities							
Due to related parties	8,713	-	-	-	-	-	8,713
Total liabilities	16,452	3,050	6	17	-	(22)	19,503
Shareholders' equity (deficit)							
Common stock	985	1,020	3,686	15	-	(4,964)	742
Additional paid-in capital	1,448	-	-	-	-	-	1,448
Retained earnings (deficit)							
Midjersey Health Corporation	(1,187)	(23)	(50)	175	-	(476)	(1,561)
Noncontrolling interests	-	1,811	668	-	-	-	2,479
Total	(1,187)	1,788	618	175	-	(476)	918
Total shareholders' equity (deficit)	1,246	2,808	4,304	190	-	(5,440)	3,108
Total liabilities and shareholders' equity (deficit)	$ 17,698	$ 5,858	$ 4,310	$ 207	$ -	$ (5,462)	$ 22,611

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN SHAREHOLDERS' EQUITY - MIDJERSEY HEALTH CORPORATION

Year ended December 31, 2024
(In Thousands)

	Midjersey Health Corporation	Hunterdon Center for Surgery, LLC	Raritan Family Healthcare, LLC	Delaware Valley Office Associates	Hunterdon Imaging Associates	Eliminations	Consolidated Total
Revenues							
Patient service revenues	$ -	$ 14,341	$ 3,324	$ -	$ -	$ -	$ 17,665
Other revenues	3,153	70	186	151	-	(1,149)	2,411
Total revenues	3,153	14,411	3,510	151	-	(1,149)	20,076
Expenses							
Salaries and wages	153	3,300	1,920	-	-	-	5,373
Employee benefits	-	605	292	-	-	-	897
Supplies	78	5,135	593	-	-	-	5,806
Other	1,703	2,716	697	75	84	(104)	5,171
Depreciation and amortization	121	108	44	3	-	-	276
Interest	334	-	-	-	-	-	334
Total expenses	2,389	11,864	3,546	78	84	(104)	17,857
Operating income (loss) before noncontrolling interests	764	2,547	(36)	73	(84)	(1,045)	2,219
Operating income attributed to noncontrolling interests	-	(1,452)	18	-	28	-	(1,406)
Operating income (loss) attributed to Midjersey Health Corporation	764	1,095	(18)	73	(56)	(1,045)	813
Other changes in shareholders' equity							
Change in noncontrolling interests	-	196	(18)	-	(28)	-	150
Other	-	-	-	-	(75)	-	(75)
Increase (decrease) in shareholders' equity (deficit)	$ 764	$ 1,291	$ (36)	$ 73	$ (159)	$ (1,045)	$ 888

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING BALANCE SHEET - HUNTERDON REGIONAL COMMUNITY HEALTH, INC.

December 31, 2024
(In Thousands)

	Hunterdon Regional Community Health, Inc.	Hunterdon Hospice, Inc.	Visiting Health and Supportive Services, Inc.	Briteside Adult Day Centers, Inc.	Hunterdon Regional Pharmacy, Inc.	Eliminations	Consolidated Total
ASSETS							
Current assets							
Cash and cash equivalents	$ 228	$ 3,967	$ 31	$ 249	$ 513	$ -	$ 4,988
Patient accounts receivable	-	563	-	-	425	-	988
Supplies	-	-	-	-	383	-	383
Prepaid expenses and other current assets	-	-	-	-	166	-	166
Total current assets	228	4,530	31	249	1,487	-	6,525
Investments	-	-	-	509	-	-	509
Property and equipment, net	-	-	-	400	-	-	400
Other assets							
Beneficial interest in net assets of the Foundation	1,034	308	146	105	-	-	1,593
Total assets	$ 1,262	$ 4,838	$ 177	$ 1,263	$ 1,487	$ -	$ 9,027
LIABILITIES AND NET ASSETS (DEFICIT)							
Liabilities							
Accounts payable and accrued expenses	$ -	$ 545	$ 7	$ 14	$ 87	$ -	$ 653
Accrued payroll and payroll taxes	-	159	-	-	1	-	160
Due to related parties	-	1,501	299	11	1,343	-	3,154
Total liabilities	-	2,205	306	25	1,431	-	3,967
Net assets (deficit)							
Without donor restrictions	228	2,325	(275)	1,133	56	-	3,467
With donor restrictions	1,034	308	146	105	-	-	1,593
Total net assets (deficit)	1,262	2,633	(129)	1,238	56	-	5,060
Total liabilities and net assets (deficit)	$ 1,262	$ 4,838	$ 177	$ 1,263	$ 1,487	$ -	$ 9,027

Hunterdon Healthcare System, Inc. and Affiliates

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS - HUNTERDON REGIONAL COMMUNITY HEALTH, INC.

Year ended December 31, 2024
(In Thousands)

	Hunterdon Regional Community Health, Inc.	Hunterdon Hospice, Inc.	Visiting Health and Supportive Services, Inc.	Briteside Adult Day Centers, Inc.	Hunterdon Regional Pharmacy, Inc.	Eliminations	Consolidated Total
Revenues							
Patient service revenues	$ -	$ 4,539	$ -	$ -	$ 5,283	$ (131)	$ 9,691
Other revenues	-	1	-	-	1	-	2
Net assets released from restrictions for operations	-	46	1	162	-	-	209
Total revenue	-	4,586	1	162	5,284	(131)	9,902
Expenses							
Salaries and wages	-	2,246	-	-	409	-	2,655
Employee benefits	-	390	-	-	130	-	520
Supplies	-	805	-	1	4,730	(131)	5,405
Other	-	809	-	42	146	-	997
Depreciation	-	-	1	135	3	-	139
Total expenses	-	4,250	1	178	5,418	(131)	9,716
Operating income (loss)	-	336	-	(16)	(134)	-	186
Other gains							
Investment returns, net	-	-	-	65	-	-	65
Revenues and gains over (under) expenses and increase (decrease) in net assets without donor restrictions	$ -	$ 336	$ -	$ 49	$ (134)	$ -	$ 251