Englewood Hospital and Subsidiaries

Consolidated Financial Statements

December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Trustees of
Englewood Hospital

Opinion

We have audited the accompanying consolidated financial statements of Englewood Hospital and Subsidiaries (the Hospital), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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 Hospital as of December 31, 2022 and 2021, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Hospital 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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 Hospital's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the 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 consolidated 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 Hospital'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 Hospital'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.

Emphasis of Matter

As disclosed in Note 1 to the consolidated financial statements, in 2022, the Hospital adopted new accounting guidance related to the accounting for leases. Our opinion is not modified with respect to this matter.

Baker Tilly US, LLP

Iselin, New Jersey
April 27, 2023

Englewood Hospital and Subsidiaries

Consolidated Balance Sheets
December 31, 2022 and 2021
(In Thousands)

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 65,779	$ 158,012
Short-term investments	66,953	33,996
Patient accounts receivable, net	102,513	91,346
Other receivables	7,746	6,144
Inventories	25,594	22,071
Prepaid expenses and deposits	8,351	9,671
Total current assets	276,936	321,240
Assets limited as to use	73,110	21,561
Property, plant and equipment, net	317,266	342,410
Operating lease right of use assets	108,786	-
Finance lease right of use assets	43,522	-
Due from affiliates	1,605	2,045
Interest in Net Assets of Englewood Health Foundation	95,567	91,760
Other assets	19,079	16,934
Total assets	$ 935,871	$ 795,950
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 73,078	$ 61,275
Accrued expenses and other current liabilities	62,404	112,114
Due to affiliates	829	433
Current portion of estimated amounts due to third-party payors	4,367	5,450
Current portion of finance lease obligations	22,085	15,067
Current portion of operating lease obligations	12,292	-
Current portion of long-term debt	11,413	9,785
Total current liabilities	186,468	204,124
Accrued pension and postretirement benefit liability	18,468	17,494
Estimated amounts due to third-party payors, net of current portion	28,390	29,465
Long-term debt, net of current portion	110,665	121,540
Long-term finance lease obligations, net of current portion	62,190	23,107
Long-term operating lease obligations, net of current portion	104,290	-
Other liabilities	14,612	13,695
Total liabilities	525,083	409,425
Net Assets		
Net assets without donor restrictions	315,221	294,765
Net assets with donor restrictions	95,567	91,760
Total net assets	410,788	386,525
Total liabilities and net assets	$ 935,871	$ 795,950

See notes to consolidated financial statements

Englewood Hospital and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Operating Revenue		
Net patient service revenue	$ 967,265	$ 875,355
Other revenue	18,453	14,714
Total operating revenue	985,718	890,069
Operating Expenses		
Salaries and wages	300,540	276,677
Fringe benefits	57,113	56,610
Physician fees	5,910	3,657
Supplies and other	551,456	495,694
Interest	6,328	7,688
Depreciation and amortization	45,240	42,187
Total operating expenses	966,587	882,513
Revenue in excess of expenses	19,131	7,556
Net change in unrealized losses on investments	(1,707)	(641)
Contributions and equity transfers for capital purposes	9,597	(15,608)
Change in pension and postretirement benefit liabilities	(1,960)	8,478
Cumulative effect of change in accounting standard (Topic 842)	(4,605)	-
Change in net assets without donor restrictions	20,456	(215)
Net Assets With Donor Restrictions		
Change in interest in net assets of Englewood Health Foundation	3,807	10,193
Change in net assets	24,263	9,978
Net Assets, Beginning	386,525	376,547
Net Assets, Ending	$ 410,788	$ 386,525

See notes to consolidated financial statements

Englewood Hospital and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ 24,263	$ 9,978
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions and equity transfers for capital purposes	(9,597)	15,608
Depreciation and amortization	45,470	42,187
Net change in unrealized losses on investments	1,707	641
Increase in interest in net assets of Englewood Health Foundation	(3,807)	(10,193)
Gain on sale of property and equipment	41	856
Change in pension and postretirement benefit liabilities	1,960	(8,478)
Changes in operating assets and liabilities:		
Change in operating lease assets and liabilities	7,796	-
Patient accounts receivable, net	(11,167)	(12,293)
Inventories	(3,523)	(3,406)
Other receivables, prepaid expenses and deposits and other assets	(2,427)	(3,316)
Due to affiliates, net	836	(1,084)
Estimated amounts due to third-party payors	(2,158)	5,910
Accounts payable, accrued expenses and other liabilities	14,396	(33,492)
Accrued pension costs and postretirement benefit liability	(986)	(2,741)
Net cash provided by operating activities	62,804	177
Cash Flows From Investing Activities		
Net purchases of property and equipment	(36,655)	(27,962)
Change in net assets limited as to use	(51,055)	(3,180)
Change in short-term investments, net	(34,664)	2,154
Net cash used in investing activities	(122,374)	(28,988)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(9,786)	(6,554)
Principal payments on finance lease obligations	(20,594)	(20,316)
(Repayments on) / increase in refundable advances	(51,386)	25,651
Principal payments on short-term debt	-	(10,500)
Increase in deferred financing costs	-	(75)
Proceeds made available under finance leases	40,000	-
Contributions and equity transfers for capital purposes	9,597	(15,608)
Net cash used in financing activities	(32,169)	(27,402)
Net decrease in cash and cash equivalents and restricted cash	(91,739)	(56,213)
Cash and Cash Equivalents and Restricted Cash, Beginning	158,862	215,075
Cash and Cash Equivalents and Restricted Cash, Ending	$ 67,123	$ 158,862
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, net of amount capitalized	$ 5,603	$ 7,188
Supplemental Disclosure of Noncash Investing		
Assets acquired under finance leases	$ 11,516	$ 13,094
Reconciliation of Cash and Restricted Cash to Balance Sheets		
Cash and cash equivalents	$ 65,779	$ 158,012
Assets limited as to use	1,344	850
Total cash and cash equivalents and restricted cash	$ 67,123	$ 158,862

See notes to consolidated financial statements

1. Hospital and Summary of Significant Accounting Policies

Englewood Hospital (the Hospital) is a not-for-profit, teaching, tax-exempt, acute care hospital with 531 licensed beds located in Englewood, New Jersey established and operated for the delivery and promotion of healthcare. It is operated to serve the public rather than private interests. To further this purpose, the Hospital provides various programs for medical training, research and education, in addition to programs established to improve the health of the community.

Englewood Health (the System) is the parent corporation of the Hospital. Its purpose is the performance of planning activities related to the promotion of health of people within the System's service area. The System's Board of Trustees consists of, among others, certain officers of the Hospital.

The System is also the parent corporation of Englewood Healthcare Enterprises, Inc., Englewood Healthcare Properties, Inc. and Englewood Health Foundation (the Foundation). The Foundation was organized to raise funds for the Hospital.

On September 23, 2019, the System signed a definitive agreement to merge with Hackensack Meridian Health (HMH). On December 7, 2020, the Federal Trade Commission (FTC) sued to block the merger, and to move to an administrative hearing to determine the merger's ultimate fate. The System and HMH fought the FTC's challenge in U.S. District Federal Court, and on August 4, 2021 the District Court ruled in favor of the FTC. The merging parties appealed that ruling, and on March 22, 2022 the appellate division of the District Court upheld the prior ruling, and essentially ended the possibility of the merger. The parties formalized this through a joint dissolvent of the definitive agreement, effective March 31, 2022.

The following items comprise the significant accounting policies which are followed by the Hospital.

Basis of Consolidated Financial Statement Presentation

The consolidated financial statements include the accounts of the Hospital, Englewood Medical Associates, Inc. (EMA), a not-for-profit corporation and wholly owned subsidiary of the Hospital, which provides physician services to the Hospital and Medical Associates of Englewood, P.C., doing business as Englewood Health Physician Hospital (EHPN), Physician Partners of Englewood, P.C. (PPE), Emergency Physicians of Englewood, P.C. (EPE), Englewood Health Alliance ACO (ACO) and Englewood Health ACO (ACO2), all not-for-profit corporations which meet the criteria of consolidation with the Hospital. EHPN, PPE and EPE were incorporated for the purpose of establishing relationships with physician practices. All significant intercompany balances have been eliminated in consolidation.

Numeric schedules presented in the notes to the consolidated financial statements are presented in thousands (000's). All numbers included in narrative portions are presented in whole numbers.

Classification of Net Assets

The Hospital separately accounts for and reports upon net assets that are donor restricted and net assets without donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Resources arising from the results of operations or net assets set aside by the Board of Trustees are not considered to be donor restricted.

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.

The Hospital recognizes its interest in the net assets of the Foundation. Contributions to net assets without donor restrictions from the Foundation are recorded in the consolidated statements of operations and changes in net assets as a component of other revenue. Changes in the Hospital's interest in the Foundation's net assets with donor restrictions are included in the accompanying consolidated statements of operations and changes in net assets.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash

The Hospital classifies as cash equivalents all highly liquid financial instruments with maturities of three months or less when purchased, which are not deemed to be assets limited as to use or short-term investments. For purposes of the statements of cash flows, cash and cash equivalents and restricted cash include investments purchased with an initial maturity of three months or less.

Patient Accounts Receivable

Accounts receivable are recorded at net realizable value at the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the Hospital's policies, and/or implicit price concessions provided to uninsured or underinsured patients, and do not bear interest. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient revenue in the period of the change.

Assets Limited as to Use and Short-Term Investments

Assets limited as to use and short-term investments consist of cash equivalents, money market funds, certificates of deposit, U.S. government obligations and other fixed income securities. Investment securities are carried at fair value based on quoted market prices. Amounts reported within assets limited as to use represent investments whose use is restricted under terms of the Hospital's mortgage loan agreement (see Note 8).

Investment income and realized gains or losses on investment transactions are recorded as other revenue unless with donor restrictions. The Hospital's investments (see Note 4) are classified as other than trading. As such, unrealized gains and losses on U.S. government obligations and other fixed income securities that are considered temporary are excluded from revenue in excess of expenses.

Inventories

Inventories are recorded at the lower of cost or net realizable value. The cost of inventories is determined on a first-in, first-out basis.

Investment in Joint Venture

The Hospital holds three investments in joint ventures in which it maintains various percentages of ownership. Approximately $6.7 million and $6.4 million, respectively, were recorded within other assets on the consolidated balance sheets as of December 31, 2022 and 2021.

Deferred Costs

Deferred costs include costs incurred in connection with debt financing and refinancing and are amortized by the effective interest method over the period the applicable obligation is outstanding. Accumulated amortization totaled approximately $5.0 million and $4.7 million at December 31, 2022 and 2021, respectively. Amortization expense was approximately $250,000 and $266,000 during 2022 and 2021, respectively.

Property, Plant and Equipment

Property, plant and equipment purchased are carried at cost and those acquired by gifts and bequests are carried at appraised or fair value established at the date of contribution. The carrying amount of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Equipment under capitalized lease obligations and leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the asset or lease term. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements.

Lease Obligations and Right-of-Use Assets

The Hospital evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating. All lease liabilities are measured at the present value of the future lease payments using a discount rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing.

Operating lease expense is recognized on a straight-line basis over the lease term and is included within supplies and other in the consolidated statements of operations. For financing leases amortization expense is recorded for the ROU asset and interest expense is recorded for the lease liability. The lease term for operating and financing leases is determined based on the date the Hospital acquires control of the leased premises through the end of the lease term.

Revenue Recognition

Net patient service revenue is recognized at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including commercial and governmental programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual services incurred in relation to total expected (or actual) payments. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services. The Hospital measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time are recognized when services are provided and the Hospital does not believe it is required to provide additional services to the patient.

Generally, because all the Hospital's performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in Accounting Standard Codification (ASC) 606-10-50-14(a) and, therefore, the Hospital is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Hospital determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and /or implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Advances From Third-Party Payors

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act included provisions to expand the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In 2020, the Hospital received $87,134,000 in advance payments under this program. Repayment occurs automatically through a partial offset in Medicare payments due to the Hospital for services rendered to Medicare program beneficiaries. Repayment of the advances began in April 2021 and ended September 2022 with all of the Hospital’s advances paid back in full as of December 31, 2022. Medicare advanced payments of $51,386,000 are included in accrued expenses and other current liabilities in the consolidated balance sheet at December 31, 2021.

Revenue in Excess of Expenses

The consolidated statements of operations and changes in net assets include revenue in excess of expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include net change in unrealized gains and losses on fixed income investments, contributions and transfers for capital purposes, the change in pension and postretirement benefit liabilities and cumulative effect of change in accounting standard (Topic 842).

Estimated Malpractice Costs

The Hospital is insured for medical malpractice claims under a claims-made policy and excess loss policies. The Hospital records an estimated liability for medical malpractice costs related to reported claims, and incurred claims that have not been reported. Anticipated insurance recoveries associated with reported claims are reported separately in the Hospital's consolidated balance sheets at net realizable value.

Income Taxes

The Hospital is a not-for-profit Hospital described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the IRC. The Hospital also is exempt from state income taxes.

The Hospital and consolidated entities qualify as a tax-exempt Hospital under the IRC and, accordingly, no provision for income taxes with respect to these entities has been made in the accompanying consolidated financial statements.

The Hospital accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2022 and 2021.

Reclassifications

Certain reclassifications have been made to the 2021 disclosures to conform to the current year presentation.

New Accounting Pronouncements

Effective January 1, 2022, the Hospital adopted FASB ASU No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Hospital's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Lease expense for the Hospital’s finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Hospital recorded operating lease right-of-use assets and lease liabilities of approximately $94,104,000 and $98,753,000, respectively, and finance lease right-of-use assets and lease liabilities of approximately $28,296,000 and $27,889,000, respectively. The Hospital had a cumulative adjustment of approximately $4,605,000 to net assets upon the adoption of Topic 842 related to its leases that existed at the date of adoption.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Hospital elected:

- The package of practical expedients permitted under the transition guidance which does not require the Hospital to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;

The new standard also provides for several accounting policy elections, as follows:

- The Hospital has elected the policy not to separate lease and nonlease components for all asset classes.
- When the rate implicit in the lease is not determinable, rather than use the Hospital's incremental borrowing rate, the Hospital elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- The Hospital elected not to apply the recognition requirements to certain IT system, physician practice asset acquisitions, with an original term of 12 months or less, for which the Hospital is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.
- The Hospital elected to account for its copy machines leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 13.

2. Charity Care and Community Benefit

In accordance with its mission and philosophy, the Hospital commits substantial resources to sponsor a broad range of services to both the indigent as well as the broader community. Community benefits provided to the indigent include the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. This type of community benefit includes the costs of: traditional charity care; unpaid costs of care provided to beneficiaries of Medicare and Medicaid and other indigent public programs.

Charity care is provided by the Hospital to patients who meet certain criteria defined by the New Jersey Department of Health (DOH) without charge or at amounts less than established rates. The Hospital reduces net revenue in accordance with these criteria. The Hospital's records identify and monitor the level of charity care it provides.

Community benefits provided to the broader community include the costs of providing services to other populations who may not qualify as indigent but may need special services and support. This type of community benefit includes the costs of: services such as health promotion and education and health screenings, all of which are not billed or can be operated only on a deficit basis; unpaid portions of training health professionals such as medical residents, students in allied health professions; and the unpaid portions of testing medical equipment and controlled studies of therapeutic protocols.

A summary of the estimated cost of community benefits provided to both the indigent and the broader community follows:

	December 31, 2022	December 31, 2021
Community benefits provided to the indigent:		
Financial assistance, which includes charity care and uninsured discounts provided	$ 21,276	$ 23,095
Unpaid cost of public programs, Medicaid and other indigent care programs	71,931	63,561
Community benefits to the broader community:		
Nonbilled services for the community	1,292	1,181
Education and research provided for the community	18,939	17,316
Subsidized health services	122,180	91,616
Estimated cost of community benefits	$ 235,618	$ 196,769

The 2022 amounts are estimated while the 2021 amounts are based on the Hospital's Form 990 as filed with the Internal Revenue Service.

The costs of charity care and other community benefit activities are derived from both estimated and actual data. The estimated cost of charity care includes the direct and indirect cost of providing such services and is estimated utilizing the Hospital's ratio of cost to gross charges, which is then multiplied by the gross uncompensated charges associated with providing care to charity patients.

The Hospital receives payments from the New Jersey Health Care Subsidy Funds for charity care and such amounts totaled approximately $2,300,000 and $1,400,000 for the years ended December 31, 2022 and 2021, respectively. This amount is subject to change from year to year based on available state amounts and allocation methodologies. Charity care subsidies and distributions subsequent to June 30, 2023 are presently unknown.

3. Net Patient Service Revenue

The composition of the Hospital's net patient care service revenue by payor for the years ended December 31 is as follows:

	2022	2021
Medicare and Medicaid	$ 399,064	$ 366,853
Managed care	543,283	482,028
Commercial and other	24,918	26,474
Total	$ 967,265	$ 875,355

The composition of net patient service revenue based on the Hospital's lines of business for years ended December 31 is as follows:

	2022	2021
Hospital	$ 793,762	$ 715,680
Physician practices	173,503	159,675
Total	$ 967,265	$ 875,355

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

Medicare and Medicaid

Hospitals are paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data. Medicare cost reports of the Hospital have been audited and settled for years through 2018 at December 31, 2022.

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. The Hospital is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. Medicaid cost reports of the Hospital have been audited and settled for years through 2020 at December 31, 2022.

For the years ended December 31, 2022 and 2021, net patient service revenue was increased by approximately $12,349,000 and $5,247,000, respectively, for favorable adjustments and settlements related to prior years.

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform that has been enacted by the federal government, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Hospital.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material adverse effect on its consolidated financial statements. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

Other Third-Party Payors

The Hospital also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges. Some of these agreements have retrospective audit clauses, allowing the payor to review and adjust claims subsequent to initial payment.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients, and offers those uninsured or underinsured patients a discount, either by policy or law, from standard charges. The Hospital 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 adjustment to net patient service revenue in the period of the change. For the year ended December 31, 2022, the impact of changes in the estimates of discounts and contractual adjustments for performance obligations satisfied in prior years was insignificant to the consolidated financial statements.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital 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 Hospital expects to collect based on its collection history with those patients.

4. Investments and Assets Limited as to Use

The composition and reported value of short-term investments and assets limited as to use consist of the following:

	December 31, 2022	December 31, 2021
Short-term investments:		
Cash and cash equivalents, money market funds, certificates of deposit and other	$ 11,746	$ 28,527
U.S. government obligations and other fixed income securities	55,207	5,469
Total short-term investments	$ 66,953	$ 33,996

	December 31, 2022	December 31, 2021
Assets limited as to use:		
U.S. government obligations and other fixed income securities	$ 18,101	$ 17,641
Proceeds available under lease agreements	55,009	3,920
Total assets limited as to use	$ 73,110	$ 21,561

Assets limited as to use are maintained for the following purposes:

	December 31, 2022	December 31, 2021
Mortgage reserve fund	$ 18,101	$ 17,641
Proceeds available under lease agreements	55,009	3,920
Total assets limited as to use	$ 73,110	$ 21,561

Assets limited as to use are held by a trustee in a mortgage reserve fund under terms of the Hospital's mortgage loan agreement (see Note 8).

For the years ended December 31, 2022 and 2021, investment income, which consists primarily of interest income on short-term investments and assets limited as to use, totaled approximately $935,000 and $812,000, respectively, and is included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

5. Fair Value Measurements

The Hospital follows the provisions of authoritative guidance relating to fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosures about fair value measurements. 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 this 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 Hospital 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 is 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.

Financial assets carried at fair value, excluding assets in the defined benefit pension plan, are classified in the table below in one of the three categories described above:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Reported at fair value:				
Money market funds and certificates of deposit	$ 12,794	$ 12,794	$ -	$ -
U.S. government obligations	67,928	67,928	-	-
Mortgage-backed securities	3,781	-	3,781	-
Total	84,503	$ 80,722	$ 3,781	$ -
Cash and cash equivalents	551			
Total investments	$ 85,054			

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Reported at fair value:				
Money market funds and certificates of deposit	$ 29,370	$ 29,370	$ -	$ -
U.S. government obligations	17,732	17,732	-	-
Mortgage-backed securities	4,470	-	4,470	-
Total	51,572	$ 47,102	$ 4,470	$ -
Cash and cash equivalents	65			
Total investments	$ 51,637			

The following methods and assumptions were used by the Hospital in estimating fair value disclosures for the consolidated financial statements:

Money market funds and certificates of deposit - The carrying amount of money market funds and certificates of deposit approximates fair value due to the short-term nature of these instruments.

Assets whose use is limited - The fair values for U.S. government obligations and mortgage-backed securities included in assets whose use is limited are based on quoted market prices for identical (Level 1) or similar investments (Level 2).

6. Property, Plant and Equipment

A summary of property, plant and equipment follows:

	December 31, 2022	December 31, 2021
Depreciable assets:		
Land improvements	$ 1,647	$ 1,643
Buildings	192,917	192,917
Fixed equipment	273,900	272,017
Major movable equipment	399,295	412,414
	867,759	878,991
Less accumulated depreciation and amortization	558,836	544,590
	308,923	334,401
Nondepreciable assets:		
Land	181	181
Construction in progress	7,150	7,710
Deposits on equipment	1,012	118
	8,343	8,009
Property, plant and equipment, net	$ 317,266	$ 342,410

Substantially all property, plant and equipment is collateralized under long-term debt agreements (see Note 8).

Depreciation expense related to property and equipment amounted to approximately $45.0 million and $41.9 million in 2022 and 2021, respectively.

The Hospital capitalizes interest on construction in progress. During 2022 and 2021, approximately $725,000 and $500,000, respectively, of net interest income was capitalized.

7. Due From (to) Affiliates

Amounts due from (to) affiliates were as follows:

	December 31, 2022	December 31, 2021
Englewood Healthcare Properties	$ 1,903	$ 2,183
Englewood Health	280	283
Englewood Healthcare Enterprises, Inc.	(1,669)	(1,244)
Englewood Health Foundation	262	390
Due from affiliates, net	$ 776	$ 1,612

The Foundation released from restrictions and contributed approximately $4.3 million and $2.6 million to the Hospital in 2022 and 2021, respectively, for operating purposes. Those amounts are included in other revenue.

Amounts due from affiliates result from the Hospital's payment of various expenses on behalf of these affiliates. These amounts are settled monthly or as funds become available.

8. Long-Term Debt and Lines of Credit

Long-term debt consists of the following:

	December 31, 2022	December 31, 2021
FHA Section 241 insured mortgage loan (a)	$ 64,605	$ 67,328
FHA Section 242 insured mortgage loan (b)	35,616	40,129
Other loan (c)	23,390	25,651
	123,611	133,108
Less current portion	(11,413)	(9,785)
Less deferred financing costs, net	(1,533)	(1,783)
Total	$ 110,665	$ 121,540

(a) In 2013 and 2015, a total of three mortgage loans were made available and are payable to Prudential Huntoon Paige Associates, LLC. The loans are insured under the provisions of the Federal Housing Authority (FHA) Section 241 program. The mortgage loans are collateralized by a second lien on substantially all of the Hospital's assets. A loan evidenced by notes in the amount of $7,926,100, $20,000,000 and $50,000,000 shall bear interest at the rates of 4.95%, 4.95% and 4.99% per annum, respectively, payable in monthly installments. In April 2021, the mortgage loans were modified to achieve a more favorable interest rate of 2.63% on all three notes. The mortgage loans proceeds were used to provide funds for certain construction, renovations and improvements. Principal and interest payments are due through March 1, 2041.

(b) As of December 31, 2011, the mortgage loan was made available through the proceeds of the New Jersey Health Care Facilities Financing Authority (NJHCFFA), Series 2002 revenue bonds, and was insured under the provisions of the Federal Housing Authority (FHA) Section 242 program. In June 2012, the mortgage loan was modified, the Series 2002 Revenue bonds were defeased and the mortgage loan was backed by the proceeds of GNMA securities. The mortgage loan is collateralized by a first lien on substantially all of the Hospital's assets. Principal and interest payments are due through December 1, 2029 with interest at a fixed rate of 2.96% of the unpaid balance until the loan is fully paid.

(c) Other loan payable are due to a non-lending third party with payments due through April 2028 at an interest rate of 4.5%.

The Hospital has available lines of credit ($15.0 million and $7.5 million) with various banks. Under the terms of the line of credit agreements, interest is payable at various rates that are based on the going prime rate at the time the funds are drawn. The $15.0 million line of credit is unsecured and expires August 31, 2023. The $7.5 million line of credit is secured by $4.0 million in assets of the Hospital and expires on September 15, 2023. No amounts were drawn on the lines as of December 31, 2022 and 2021.

Principal payments on long-term debt for the next five years and thereafter follow:

2023	$ 11,413
2024	11,810
2025	12,220
2026	12,646
2027	13,088
Thereafter	62,434
Total	$ 123,611

9. Pension Plan and Postretirement Healthcare Benefits

The Hospital has a noncontributory defined benefit pension plan (the Plan). On December 31, 1998, an amendment to the Plan was approved which ceased the accrual of further benefits under the Plan subsequent to December 31, 1998 for nonunion employees. In June 2012, the Hospital amended the Plan to freeze all future benefit accruals under the Plan while preserving all benefits accrued as of December 31, 2012 for its union and nonunion employees. The Hospital's funding policy provides that payments to the pension plan shall be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA) plus additional amounts which may be approved by the Hospital from time to time.

In addition to the defined benefit pension plan, the Hospital maintains a defined contribution retirement plan covering substantially all nonunion employees who have completed one year of service, have worked 1,000 hours or more during the year and have attained 21 years of age. This plan also covers Bargaining Unit (Union) employees hired on or after January 1, 2007 who have completed one year of service, have worked 1,000 hours or more during the year and have attained age 21. As of January 1, 2013, this plan also covers Bargaining Unit (Union) employees hired prior to January 1, 2007, who have completed one year of service, have worked 1,000 hours or more during the year and have attained age 21. Employees may contribute a percentage of their annual salary, which will be matched by the Hospital, at a rate of 50%. The required levels of service and contribution percentages are as follows:

	Contributions	
	Employee	**Employer Match**
Years of service:		
Less than 5 years	4.00 %	2.00 %
5 to 9 years	6.00	3.00
10 to 14 years	7.00	3.50
15 to 19 years	8.00	4.00
20 to 24 years	9.00	4.50
25 to 29 years	10.00	5.00
30 to 34 years	11.00	5.50
35 or more years	12.00	6.00

Individuals may contribute in excess of the above employee contributions, up to the Employee Retirement Income Security Act (ERISA) limitations, without Hospital matching.

For the years ended December 31, 2022 and 2021, pension expense related to the defined contribution plan was approximately $3.6 million and $3.5 million, respectively.

The Hospital also sponsors a defined benefit postretirement plan which provides medical, dental and life insurance benefits to eligible retirees and their eligible dependents. Eligibility for this plan is limited to a closed group of retirees who were covered by the collective bargaining agreement during employment and who met certain length of service requirements.

The Hospital's medical and dental plan contribution for retirees both under and over age 65 is fixed based on years of service. The retiree's contribution is based on the difference between the Hospital's fixed contribution and current premium, as determined annually by the carrier. The medical and dental insurance plans contain other cost-sharing features such as deductibles and co-insurance. The life insurance benefit is provided on a noncontributory basis. The Hospital's funding policy is to pay the cost of medical and dental benefits as incurred.

The Board of Trustees voted to terminate the defined benefit pension plan and the Plan was terminated effective December 31, 2021. The pension liability is to be settled in either a lump sum payment or a purchased annuity. The Plan received a favorable determination letter, dated February 2, 2023, from the Internal Revenue Service (IRS). Subsequent to year end the Hospital made contributions of $14.9 million to the Plan; in addition $41.8 million was distributed from plan assets for the benefit of participants. Also subsequent to the year-end, final distributions of $67.4 million were made from plan assets to purchase annuities for the remaining participants.

The reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plans' assets for the years ended December 31 is as follows:

	Pension Benefits		Postretirement Healthcare Benefits	
	2022	**2021**	**2022**	**2021**
Changes in benefit obligation:				
Benefit obligation, beginning of year	$ 136,624	$ 145,339	$ 1,209	$ 1,329
Service cost *	170	870	-	-
Interest cost	3,963	3,844	35	34
Actuarial (gain)	(19,990)	(4,344)	(337)	(115)
Benefits and expenses paid	(5,871)	(9,085)	-	(39)
Settlements	(4,925)	-	-	-
Benefit obligation, end of year	109,971	136,624	907	1,209
Changes in plan assets:				
Fair value of plan assets, beginning of year	120,234	117,846	-	-
Actual return on plan assets	(20,729)	7,873	-	-
Employer contributions	3,600	3,600	-	39
Benefits and expenses paid	(5,871)	(9,085)	-	(39)
Settlements	(4,925)	-	-	-
Fair value of plan assets, end of year	92,309	120,234	907	-
Unfunded status (accrued liabilities)	$ (17,662)	$ (16,390)	$ (907)	$ (1,209)

* Includes Pension Benefit Guarantee Corporation and other administrative fees

Included in other changes in net assets without donor restrictions at December 31 are the following amounts that have not yet been recognized in net periodic pension and postretirement cost:

	Pension Benefits		Postretirement Healthcare Benefits	
	2022	**2021**	**2022**	**2021**
Unrecognized actuarial loss (gain)	$ 25,734	$ 23,647	$ (1,242)	$ (1,115)

The change in the pension and postretirement benefit liabilities to be recognized in future periods as reported in the accompanying consolidated statements of operations and changes in net assets totaled approximately $(1,960,000) and $8,478,000 for 2022 and 2021, respectively, and represents the combined change in the amounts for pension and postretirement benefit plans in the table above.

The current portion of postretirement health benefits approximating $101,000 and $105,000 are included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets as of December 31, 2022 and 2021, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets at December 31 are as follows:

	2022	2021
Projected benefit obligation	$ 109,971	$ 136,624
Accumulated benefit obligation	109,971	136,624
Fair value of plan assets	92,309	120,234

Net periodic benefit cost includes the following components:

	Pension Benefits		Postretirement Healthcare Benefits	
	2022	2021	2022	2021
Service cost *	$ 170	$ 870	$ -	$ -
Interest cost	3,963	3,844	35	34
Expected return on assets	(4,087)	(6,386)	-	-
Amortization of unrecognized gains and losses	1,586	2,746	(212)	(212)
Settlement	1,153	-	-	-
Net periodic benefit cost	$ 2,785	$ 1,074	$ (177)	$ (178)

	Pension Benefits		Postretirement Healthcare Benefits	
	2022	2021	2022	2021
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rates	5.21 %	3.01 %	5.69 %	2.99 %
Expected long-term rate of return on plan assets	3.50	5.45	-	-
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:				
Discount rate	3.01 %	2.73 %	2.99 %	2.67 %
Expected long-term rate of return on plan assets	3.50	5.45	-	-

* Includes Pension Benefit Guarantee Corporation and other administrative fees

The expected long-term rate of return on plan assets assumption of 3.50% and 5.45% in 2022 and 2021, respectively, was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27, Selecting Economic Assumptions for Measuring Pension Obligations. Based on the Hospital's investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages. An average inflation rate within the range equal to 3% was selected and added to the real rate of return range to arrive at a best estimate.

The Hospital's investment policies and strategies for plan assets include allocations of a diversified portfolio of equity investments, fixed income securities and cash equivalents. Though these assets are long term in nature, a reasonable amount of liquidity should be maintained.

The Hospital expects to pay future benefits under the pension and postretirement benefits as follows:

	Pension Benefits	Postretirement Health Benefits
2023	$ 109,971	$ 101
2024	-	98
2025	-	94
2026	-	90
2027	-	86
2028-2032	-	347
Total	$ 109,971	$ 816

For measurement purposes, the following annual rates of increase in the per capita cost of covered health care benefits were assumed for 2022:

Year	Medical Indemnity and Preferred Provider Hospitals	Dental
2022	7.0%	5.0%

The rates are assumed to decrease gradually to 5.0% by 2027 and remain at that level thereafter. The Hospital's contribution for postretirement medical and dental benefits is fixed except for employee discounts and union retirees who retired prior to September 1, 1991. Therefore, the accumulated postretirement benefit obligation and interest cost component of net periodic benefit cost have a relatively low sensitivity to increases in the healthcare cost trend rates. For example, increasing the assumed healthcare cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation by $720 for 2022. Decreasing the assumed healthcare cost trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation by $271 for 2022.

Financial assets carried at fair value included in the defined benefit pension plan are classified in the table below:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 21,434	$ -	$ -	$ 21,434
Corporate bonds	7,210	63,665	-	70,875
Total assets in the fair value hierarchy	$ 28,644	$ 63,665	$ -	$ 92,309

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,281	$ -	$ -	$ 1,281
Corporate bonds	22,574	96,379	-	118,953
Total assets in the fair value hierarchy	$ 23,855	$ 96,379	$ -	$ 120,234

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. Corporate bonds are valued based on quoted market prices for identical (Level 1) or similar investments (Level 2).

Money market funds are valued at the quoted Net Asset Value of shares held by the Plan at year-end.

10. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under various third-party payor agreements. Accounts receivable from patients and third-party payors were as follows:

	December 31,	
	2022	2021
Medicare and Medicaid	58 %	56 %
Blue Cross	15	17
Other third-party payors	24	23
Self-pay patients	3	4
Total	100 %	100 %

The Hospital maintains cash on deposit with major banks and invests in money market securities with high credit quality financial institutions and limits the credit exposure to any one financial institution; however, such deposits exceed federally insured limits.

11. Liquidity and Availability

Financial assets available for general expenditures within one year of the balance sheets date, consist of the following:

	December 31,	
	2022	2021
Cash and cash equivalents	$ 65,779	$ 158,012
Short-term investments	66,953	33,313
Accounts receivable, net	102,513	91,346
Other receivables	3,978	1,684
Total	$ 239,223	$ 284,355

The Hospital has long-term investments and other assets whose use is limited for the acquisition of property, plant and equipment and debt service. These assets are not available for general expenditures within the next year and are not reflected in the amounts above. However, certain long-term investments could be made available, if necessary. Advances of $0 at December 31, 2022 and $51,847,000 at December 31, 2021 related to the Accelerated and Advance Payment Program have also been excluded in the above table.

As part of the Hospital's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Hospital invests excess cash in short-term investments.

12. Net Assets With Donor Restrictions

The Foundation follows the requirements of the Uniform Prudent Management of Institutional Funds Act as they relate to its contributions with donor restrictions, effective upon the State of New Jersey's enactment of the legislation in March 2009. Net assets with donor restrictions have been restricted by donors to be maintained in perpetuity. The Hospital records the contributed assets with donor restrictions as part of its interest in the net assets of the Foundation. The Foundation releases the income without donor restrictions from the related assets on an annual basis in support of Hospital health care services.

Net assets with donor restrictions are available for the following purposes:

	December 31,	
	2022	2021
Health education and research	$ 23,621	$ 20,852
Purchase of property and equipment, operational activities and debt service	71,946	70,908
Total	$ 95,567	$ 91,760

Net assets with donor restrictions that are perpetual in nature of $3,124,000 as of December 31, 2022 and 2021 are to be held in perpetuity, the income from which is expendable to support health care services.

Net assets with donor restrictions represent the Hospital's interest in the net assets of the Foundation.

13. Right-of-Use Assets and Lease Obligations

The Hospital is obligated under the terms of several noncancelable finance and operating leases for equipment, medical spaces, and office spaces.

Lessee

Leases, Prior to January 1, 2022

Rent expense under operating leases amounted to approximately $6,308,000 and was included in supplies and other for the year ended December 31, 2021.

Certain equipment leases are the equivalent of an installment purchase for purposes of financial statement reporting. The lenders hold a first security interest in the financed equipment. Interest rates related to the Hospital's outstanding finance lease obligations range from 1.5 percent to 6.0 percent. At December 31, 2022 and 2021, approximately $55.0 million and $3.9 million, respectively, in lease proceeds remained for distribution for purchases in future years. These funds are reported as assets limited as to use.

Leases, January 1, 2022 and After

Right-of-use assets represent the Hospital's right to use an underlying asset for the lease term, while lease liabilities represent the Hospital's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Hospital's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Hospital's sole discretion. The Hospital regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Hospital includes such options in the lease term. Additionally, upon adoption of the new standard, the Hospital made judgments regarding lease terms for certain of its real property leases that were in month-to-month status or that contained auto-renewal clauses. The Hospital estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Hospital uses the rate implicit in the lease, or if not readily available, the Hospital uses a risk-free rate based on U.S. treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Hospital's long-lived asset policy. The Hospital reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Hospital made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Hospital:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Hospital obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;

- Allocated consideration in the contract between lease and nonlease components.

The following table summarizes the lease right-of-use assets and lease liabilities as of December 31, 2022:

Right-of-use assets:		
Operating leases	$	108,786
Finance leases		43,522
Total right-of-use assets	$	152,308
Lease liabilities:		
Current operating lease liabilities	$	12,292
Current finance lease liabilities		22,085
Long-term operating lease liabilities		104,290
Long-term finance lease liabilities		62,190
Total lease liabilities	$	200,857

Below is a summary of expenses incurred pertaining to leases during the year ended December 31, 2022:

Finance lease expense:		
Amortization of right-of-use assets	$	12,707
Interest on lease liabilities		1,588
Operating lease expense		16,111
Short-term lease expense		382
Total lease expense	$	30,788
Weighted average remaining lease term (in years):		
Operating leases		10.11
Finance leases		4.53
Weighted average discount rate:		
Operating leases		1.62 %
Finance leases		5.23 %

The table below summarizes the Hospital's scheduled future minimum lease payments for years ending after December 31, 2022:

	Operating Leases	Finance Leases
Year ending December 31:		
2023	$ 14,010	$ 26,100
2024	14,564	21,483
2025	14,099	18,984
2026	13,334	16,245
2027	11,216	8,577
Thereafter	59,670	4,201
Total lease payments	126,893	95,590
Less present value discount	10,311	11,315
Total lease liabilities	116,582	84,275
Less current portion	12,292	22,085
Long-term lease liabilities	$ 104,290	$ 62,190

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 12,964
Operating cash flows from finance leases	1,465
Financing cash flows from finance leases	13,563
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	28,358
Finance leases	28,684

Lessor

The Hospital has various sub-lease agreements for medical space under which we are the lessor. These leases meet the criteria for operating lease classification. Lease income associated with these leases is not material.

14. Professional Liability Insurance

The Hospital has malpractice insurance coverage on a claims-made basis through a commercial insurance carrier. It is management's intention to continue existing coverage. The amount of malpractice coverage is $1,000,000 per claim, with a $3,000,000 annual aggregate. The Hospital maintains an umbrella policy with claims covered up to $5,000,000 with an annual aggregate of $5,000,000. In addition, the Hospital has excess liability coverage in the amount of $15,000,000 per occurrence and $15,000,000 in annual aggregate. The estimated liability for claims and incidents unknown but related to the reporting periods ended December 31, 2022 and 2021 was approximately $2.9 million and $3.5 million, respectively. These amounts are included in other long-term liabilities in the consolidated balance sheets. The Hospital believes that it has adequate insurance coverages for all asserted claims and has no knowledge of unasserted claims which would exceed insurance coverages. Approximately $2,056,000 and $1,813,000 representing the current portion of the insurance receivable and the insurance claims liability as of December 31, 2022 and 2021, respectively, are recorded in other receivables and in accrued expenses and other liabilities. Approximately $11.7 million and $10.1 million, representing the noncurrent portion of the insurance receivable and the insurance claims liability as December 31, 2022 and 2021, respectively, are recorded in other assets and in other liabilities.

15. Real Estate Taxes

As a not-for-profit corporation in New Jersey, the Hospital has historically qualified for an exemption from real property taxes; however, a number of cities and municipalities in New Jersey have challenged and continue to challenge such exemption. In 2022, the Hospital signed an agreement with the City of Englewood to establish the parameters for the calculation of the payments in lieu of taxes for the years 2021 through 2025. Amounts paid in lieu of taxes were not material for 2022 and 2021. The Hospital and affiliates currently pay real estate taxes on various properties that it owns, rents or leases in many of the communities it serves.

16. Expenses by Both Nature and Function

For the years ended December 31 2022 and 2021, the Hospital's consolidated operating expenses grouped by functional classification are as follows:

	2022		
	Health Care Services	Management and General	Total
Salaries and wages	$ 253,609	$ 46,931	$ 300,540
Fringe benefits	47,627	9,486	57,113
Physician fees	5,910	-	5,910
Supplies and other	483,645	67,811	551,456
Interest	6,328	-	6,328
Depreciation and amortization	38,264	6,976	45,240
Total expenses	$ 835,383	$ 131,204	$ 966,587

	2021		
	Health Care Services	Management and General	Total
Salaries and wages	$ 231,431	$ 45,246	$ 276,677
Fringe benefits	47,364	9,246	56,610
Physician fees	3,657	-	3,657
Supplies and other	411,009	84,685	495,694
Interest	7,688	-	7,688
Depreciation and amortization	34,654	7,533	42,187
Total expenses	$ 735,803	$ 146,710	$ 882,513

17. Commitments and Contingencies

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. The Hospital's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were available to be issued. COVID-19 may impact various parts of the Hospital's 2023 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption and declines in revenue related to decreases in volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions. The public health emergency is scheduled to terminate on May 11, 2023.

18. Subsequent Events

The Hospital has evaluated the impact of subsequent events through April 27, 2023, representing the date at which the consolidated financial statements were available to be issued.

Subsequent to the year end the final IRS determination letter was received and the Plan was terminated (see Note 9).