# Montclair Health System, LLC

Consolidated Financial Statements with Report of Independent Auditors

December 31, 2024

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## Report of Independent Auditors

To the Board of Directors of Montclair Health System, LLC

### Opinion

We have audited the consolidated financial statements of Montclair Health System, LLC (the Company), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated income statement, statement of changes in equity, and statement of cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

Shape the future
with confidence

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Ernst + Young LLP

April 14, 2025

*(In Thousands)*

| | | December 31, 2024 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Accounts receivable | $ | 49,565 |
| Inventories | | 7,999 |
| Prepaid expenses | | 1,717 |
| Other current assets | | 4,939 |
| Total current assets | | 64,220 |
| Property and equipment, net | | 56,415 |
| Operating lease right of use assets | | 41,198 |
| Goodwill | | 126,317 |
| Other intangible assets | | 5,600 |
| Amounts due from affiliate | | 34,446 |
| Other assets | | 1,818 |
| Total assets | $ | 330,014 |
| | | |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Accounts payable | | 13,657 |
| Accrued salaries and benefits | | 9,807 |
| Other accrued expenses and liabilities | | 8,491 |
| Current installments of long-term debt | | 488 |
| Total current liabilities | | 32,443 |
| Long-term debt, less current installments | | 3,493 |
| Long-term operating lease liability | | 37,513 |
| Other long-term liabilities | | 262 |
| Total liabilities | | 73,711 |
| Equity: | | |
| Common units | | 63,276 |
| Accumulated earnings | | 193,027 |
| Total equity | | 256,303 |
| Total liabilities and equity | $ | 330,014 |

*See accompanying notes.*

*(In Thousands)*

| | Year Ended December 31, 2024 |
|---|---|
| Total revenue | $ 354,836 |
| Expenses: | |
| Salaries and benefits | 138,445 |
| Professional fees | 45,901 |
| Supplies | 48,059 |
| Other operating expenses | 46,861 |
| Depreciation and amortization | 9,047 |
| Management fees | 7,087 |
| Other non-operating gains | (149) |
| Total operating expenses | 295,251 |
| Income from operations | 59,585 |
| Loss from equity method investments | (399) |
| Interest income, net | 1,612 |
| Net income | $ 60,798 |

*See accompanying notes.*

*(Dollars In Thousands)*

| | Units | | Amount | | Accumulated Earnings | | Total |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2023 | 1,900 | $ | 63,276 | $ | 178,849 | $ | 242,125 |
| Distributions made to: | | | | | | | |
| LHP Montclair, LLC | — | | — | | (37,296) | | (37,296) |
| Hackensack UMC | — | | — | | (9,324) | | (9,324) |
| Net income | — | | — | | 60,798 | | 60,798 |
| **Balance at December 31, 2024** | **1,900** | **$** | **63,276** | **$** | **193,027** | **$** | **256,303** |

*See accompanying notes.*

Montclair Health System, LLC

Consolidated Statement of Cash Flows

Year Ended December 31, 2024

*(In Thousands)*

| | Year Ended December 31, 2024 |
|---|---|
| **Cash flows from operating activities:** | |
| Net income | $ 60,798 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Loss from equity method investment | 399 |
| Depreciation and amortization | 9,047 |
| Change in cash from operating assets and liabilities | |
| Accounts receivable | 3,369 |
| Inventories and other assets | 2,906 |
| Accounts payable and other accrued expenses and liabilities | (9,135) |
| **Net cash provided by operating activities** | 67,384 |
| | |
| **Cash flows from investing activities:** | |
| Purchases of property and equipment | (9,420) |
| Purchase of equity method investments | (797) |
| **Net cash used in investing activities** | (10,217) |
| | |
| **Cash flows from financing activities:** | |
| Proceeds from long-term debt | 1,371 |
| Payments on borrowings | (432) |
| Distributions to members | (46,620) |
| Payments to affiliates, net | (11,486) |
| **Net cash used in financing activities** | (57,167) |
| Change in cash and cash equivalents | — |
| Cash and cash equivalents at beginning of period | — |
| **Cash and cash equivalents at end of period** | $ — |

*See accompanying notes.*

## 1. Organization and Basis of Presentation

Montclair Health System, LLC (the “Company”) is a privately held New Jersey limited liability company that operates Hackensack Meridian Health Mountainside Medical Center. The term the Company, as used in these consolidated financial statements, refers to Montclair Health System, LLC and its subsidiaries, Montclair Hospital, LLC and Montclair Health Services, LLC and its subsidiaries. Membership units in the Company are owned by an affiliate of Ardent Health Partners, Inc. (“Ardent”), LHP Montclair, LLC, and Hackensack UMC (“Hackensack”), collectively, the Members. The Members of the Company are not personally liable for the debts and liabilities of the Company in accordance with the LLC agreement and applicable statutes.

On March 31, 2014, the Company sold the real estate associated with Mountainside Hospital, LLC and, thereafter, leased the land and buildings from the acquirer for a term of 15 years. In March 2017, Ardent completed a merger with LHP Hospital Group, Inc. (“LHP”), the indirect owner of LHP Montclair, LLC, pursuant to an Agreement and Plan of Merger. Through the transaction, LHP and LHP Montclair, LLC became wholly-owned subsidiaries of Ardent. Under the terms of the agreement, Ardent assumed LHP’s management and operational responsibilities within the Company. At December 31, 2024, Ardent owned 80% of the Company and Hackensack owned 20%.

The consolidated financial statements include the accounts of the Company and all subsidiaries and entities controlled by the Company through the Company’s direct or indirect ownership of a majority interest and exclusive rights granted to the Company as the sole general partner or controlling member of such entities. All intercompany balances and transactions have been eliminated in consolidation.

## 2. Summary of Significant Accounting Policies

### *Accounting Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, the Company evaluates its estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### *Revenue Recognition*

The Company’s revenue generally relates to contracts with patients in which its performance obligations are to provide healthcare services to the patients. Revenue is recorded during the period the Company’s obligations to provide healthcare services are satisfied. Revenue for performance obligations satisfied over time is recognized based on charges incurred in relation to total expected charges. The Company’s performance obligations for inpatient services are generally satisfied over periods that average approximately five days. The Company’s performance obligations for outpatient services are generally satisfied over a period of less than one day. As the Company’s performance obligations relate to contracts with a duration of one year or less, the Company elected the optional exemption under ASC Topic 606, *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the transaction price for the remaining performance obligations at the end of the reporting period or when the Company expects to recognize revenue. Additionally, the Company is not required to adjust the consideration for the existence of a significant financing component when the period between the transfer of the services and the payment for such services is one year or less.

Contractual relationships with patients, in most cases, involve a third-party payor (Medicare, Medicaid, and managed care health plans), and the transaction prices for services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans) the third-party payors. The payment arrangements with third-party payors for the services provided to the related patients typically specify payments at amounts less than the Company's standard charges.

The Company's revenue is based upon the estimated amounts the Company expects to be entitled to receive from patients and third-party payors. Estimates of contractual adjustments under managed care insurance plans are based upon the payment terms specified in the related contractual agreements. Revenue related to uninsured patients and copayment and deductible amounts for patients who have healthcare coverage may have discounts applied (uninsured and other discounts). The Company also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenue at the estimated amounts expected to be collected.

Medicare and Medicaid regulations and various managed care contracts, under which the discounts from the Company's standard charges must be calculated, are complex and are subject to interpretation and adjustment. The Company estimates contractual adjustments on a payor-specific basis based on its interpretation of the applicable regulations or contract terms. However, the necessity of the services authorized and provided, and resulting reimbursements, are often subject to interpretation. These interpretations may result in payments that differ from the Company's estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating continual review and assessment of the estimates by management.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the "cost report" filing and settlement process). Settlements under reimbursement agreements with third party payors are estimated and recorded in the period in which the related services are rendered and are adjusted in future periods as final settlements are determined. Final determination of amounts earned under the Medicare, Medicaid and other third party payor programs often occurs in subsequent years because of audits by the programs, rights of appeal, and the application of technical provisions. Settlements are considered in the recognition of net patient service revenue on an estimated basis in the period the related services are rendered, and such amounts are subsequently adjusted in future periods as adjustments become known or as years are no longer subject to such audits and reviews. Differences between original estimates and subsequent revisions, including final settlements, are included in the results of operations of the period in which the revisions are made. These adjustments resulted in a decrease to net patient service revenue of $1.4 million for the year ended December 31, 2024.

At December 31, 2024, the Company's settlements under reimbursement agreements with third-party payors was a net receivable of $0.7 million, of which a receivable of $1.3 million was included in other current assets and a payable of $0.6 million was included in other accrued expenses and liabilities on the consolidated balance sheet.

Final determination of amounts earned under prospective payment and other reimbursement activities is subject to review by appropriate governmental authorities or their agents. In the opinion of the Company's management, adequate provision has been made for any adjustments that may result from such reviews.

Subsequent adjustments that are determined to be the result of an adverse change in the patient's or the payor's ability to pay are recognized as bad debt expense. Bad debt expense for the year ended December 31, 2024 was not material for the Company.

The Company's total revenue is presented in the following table (dollars in thousands):

| | Year Ended December 31, 2024 | |
|---|---|---|
| | Amount | % of Total Revenue |
| Medicare | $ 132,200 | 37.3 % |
| Medicaid | 30,812 | 8.7 % |
| Other managed care | 183,525 | 51.7 % |
| Self-pay and other | 6,052 | 1.7 % |
| Net patient service revenue | 352,589 | 99.4 % |
| Other revenue | 2,247 | 0.6 % |
| Total revenue | $ 354,836 | 100.0 % |

The Company provides care without charge to certain patients who qualify under the local charity care policy. The Company estimates that its costs of care provided under its charity care programs were approximately $0.3 million for the year ended December 31, 2024. The Company does not report a charity care patient's charges in revenue as it is the Company's policy not to pursue collection of amounts related to these patients, and, therefore, contracts with these patients do not exist.

The Company's management estimates its costs of care provided under its charity care programs utilizing a calculated ratio of costs to gross charges multiplied by the Company's gross charity care charges provided. The Company's gross charity care charges include only services provided to patients who are unable to pay and qualify under the Company's local charity care policies. To the extent the Company receives reimbursement through the various governmental assistance programs in which it participates to subsidize its care of indigent patients, the Company does not include these patients' charges in its cost of care provided under its charity care program.

***Patient Accounts Receivable***

Patient accounts receivable are recorded at net realizable value based on certain assumptions applicable to each payor. For third-party payors including Medicare, Medicaid and managed care, the net realizable value is based on the estimated reimbursement percentage, which is based on current contract and program prices or historical paid claims data by payor. For self-pay accounts receivable, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience. These estimates are adjusted for estimated conversions of patient responsibility portions, expected recoveries and anticipated changes in business and economic conditions, trends in federal, state and private employer healthcare coverage and other collection indicators.

Patient accounts receivable can be impacted by the effectiveness of the Company's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions or trends in federal, state and private employer healthcare coverage could affect the net realizable value of accounts receivable. The Company also continually reviews the net realizable value of accounts receivable by monitoring historical cash collections as a percentage of trailing operating revenues and retrospective reviews of historical reserve accuracy, as well as by analyzing current period revenue and admissions by payor classification, aged accounts receivable by payor, days revenue outstanding, the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables and the impact of recent acquisitions and dispositions.

Patient accounts receivable is the Company's primary concentration of credit risk, which consists of amounts owed by various governmental agencies, managed care payors, commercial insurance companies, employers and patients. The Company manages its patient accounts receivable by regularly reviewing its accounts and contracts and by providing appropriate allowances for uncollectible amounts.

***Concentration of Revenue***

Revenue related to patients participating in the Medicare and Medicaid programs, collectively, represented 46.0% of the Company's total revenue for the year ended December 31, 2024. The Company's management recognizes that revenue and receivables from government agencies are significant to the Company's operations, but management does not believe that there are significant credit risks associated with these governmental agencies. Management does not believe that there are any other significant concentrations of revenue from any particular payor that would subject the Company to any significant credit risks as the number of patients and payors limit concentration of credit risk from any one payor.

***Inventories***

Inventories consist primarily of hospital supplies and pharmaceuticals and are stated at the lower of cost (first-in, first-out method) or market. These inventory items are primarily operating supplies used in the direct or indirect treatment of patients.

***Property and Equipment***

Property and equipment additions are recorded at cost. Property and equipment acquired in connection with business combinations are recorded at estimated fair value in accordance with the acquisition method of accounting as prescribed in ASC 805-10, *Business Combinations*. Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase values, change capacities or extend useful lives are capitalized. Depreciation is computed by applying the straight-line method over the lesser of the estimated useful lives of the assets or lease term, ranging generally from five to forty years for buildings and improvements, one to twenty years for equipment, four to seven years for software, and three to ten years for leasehold improvements.

When events, circumstances or operating results indicate the carrying values of certain long-lived assets expected to be held and used might be impaired, the Company prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value. Assets classified as held for sale are reflected at the lower of carrying value or fair value less cost to sale. Fair value may be estimated based upon internal evaluations that include quantitative analyses of revenues and cash flows, reviews of recent sales of similar assets and independent appraisals. No impairment was recorded during the year ended December 31, 2024.

***Goodwill and Indefinite-Lived Intangible Assets***

Goodwill represents the excess of the purchase price over the estimated fair value of identifiable net assets acquired in business combinations. In accordance with ASC 350, *Intangibles — Goodwill and Other*, goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized but are subject to annual impairment tests. The Company tests for goodwill impairment at the reporting unit level and has determined that it has one reporting unit for purposes of the assessment of goodwill impairment.

In addition to an annual impairment test, the Company evaluates goodwill and intangible assets for impairment whenever circumstances indicate a possible impairment may exist. In accordance with ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, the Company first assesses qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, including goodwill. If, after assessing qualitative factors, the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized, if any.

The Company completed its most recent qualitative goodwill impairment assessment as of October 1, 2024. After evaluating the results, events and circumstances of the Company, the Company concluded that sufficient evidence existed to assert qualitatively that it was more likely than not that the estimated fair value of the reporting unit remained in excess of its carrying value. Therefore, a quantitative impairment assessment was not necessary. The Company recorded no goodwill or other intangible impairment charges in 2024.

The Company bases its estimates of fair value of the reporting unit on various assumptions on a qualitative and, when necessary, quantitative basis that are believed to be reasonable under the circumstances. Such assumptions include estimates using the income approach, which estimates fair value based on discounted cash flows, and the market approach, which estimates fair value based on comparable market prices. Actual results may differ from the estimates used in the Company's assumptions, which may require a future impairment charge that could have a material adverse impact on the Company's financial position and results of operations. Refer to Note 4 for additional information.

Intangible assets consist of a tradename, certificate of need and Medicare and Medicaid licenses, all of which are expected to have an indefinite life. Indefinite-lived identifiable intangible assets are not amortized but are subject to annual impairment tests, and impairment reviews are performed whenever circumstances indicate a possible impairment may exist.

***Self-Insured Liabilities***

Ardent maintains a professional and general liability policy and workers' compensation insurance on behalf of its affiliates. Additionally, Ardent is self-insured for substantially all of the medical benefits of its employees. Ardent maintains reserves for these self-insured liabilities reflective of known claims and estimated incurred but not reported claims. These amounts are billed as premiums to each affiliate.

***Income Taxes***

The Company is organized as a limited liability company and taxed as a partnership for federal and state income tax purposes under the Internal Revenue Code and various state statutes. All income is taxable directly to its members; therefore, no federal or state income tax provision is recorded in the Company's financial statements. Additionally, no deferred tax assets or liabilities are recorded in the consolidated balance sheet. Management is not aware of any course of action or series of events that has occurred that might adversely affect the Company's tax status.

***Fair Value of Financial Instruments***

The Company applies the provisions of ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), which provides a single definition of fair value, establishes a framework for measuring fair value, and expands disclosures concerning fair value measurements. The Company applies these provisions to the valuation and disclosure of certain financial instruments. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: (i) Level 1, which is defined as quoted prices in active markets that can be accessed at the measurement date; (ii) Level 2, which is defined as inputs other than quoted prices in active markets that are observable, either directly or indirectly; and (iii) Level 3, which is defined as unobservable inputs resulting from the existence of little or no market data, therefore potentially requiring an entity to develop its own assumptions.

Accounts receivable, inventories, prepaid expenses, other current assets, accounts payable, accrued salaries and benefits and other accrued expenses and liabilities (other than those pertaining to lease liabilities) are reflected in the accompanying consolidated balance sheet at amounts that approximate fair value because of the short-term nature of these instruments. The fair value of the Company's long-term liabilities (other than those pertaining to lease liabilities) approximates their carrying value based on current interest rate assumptions and remaining term to maturity. The fair value of amounts due from affiliate cannot be determined due to the uncertainty of timing of payment.

## 3. Property and Equipment

Property and equipment as of December 31, 2024 consists of the following (in thousands):

| | | |
|---|---|---|
| Land and improvements | $ | 4,985 |
| Buildings and improvements, including leasehold improvements | | 44,244 |
| Equipment | | 70,989 |
| Construction in progress | | 1,566 |
| | | 121,784 |
| Less accumulated depreciation | | (65,369) |
| Property and equipment, net | $ | 56,415 |

Financing leases included in equipment were $4.3 million at December 31, 2024. Accumulated amortization related to equipment financing leases was $3.0 million at December 31, 2024. Amortization expense related to equipment financing leases was $0.4 million for the year ended December 31, 2024.

Depreciation of property and equipment (including finance leases) was $9.0 million for the year ended December 31, 2024.

## 4. Goodwill and Other Intangible Assets

***Goodwill***

The following table summarizes the changes in the carrying amount of goodwill for the following period (in thousands):

| | | Total |
|---|---|---|
| Balance at December 31, 2023 | $ | 126,317 |
| Goodwill acquired | | — |
| Balance at December 31, 2024 | **$** | **126,317** |

***Other Intangible Assets***

Other intangible assets consist of the unamortized Mountainside Hospital trade name, a certificate of need, and Medicare and Medicaid licenses. At December 31, 2024, the carrying amount of unamortized trade name was $4.6 million, the unamortized certificate of need was $0.9 million, and the unamortized Medicare and Medicaid licenses were $0.1 million. No amortization expense was recorded for intangible assets for the year ended December 31, 2024.

## 5. Internal-Use Software

The Company has been allocated certain costs from Ardent related to implementation costs incurred associated with the Company's conversion to a new patient accounting system in 2019. The costs were either capitalized or expensed by the Company in accordance with ASC 350-40, *Internal-Use Software* ("ASC 350-40-25").

Under the guidance of ASC 350-40-25, costs incurred during the implementation stage are generally capitalizable, subject to the conditions detailed in the accounting standard. Additionally, costs incurred for clearly identifiable upgrades and enhancements after implementation are also generally capitalizable to the extent they provide additional functionality. Costs incurred prior to implementation, and costs for training, maintenance, and support services are expensed as incurred.

Costs capitalized by Ardent and allocated to the Company are included in other assets on the consolidated balance sheet and are amortized over a seven year period. At December 31, 2024, the Company had other assets related to allocated capitalized software costs of $1.4 million. Amortization expense for software was $1.1 million and is included in other operating expenses on the consolidated income statement for the year ended December 31, 2024.

## 6. Related Party Transactions

Ardent provides services to the Company with regard to management and administration, financial management, clinical and patient care, medical staff relations, group purchasing programs, information technology, and other services. The Company reimburses Ardent and its affiliates for these services based on a management fee arrangement. The Company recorded management fee expense of $7.1 million for services from Ardent and its affiliates for the year ended December 31, 2024.

MPV New Jersey MD Services, P.C. ("NJ MD"), a New Jersey non-profit corporation licensed by the New Jersey State Board of Medical Examiners and a wholly-owned subsidiary of Ardent, provides the Company with the following services: (1) acquisition or establishment, and operation of physician practice sites in the community; (2) employment of physicians, as needed, to provide professional health care services to patients and to provide additional administrative and supervisory services relating to the clinical operations of the practice sites; and (3) recruitment, employment, or other engagement of the services of (a) clinical personnel to provide health care services to patients under the supervision of the physicians and of (b) administrative personnel to provide certain practice management services and carry out the day-to-day operations of the practice sites and the physicians' practices. The Company reimburses NJ MD for these services based on an Affiliation Agreement, which was effective March 2013. During the year ended December 31, 2024, the Company recorded $1.1 million for reimbursement of services provided by NJ MD, which was included in professional fees on the Company's consolidated income statement for the year ended December 31, 2024.

Amounts due from affiliate of $34.4 million at December 31, 2024, represent the excess of amounts transferred by the Company to an affiliate of Ardent over the amounts paid by an affiliate of Ardent on behalf of the Company. Amounts paid by affiliate on behalf of the Company generally include operating expenses and fees and services provided by Ardent to the Company. Outstanding amounts due from affiliate bear interest at a rate per annum equal to Secured Overnight Financing Rate ("SOFR") applicable for an interest period of three months. During the year ended December 31, 2024, the Company recorded interest income on amounts due from affiliate of $1.7 million.

## 7. Leases

The Company leases real estate and equipment under operating and finance leases. At lease inception, if the lease meets any of the following five criteria, the Company will classify it as a finance lease: (i) the lease transfers ownership of the underlying asset to the Company by the end of the lease term, (ii) the lease grants the Company an option to purchase the underlying asset that the lessee is reasonably certain to exercise, (iii) the lease term is for the major part of the remaining economic life of the underlying asset, (iv) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all (90% or more) of the fair value of the underlying asset, or (v) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. Otherwise, the lease will be treated as an operating lease.

If a contract modification alters an embedded lease component and the modification is not accounted for as a separate contract, the classification of the lease is reassessed.

The Company's operating leases are comprised primarily of real estate, including hospital buildings, medical office buildings and other administrative office buildings, and certain medical and office equipment, and finance leases are comprised primarily of medical equipment. The Company assesses the terms of each lease to determine its classification as operating or financing. The Company determines if an arrangement is or contains a lease at inception by assessing whether the arrangement contains an identified asset and whether it has the right to control the identified asset. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. Right-of-use assets are based on the measurement of the lease liability and also include any lease payments made prior to or on lease commencement and exclude lease incentives and initial direct costs incurred, as applicable.

As the implicit rate in the Company's leases is generally unknown, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future lease payments. In calculating the incremental borrowing rate, consideration is given to the Company’s credit risk, the term of the lease, the total lease payments and adjustments for the impacts of collateral, as necessary. Many of the Company’s leases include rental escalation clauses and renewal options that are factored into the determination of lease payments, when appropriate.

Certain of the Company's lease agreements contain options to extend or terminate the lease. The Company evaluates these options on a lease-by-lease basis, and if the Company determines it is reasonably certain to exercise an option to extend or reasonably certain not to exercise an option to terminate, the lease term includes the period covered by the option. Lease costs for the Company's operating leases are recognized on a straight-line basis within operating expenses over the lease term. Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of finance leases is included in interest expense and recognized using the effective interest method over the lease term.

The Company has elected to not separate lease and non-lease components for any leases within its existing classes of assets and, as a result, accounts for any lease and non-lease components as a single lease component. The Company has also elected to not apply the recognition requirement to any leases within its existing classes of assets with a term of 12 months or less.

During the year ended December 31, 2024, the Company recognized no additional right-of-use assets associated with operating leases.

The following table presents lease-related assets and liabilities (dollars in thousands):

| | Balance Sheet Classification | December 31, 2024 |
|---|---|---|
| Assets: | | |
| Operating leases | Operating lease right of use assets | $ 41,198 |
| Finance leases | Property and equipment, net | $ 1,265 |
| Total lease assets | | $ 42,463 |
| Liabilities: | | |
| Current: | | |
| Operating leases | Other accrued expenses and liabilities | 2,491 |
| Finance leases | Current installments of long-term debt | 488 |
| Noncurrent: | | |
| Operating leases | Long-term operating lease liability | 37,513 |
| Finance leases | Long-term debt, less current installments | 1,076 |
| Total lease liabilities | | $ 41,568 |
| Operating leases: | | |
| Weighted-average remaining term | | 6.4 |
| Weighted-average discount rate [(a)] | | 12.6 % |

a) As most of the Company's leases do not provide a readily determinable implicit interest rate, the Company uses an incremental borrowing rate commensurate with the respective terms of the leases to discount the lease payments. The Company evaluates the discount rate throughout the year to determine whether changes in facts and circumstances should result in a change to the discount rate used for leases.

The following table provides information related to operating lease expense for the year ended December 31, 2024 (in thousands):

| | |
|---|---|
| Operating leases | $ 12,122 |
| Short-term lease expense | 845 |
| Variable lease expense | 1,910 |
| Total lease expense [(b)] | $ 14,877 |

b) Lease expense is included in other operating expenses on the Company's consolidated income statement.

The following table presents supplemental cash flow information for the year ended December 31, 2024 (in thousands):

| | |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows for operating leases | $ 12,327 |

***Maturities of Lease Liabilities***

Undiscounted cash flows for operating leases recorded on the consolidated balance sheet were as follows at December 31, 2024 (in thousands):

| | | |
|---|---|---|
| 2025 | $ | 12,487 |
| 2026 | | 12,649 |
| 2027 | | 12,816 |
| 2028 | | 12,662 |
| 2029 | | 3,964 |
| Thereafter | | 13,259 |
| Total rental payments | | 67,837 |
| Less: Amount of lease payments representing interest | | 27,833 |
| Present value of future minimum lease payments | | 40,004 |
| Less: Current portion of lease liabilities | | 2,491 |
| Noncurrent lease liabilities | $ | 37,513 |

## 8. Long-Term Debt

In November 2022, the Company entered into an agreement with Public Service Electric and Gas Company ("PSE&G") to implement various energy cost-reduction strategies and measures to improve the hospital's energy efficiency. In July 2024, the Company received an additional $1.4 million of funding. As of December 31, 2024, the Company has received $2.4 million of the $2.7 million of total funding from PSE&G that is required to be repaid over five years and does not bear interest. The remaining funding from PSE&G that is required to be repaid will be received upon project completion, which is anticipated to be on or before December 31, 2025, at which time the payments will begin. At December 31, 2024, the outstanding balance owed by the Company was $2.4 million.

The Company's remaining outstanding debt consists of various finance lease agreements for equipment. Debt related to finance lease liabilities was $1.6 million at December 31, 2024 and is included in debt on the Company's consolidated balance sheet.

***Future Installments***

Future scheduled installments of long-term debt at December 31, 2024 are as follows (in thousands):

| | | |
|---|---|---|
| 2025 | $ | 488 |
| 2026 | | 990 |
| 2027 | | 1,008 |
| 2028 | | 528 |
| 2029 | | 483 |
| Thereafter | | 484 |
| Total | $ | 3,981 |

## 9. Other Accrued Expenses and Liabilities

A summary of other accrued expenses and liabilities as of December 31, 2024 is as follows (in thousands):

| | | |
|---|---|---|
| Third-party settlements payable | $ | 637 |
| Current operating lease liabilities | | 2,491 |
| Other | | 5,363 |
| Other accrued expenses and liabilities | $ | 8,491 |

## 10. Self-Insured Liabilities

### *Professional and General Liability*

Ardent maintains claims-made professional liability insurance coverage and occurrence-based general liability insurance coverage with independent third-party carriers on behalf of its affiliates. During the year ended December 31, 2024, third party policies cover claims totaling up to $100.0 million, per occurrence and in the aggregate, subject, in most cases, to a $7.5 million self-insured retention per occurrence.

Ardent maintains reserves for estimates of loss that will ultimately be incurred on claims that have been reported but not paid and claims that have been incurred but not reported. These reserves are established based on consultation with independent actuaries and billed as premiums to each affiliate. No reserve for professional and general liability losses is recorded on the accompanying consolidated balance sheet.

Expenses for professional and general liability coverage allocated to the Company were $0.7 million for the year ended December 31, 2024, and are included in other operating expenses on the consolidated income statement. Allocated expenses for professional and general liability coverage include expenses to reflect the results of the actuarial review performed by a third party as well as management's consideration of material developments in the Company's active claims.

### *Workers Compensation and Occupational Injury Liability*

Ardent maintains workers' compensation liability insurance with statutory limits and employer liability policy limits of $1.0 million for each occurrence from an unrelated commercial insurance carrier subject, in most cases, to a $500,000 deductible per occurrence. Ardent maintains the associated reserves for its workers' compensation and employer liabilities and allocates the cost of the self-insured coverage to the Company based, in part, on actual claims experience.

Expenses for workers' compensation and occupational injury liabilities allocated to the Company were $1.8 million for the year ended December 31, 2024, and are included in other operating expenses on the consolidated income statement. Allocated expenses include workers' compensation and occupational injury liability expenses to reflect the results of an actuarial review performed by a third party as well as management's consideration of material developments in the Company's active claims.

## 11. Employee Benefit Plans

### *Defined Contribution Plan*

The Company participates in Ardent's contributory benefit plan that is available to eligible employees. The plan requires the Company to match 100% of a participant's contributions up to the first 3% of the participant's compensation. The Company incurred total contribution costs related to the retirement plan of $2.9 million for the year ended December 31, 2024.

***Employee Health Plan***

Ardent is self-insured for substantially all of the medical benefits of its employees and maintains reserves for medical benefits that reflect known claims and an estimate of incurred but not reported claims as of December 31, 2024 and are billed as premiums to each affiliate. The reserve for incurred but not paid claims is maintained by Ardent and adjusted as necessary through additional allocations. Expenses for medical benefit coverage allocated to the Company were approximately $7.4 million for the year ended December 31, 2024, and are included in salaries and benefits expense on the consolidated income statement. Expenses allocated to the Company for medical benefit coverage are based on actual claim activity as well as management's consideration of material developments that may impact the Company's active claims and historical claim trends.

## 12. Commitments and Contingencies

From time to time, claims and suits arise in the ordinary course of the Company's business. The Company has been, is currently, and may in the future be subject to claims, lawsuits, qui tam actions, civil investigative demands, subpoenas, investigations, audits and other inquiries related to its operations. In certain of these actions, plaintiffs request punitive or other damages against the Company that may not be covered by insurance. These claims, lawsuits, and proceedings are in various stages of adjudication or investigation and involve a wide variety of claims and potential outcomes. Depending on whether the underlying conduct in these or future inquiries or investigations could be considered systemic, their resolution could have a material, adverse effect on the Company's results of operations, financial position or liquidity.

The Company records accruals for such contingencies to the extent that the Company concludes it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Management of the Company does not believe that the Company is party to any proceeding that, either individually or in the aggregate could have a material adverse effect on the business, financial condition, results of operations, or liquidity of the Company.

In November 2023, Ardent determined that a ransomware cybersecurity incident had impacted and disrupted a number of its operational and information technology systems (the "Cybersecurity Incident"), including the operational and information technology systems of the Company. During this time, Ardent and the Company's hospital remained operational and continued to deliver patient care utilizing established downtime procedures. Ardent and the Company immediately suspended user access to impacted information technology applications, executed cybersecurity protection protocols, and took steps to restrict further unauthorized activity. Additionally, because of the time taken to contain and remediate the Cybersecurity Incident, online electronic billing systems were not functioning at their full capacities and certain billing, reimbursement and payment functions were delayed, which had an adverse impact on Ardent's and the Company's results of operations and cash flows for 2023 and the first quarter of 2024.

As a result of the Cybersecurity Incident, three putative class actions were filed against Ardent in the U.S. District Court for the Middle District of Tennessee: Burke v. AHS Medical Holdings LLC, No. 3:23-cv-01308; Redd v. AHS Medical Holdings, LLC, No. 3:23-cv-01342; and Epperson v. AHS Management Company, Inc., No. 3:24-cv-00396. These cases were consolidated by the District Court on April 24, 2024, under the caption Hodge v. AHS Management Company, Inc., No. 3:23-cv-01308 (M.D. Tenn.). The complaint for the consolidated class action, filed on behalf of approximately 38,000 individuals who allege their personal information and protected health information were affected by the Cybersecurity Incident, generally asserts state common law claims of negligence, breach of implied contract, unjust enrichment, breach of fiduciary duty, and invasion of privacy with respect to how Ardent managed sensitive data. On October 4, 2024, Ardent executed a settlement agreement to resolve the consolidated class action litigation. On October 9, 2024, the District Court preliminarily approved the settlement and set the hearing for the District Court's final approval of the settlement for August 1, 2025. Settlement of the consolidated case on the agreed terms will require Ardent to make cash settlement payments that will not have a material impact on Ardent's or the Company's results of operations, financial position or liquidity.

During the year ended December 31, 2024, Ardent allocated business insurance recovery proceeds to the Company of $0.1 million related to the Cybersecurity Incident, all of which was included in other non-operating gains on the Company's consolidated income statement.

The Company has acquired and plans to continue to acquire businesses with prior operating histories. Acquired companies may have unknown or contingent liabilities, including liabilities for failure to comply with healthcare laws and regulations, such as billing and reimbursement, fraud and abuse and anti-kickback laws. The Company has from time to time identified certain past practices of acquired companies that do not conform to its standards. Although the Company institutes policies designed to conform such practices to its standards following completion of acquisitions, there can be no assurance that the Company will not become liable for the past activities of these acquired facilities that may later be asserted to be improper by private plaintiffs or government agencies. Although the Company generally seeks to obtain indemnification from prospective sellers covering such matters, there can be no assurance that any such matter will be covered by indemnification, or if covered, that such indemnification will be adequate to cover potential losses and fines.

## 13. Subsequent Events

The Company has evaluated its financial statements and disclosures for the impact of subsequent events through April 14, 2025, the date these consolidated financial statements were available for issuance.