DEBORAH HEART AND LUNG CENTER
Consolidated Financial Statements
December 31, 2021 and 2020
With Independent Auditor's Report

ADVISORY TAX AUDIT

Deborah Heart and Lung Center
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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Deborah Heart and Lung Center:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Deborah Heart and Lung Center ("the Center"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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 consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Center, 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 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 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 Center'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 Center'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.

WithumSmith+Brown, PC

May 26, 2022

Deborah Heart and Lung Center
Consolidated Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	$ 33,924,159	$ 44,092,030
Assets limited as to use	1,014,904	1,016,077
Investments	11,001,170	9,740,659
Patient accounts receivable, net	25,945,281	21,267,495
Other contract assets	1,014,617	1,809,582
Due from Deborah Hospital Foundation	5,804,650	4,283,448
Supplies	6,298,071	5,672,596
Prepaid expenses and other current assets	5,850,197	4,155,377
Due from defined benefit pension plan	2,503,015	-
Total current assets	93,356,064	92,037,264
Assets limited as to use		
By Board for designated purposes	15,586,503	15,134,854
Donor restricted	100,665	1,369,714
Interest reserve fund	4,726,469	-
Insurance claims - held by Deborah Medical Associates	5,869,879	4,744,893
	26,283,516	21,249,461
Property, plant and equipment, net	35,981,745	33,971,176
Other assets	959,877	805,497
Beneficial interest in perpetual trust	2,004,603	1,867,592
Beneficial interest in net assets with donor restrictions of Deborah Hospital Foundation	7,543,217	12,878,450
Total assets	$ 166,129,022	$ 162,809,440
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 24,390,739	$ 18,594,102
Accrued compensation and employee benefits	13,613,373	12,034,758
Current portion of CARES Act Medicare advancements	21,640,984	10,218,128
Estimated settlements due to third-party payors, net	2,294,757	1,778,052
Accrued interest payable	119,669	187,477
Current maturities of long-term debt	4,888,615	5,253,805
Line of credit	1,000,000	1,000,000
Total current liabilities	67,948,137	49,066,322
Accrued employment taxes - long-term	-	1,336,467
Accrued retirement benefits	2,303,924	8,115,926
Estimated malpractice claims liability	6,363,752	3,581,414
CARES Act Medicare advancements, net of current portion	-	24,287,665
Long-term debt, less current maturities, net	4,460,090	7,207,612
Total liabilities	81,075,903	93,595,406
Net assets		
Without donor restrictions		
Controlled by the Center	65,212,248	50,607,515
Attributable to non-controlling interests	438,731	491,515
Total without donor restrictions	65,650,979	51,099,030
With donor restrictions	19,402,140	18,115,004
Total net assets	85,053,119	69,214,034
Total liabilities and net assets	$ 166,129,022	$ 162,809,440

The Notes to Consolidated Financial Statements are an integral part of these statements.

Deborah Heart and Lung Center
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021	2020
Net assets without donor restrictions		
Revenue		
Net patient service revenue	$ 206,993,928	$ 182,845,028
Other revenue, gains and losses	12,510,161	10,636,552
Grant income	827,443	12,115,950
Net assets released from restriction	187,910	403,647
Total revenue	220,519,442	206,001,177
Expenses		
Salary and wages	94,738,026	89,621,487
Employee benefits	18,968,775	17,897,867
Supplies and other expenses	98,450,591	90,027,696
Interest	437,185	629,990
Depreciation and amortization	7,134,933	7,049,930
Total expenses	219,729,510	205,226,970
Income from operations	789,932	774,207
Nonoperating revenue		
Contributions from Deborah Hospital Foundation	4,000,000	4,000,000
Excess of revenue over expenses	4,789,932	4,774,207
Other changes in net assets without donor restrictions		
Net assets released from restriction for property, plant and equipment	2,232,067	510,447
Other components of net periodic pension costs	(1,895,079)	(2,427,093)
Pension-related changes other than net periodic pension costs	9,380,029	2,839,427
Changes in net assets without donor restrictions	14,506,949	5,696,988
Net assets with donor restrictions		
Contributions	8,905,335	3,815,484
Net assets released from restriction	(2,419,977)	(914,094)
Change in beneficial interest in net assets with donor restrictions of Deborah Hospital Foundation	(5,335,233)	(836,792)
Changes in fair value of beneficial interest in perpetual trust	137,011	96,226
Changes in net assets with donor restrictions	1,287,136	2,160,824
Changes in net assets before members' contributions	15,794,085	7,857,812
Members' contributions	45,000	517,500
Changes in net assets	15,839,085	8,375,312
Net assets		
Beginning of year	69,214,034	60,838,722
End of year	$ 85,053,119	$ 69,214,034

The Notes to Consolidated Financial Statements are an integral part of these statements.

Deborah Heart and Lung Center
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating activities		
Changes in net assets before members' contributions	$ 15,794,085	$ 7,857,812
Adjustments to reconcile changes in net assets before members' contributions to net cash provided by operating activities		
Depreciation and amortization of property, plant and equipment	7,134,933	7,049,930
Interest expense attributable to amortization of deferred financing costs	60,242	60,242
Realized (gain) loss on disposal of property, plant and equipment	37,203	(236,793)
Net realized and unrealized gains on assets whose use is limited	(1,306,178)	(1,875,781)
Net realized and unrealized gains on investments	(1,408,117)	(961,248)
Other components of net periodic pension costs	1,895,079	2,427,093
Pension-related changes other than net periodic pension costs	(9,380,029)	(2,839,427)
Contributions for property, plant and equipment	(2,232,067)	(510,447)
Change in beneficial interest in net assets with donor restrictions of Deborah Hospital Foundation	5,335,233	836,792
Change in fair value of beneficial interest in perpetual trust	(137,011)	(96,226)
Changes in operating assets and liabilities		
Patient accounts receivable	(4,677,786)	3,880,169
Other contract assets	794,965	(949,727)
Due from Deborah Hospital Foundation	(1,521,202)	(372,038)
Supplies	(625,475)	(418,294)
Prepaid expenses and other current assets	(1,694,820)	(993,686)
Due from defined benefit pension plan	(2,503,015)	-
Accounts payable and accrued expenses	5,796,637	(8,002,830)
Accrued compensation and employee benefits	1,578,615	(898,926)
Accrued retirement benefits	1,672,948	858,656
Accrued interest payable	(67,808)	(65,660)
CARES Act Medicare advancements	(12,864,809)	34,505,793
Accrued employment taxes - long term	(1,336,467)	1,336,467
Estimated malpractice claims liability	2,782,338	761,551
Estimated settlements due to third-party payors	516,705	126,919
Net cash provided by operating activities	3,644,199	41,480,341
Investing activities		
Additions to property, plant, and equipment, net	(7,970,693)	(4,421,916)
Proceeds from sale of property, plant and equipment	-	457,848
Purchases of unrestricted investments, net	75,105	(957,223)
Change in assets limited as to use	1,141,794	(1,726,089)
Net cash used in investing activities	(6,753,794)	(6,647,380)

The Notes to Consolidated Financial Statements are an integral part of these statements.

Deborah Heart and Lung Center
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Financing activities		
Proceeds from contributions for property, plant and equipment acquisitions	$ 2,232,067	$ 510,447
Proceeds from Greater Commercial Lending bridge loan	929,407	-
Members contributions	45,000	517,500
Deferred financing costs	(154,380)	(173,247)
Payments on long-term debt	(5,314,373)	(5,644,754)
Net cash used in financing activities	(2,262,279)	(4,790,054)
Net change in cash, cash equivalents and restricted cash	(5,371,874)	30,042,907
Cash, cash equivalents and restricted cash		
Beginning of year	47,066,314	17,023,407
End of year	$ 41,694,440	$ 47,066,314
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 444,751	$ 635,408

Supplemental disclosure of non-cash investing and financing activities

During the year ended December 31, 2021, the Center purchased equipment in the amount of $1,212,012 under a note payable.

	2021	2020
Cash, cash equivalents and restricted cash as reported within the consolidated balance sheets		
Cash and cash equivalents	$ 33,924,159	$ 44,092,030
Assets limited as to use - current	1,014,904	1,016,077
Investments	86,473	158,974
Assets limited as to use - by Board for designated purposes	228,457	322,690
Assets limited as to use - donor restricted	100,665	1,369,714
Assets limited as to use - interest reserve fund	4,726,469	-
Assets limited as to use - insurance claims - held by Deborah Medical Associates	1,613,313	106,829
Total cash, cash equivalents and restricted cash as shown in the consolidated statements of cash flows	$ 41,694,440	$ 47,066,314

The Notes to Consolidated Financial Statements are an integral part of these statements.

1. ORGANIZATION

Deborah Heart and Lung Center ("DHLC" or the "Center") is a tax-exempt teaching and tertiary care specialty hospital located in Browns Mills, New Jersey that primarily provides comprehensive inpatient and outpatient cardiac, vascular, and pulmonary services.

Deborah Heart and Lung Center, its wholly owned, for-profit subsidiaries, Advanced Medical Management Services, Inc. ("Advanced"), Deborah Medical Investments, LLC ("DMI"), and its captive insurance company Deborah Medical Associates Insurance Company, LLC ("DMAIC"), along with Deborah Cardiovascular Group, P.C. ("DCG"), a not-for-profit entity, and The Surgery Center at Deborah, LLC ("SCD") are collectively referred to as the Center. The purpose of Advanced is to provide management and billing services to customers in various locations in New Jersey. Services are obtained either from the marketplace or from the Center and are billed at fair market value to the receiving organization with a markup factor to cover overhead cost. DMI was formed for the purpose of holding investments in for-profit entities that provide healthcare services. DMAIC was formed to provide medical professional liability insurance and commercial general liability insurance to Deborah Heart and Lung Center, its employees and to provide medical malpractice coverage to physicians and allied professionals who are on the medical staff of the Center and who meet certain underwriting criteria.

Deborah Cardiovascular Group, P.C. is a not-for-profit physician's corporation whose sole shareholder is Michael Neary, M.D. The Center holds certain reserved powers over DCG. The Center has contractually agreed to support DCG's operating loss. DCG has agreed to work with, and on behalf of, the Center to meet community needs and fulfill the Center's Community Health Improvement Plan.

The Surgery Center at Deborah, LLC was formed as a for-profit, New Jersey Limited Liability Company for the purpose of the development, establishment and operation of a licensed ambulatory surgical center. The services will generally be covered by third-party insurers or payor agreements. SCD's majority shareholder is DHLC. Construction is anticipated in 2022 and operations are expected to begin in 2023. DHLC intends to own 51% of SCD. As of December 31, 2021, SCD is owned 58% by DHLC and 42% by minority interests.

Deborah Hospital Foundation (the "Foundation") is a not-for-profit, tax-exempt corporation established to raise funds to support its charitable program services and operations, including various programs of the Center. Additionally, certain members of the Center's senior management hold the same position at the Foundation, and certain members of the Foundation's Board of Directors are also members of the Center's Board of Trustees.

The Center's unique charity mission and policy of not balance billing patients has periodically produced a deficiency of revenue and gains over expenses. These deficiencies have been historically supported by annual contributions from the Foundation and direct public support. The Center is dependent upon continuing financial support of the Foundation to meet its cash flow needs. These cash flow needs are budgeted and managed to fall within the amount reflected in the budget. The Foundation has pledged to provide its resources to the Center, as necessary, to allow the Center to fund its operations (see Note 10).

The Center's Board of Trustees currently consists of eleven (11) voting members. They are the Chair of the Board of the Center, the President of the Center, the Chair of the Board of the Foundation and eight (8) additional "At Large" trustees elected by the Center's Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The accounts of DHLC, DCG, Advanced, DMI, DMAIC and SCD have been consolidated in the Center's financial statements, and all significant intercompany balances and transactions between the entities have been eliminated in the consolidated financial statements.

Basis of Accounting
The Center prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation
The Center reports information regarding its financial position and activities according to two classes of net assets which are defined as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor-imposed (or certain grantor-imposed) restrictions. The governing Board has designated from net assets without donor restrictions net assets for future operations.

Net assets with donor restrictions: Net assets subject to donor-imposed 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. Donor-imposed restrictions are released when a restriction expires, that is, when a stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions that are perpetual in nature at December 31, 2021 and 2020.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The most significant management estimates and assumptions related to the determination of contractual allowances for patient accounts receivable; estimated settlements with third-party payors; useful lives of property, plant and equipment; actuarial estimates for the postretirement benefit plan; self-insured reserves, including professional malpractice and general liabilities; and the reported fair values of certain assets and liabilities.

Cash and Cash Equivalents
Cash and cash equivalents include various checking accounts, certificates of deposit, and repurchase agreements with initial maturity dates of three months or less. The Center maintains cash balances with financial institutions that at times may exceed Federal Deposit Insurance Corporation limits. Management does not believe the credit risk related to these deposits to be significant.

Supplies
The Center measures its supplies at the lower of cost and net realizable value. Cost is determined on the first-in, first-out method. Net realizable value is defined as the estimated selling prices of the inventory in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

Assets Limited as to Use, Investments and Investment Income

Assets limited as to use by board designation arise from results of operations or contributions not restricted by donors that were designated by the Board of Trustees for specific purposes.

Assets limited as to use for insurance are held by DMAIC for the potential payment of malpractice and comprehensive general liability costs.

Assets limited as to use under bond indenture agreements are held by a trustee for payment of principal and interest due on the bonds (Debt Service Funds).

Assets limited as to use under the Greater Commercial Lending drawdown bridge loan are held for potential payment of interest due on the loans.

Assets limited as to use for donor restricted purposes are held for capital improvements pursuant to the Deborah Capital Campaign.

Investments in debt and equity securities are measured at fair value based on quoted market prices, if available, or estimated market prices for similar securities. The Center's investments are both undesignated and designated as assets limited as to use and are considered other-than-trading securities. Amounts required to meet current liabilities of the Center have been classified as current assets in the consolidated balance sheets.

Investment income and realized gains and losses are included in other revenue; unrealized gains and losses are recorded as other changes in net assets without donor restrictions. Realized gains and losses for all investments are determined by the average cost method.

The Center's investments are managed by investment managers. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Impairment of Investments

Investments are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of investments below cost will be considered other than temporary. There were no such losses reported for the years ended December 31, 2021 and 2020.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Equipment under capital leases is recorded at its present value at the inception of the lease and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Those assets acquired by gift are carried at amounts established as fair value at the time of acquisition. Gifts of long-lived assets such as land, buildings, or equipment are reported as other changes in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Center continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets is appropriate, or whether the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, the Center uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset in measuring whether the long-lived asset is recoverable. The impairment loss on these assets is measured as the excess of the carrying amount of the asset over its fair value. Fair value is based upon market prices where available, or discounted cash flows. Management believes that no revision to the remaining useful lives or write-down of long-lived assets is required at December 31, 2021.

Other Assets

Included in other assets is a minority investment in a partnership of $351,450 at December 31, 2021 and 2020, and a minority investment in a limited liability company of $280,800 at December 31, 2021 and 2020. The partnership and limited liability company investments are reported at estimated fair value using the practical expedient, which is calculated at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. At December 31, 2021 and 2020, there were no impairments or observable price changes.

Also included in other assets at December 31, 2021 and 2020, are deferred financing costs of $327,627 and $173,247, respectively. See Note 12 for long-term debt instruments.

Beneficial Interest in a Perpetual Trust

The Center is an income beneficiary of a perpetual trust and has recorded its portion of the fair value of the trust. The original corpus of the trust cannot be violated; however, a contingent beneficiary exists in the event that the Center ceases to exist. Therefore, the trust is reported as net assets with donor restrictions, with a time restriction.

Beneficial Interest in Net Assets with Donor Restrictions Held by the Foundation

The Center has recorded its portion of the fair value of net assets with donor restrictions held by the Foundation. The net assets consist of a trust that is perpetual in nature, and the original corpus that cannot be violated. The income earned from the trust is to be used for the Children of the World Program. A contingent beneficiary exists in the event that the Foundation or the Children of the World Program ceases to exist. Therefore, the trust is reported as net assets with donor restrictions, with a time restriction.

Advertising Costs

Advertising costs, which are included in supplies and other expenses in the consolidated statements of operations and changes in net assets, are expensed as incurred. Advertising costs for the years ended December 31, 2021 and 2020 were $1,456,314 and $1,403,302, respectively.

Estimated Malpractice Claims Liability

The provision for estimated medical malpractice claims includes undiscounted estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Net Patient Accounts Receivable and Net Patient Service Revenue

The Center has agreements with third-party payors, including commercial insurance carriers and health maintenance organizations, which provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem and case rate payments. Substantially, all patient service revenue recognized by the Center is derived from third-party payors.

Patient accounts receivable are recorded at established rates net of price concessions, including contractual adjustments and discounts and do not bear interest. Management assesses the reasonableness of the accounts receivable based on historical and expected collections, business economic conditions, trends in healthcare coverage and other collection indicators. Accounts are written off when collection efforts have been exhausted and are included in supplies and other expenses on the consolidated statements of operations and changes in net assets.

Net patient service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration (reductions to revenue due to settlement of audits, reviews and investigations) in determining a transaction price. The patients are billed after the services are performed or shortly after discharge. Revenue from inpatient and outpatient services are recognized as performance obligations are satisfied.

The Center's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Center's standard charges.

The Center determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, the Center's discount policies and historical experience. Except for services not performed at 200 Trenton Road, uninsured or under-insured patients are not billed for services received. For services not performed at 200 Trenton Road, for uninsured or under-insured patients, the Center determines the transaction price associated with services rendered on the basis of charges reduced by implicit price concessions. Implicit price concessions are included in the estimate of the transaction price.

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

Settlements with third-party payors for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item.

Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

COVID-19 Pandemic

In 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a Public Health Emergency of International Concern. The COVID-19 pandemic caused a disruption to the nation's healthcare system. The U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") that has a number of benefits that are applicable to the Center and other healthcare providers. CARES Act funding includes the Provider Relief Fund ("PRF"), which appropriated funding to eligible healthcare providers for related expenses or lost revenues that are attributable to the COVID-19 pandemic.

Grant Income

During the years ended December 31, 2021 and 2020, the Center and subsidiaries received cash payments of $827,443 and $12,115,950, respectively, from the PRF. Payments from the PRF are not loans and, and therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and unreimbursed COVID-related costs as defined by the U.S. Department of Health and Human Services ("HHS"). All recipients of PRF payments are required to comply with reporting requirements described in the terms and conditions determined by HHS. Because PRF payments are conditional upon having incurred health care-related expenses or lost revenues that are attributable to COVID-19, and because noncompliance with the terms and conditions is grounds for recoupment by the HHS of some or all of the payments, PRF payments are recorded as conditional contributions. Contribution revenue is recognized to the extent that health care-related expenses or lost revenues have been incurred and not reimbursed from other sources. During the years ended December 31, 2021 and 2020, the Center recognized grant income in its consolidated statements of operations and changes in net assets for the full amount of the cash payments received.

Medicare Accelerated Payment Program

As a result of COVID-19, the Center was eligible for an accelerated and advance payment pursuant to the Medicare Accelerated Payment Program. Recipients may retain the accelerated payments for one year from the date of receipt before recoupment commences, which will be effectuated by a 25% offset of claims payments for 11 months, followed by a 50% offset for the succeeding six months. At the end of the 29-month period, interest on the unpaid balance will be assessed at 4% per annum. In the year ended December 31, 2020, the Center received advance payments from the Medicare Accelerated Payment Program. Advances totaling $10,218,128 are included in current liabilities and $24,287,665 are included in long-term liabilities in the accompanying consolidated balance sheet at December 31, 2020. In June, 2021, recoupment commenced on the Center's eligible remittances. Advances totaling $21,640,984 are included in current liabilities in the accompanying consolidated balance sheet at December 31, 2021.

Deferral of Employment Tax Payments

The CARES Act permitted employers to defer payments of the 6.2% employer Social Security tax beginning March 27, 2020 through December 31, 2020. Deferred tax amounts are required to be paid in equal amounts over two years, with payments due in December 2021 and December 2022. At December 31, 2020, the Center's deferred Social Security tax payments totaling $1,336,467 are included in accrued compensation and employee benefits and $1,336,467 are included in long-term liabilities in the accompanying consolidated balance sheet pursuant to this provision. At December 31, 2021, the deferred Social Security tax payments amounted to $1,335,360 and are included in accrued compensation and employee benefits in the accompanying consolidated balance sheet.

Gifts with Donor Restrictions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as a component of total revenue for operating purposes and as other changes in net assets without donor restrictions for acquisitions of property, plant and equipment.

Excess of Revenue and Gains Over Expenses

The consolidated statements of operations and changes in net assets include the excess of revenue over expenses, which represents all revenue, expenses, and gains and losses without donor restrictions for the reporting period. Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Other transactions are reported as nonoperating gains and losses. Other changes in net assets without donor restrictions that are excluded from the excess of revenue and gains over expenses include contributions for capital renovations and equipment acquisitions, other components of net periodic pension costs, and other pension-related changes.

Risks and Uncertainties

Management is currently evaluating the impact of the COVID-19 pandemic on the healthcare industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Center's financial position, and results of its operations, the specific impact is not readily determinable as of the date of these consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Income Taxes

Deborah Heart and Lung Center and DCG are not-for-profit corporations and are exempt from federal and state income taxes under existing provisions of the Internal Revenue Code and the laws of the State of New Jersey.

Advanced is a for-profit entity filing the required federal and state income tax returns. For the years ended December 31, 2021 and 2020, no income tax expense was recorded due to prior years' operating losses that have been carried forward. A deferred income tax asset for the net operating losses has not been recorded as the amounts are immaterial. There are no other deferred income tax assets or liabilities at December 31, 2021 and 2020.

DMI, DMAIC and SCD are for-profit entities filing the required federal and state partnership returns and do not pay income taxes on their income. Instead, the income is reported by its Members, Deborah Heart and Lung Center or others, on their returns and is not subject to income taxes.

The Center follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Center does not believe its consolidated financial statements include any material uncertain tax positions. In addition, there have been no tax related interest or penalties for the periods presented in these consolidated financial statements. Should any such penalties be incurred, the Center's policy would be to recognize them as operating expenses.

New Accounting Pronouncements Not Yet Adopted

Lease Transactions

In February 2016, the Financial Accounting Standards Board ("FASB") issued its new lease accounting guidance in Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). The new ASU will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. ASU 2016-02 is effective for nonpublic businesses for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. The Center is currently evaluating the effect that this new guidance will have on the consolidated financial statements and related disclosures.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU is effective for fiscal years beginning after June 15, 2021. The requirements for this standard also include an increase in required disclosures. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2021 and 2020, financial assets available within one year for general expenditures were as follows:

	2021	2020
Cash and cash equivalents	$ 33,924,159	$ 44,092,030
Investments	11,001,170	9,740,659
Patient accounts receivable, net	25,945,281	21,267,495
Other contract assets	1,014,617	1,809,582
Due from Deborah Hospital Foundation	5,804,650	4,283,448
Due from defined benefit pension plan	2,503,015	-
	$ 80,192,892	$ 81,193,214

None of the financial assets listed in the table above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the consolidated balance sheet date. The patient accounts receivable and due from Deborah Hospital Foundation are expected to be collected within one year.

The Center regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize investment of its available funds. The Center has various sources of liquidity at its disposal, including cash and cash equivalents as well as investments and lines of credit and Board designated assets. See Note 9 for information about the lines of credit. See Notes 6 and 16 for information on the Board designated assets.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Center considers all expenditures related to its ongoing activities of providing comprehensive inpatient and outpatient cardiovascular and pulmonary services as well as the expenses necessary to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with an excess of revenue and gains over expenses and anticipates collecting sufficient revenue to cover general expenditures not covered by resources with donor restrictions.

4. UNCOMPENSATED CARE AND STATE SUBSIDIES

The Center provides price concessions for uncompensated care resulting from its charity care policy for services. The price concession is determined by analyzing patient and historical data and trends. These price concessions are recorded as a reduction to patient service revenue.

The Center provides charity care to patients who meet certain financial criteria established by the State of New Jersey. The direct and indirect cost of services and supplies furnished to patients eligible for such charity care, using a ratio of cost to gross charges, approximated $7,103,000 and $6,932,000 for the years ended December 31, 2021 and 2020, respectively.

The Center maintains records to identify and monitor the level of charity care it provides. In 2021 and 2020, the amount of charges forgone for services provided to patients under its charity care policy, net of the Health Care Subsidy Fund (“HCSF”), was $37,058,562 and $33,666,726, respectively.

The Health Care Reform Act of 1992 (Chapter 160) established the HCSF to provide a mechanism and funding source to compensate certain hospitals for charity care. For the years ended December 31, 2021 and 2020, the Center received $624,909 and $436,241, respectively, for charity care (included in net patient service revenue). This amount is subject to change from year to year based on available state amounts and allocation methodologies. A proportionate amount is in place through June 30, 2022; however, there can be no assurance of a similar level in the future.

The Center's patient acceptance policy is based on its mission statement and its charitable purposes. Accordingly, the Center accepts all patients regardless of their ability to pay. This policy results in the assumption of higher-than-normal patient accounts receivable credit risks. To the extent the Center realizes additional losses resulting from such higher credit risks for patients that are not identified or do not meet the previously described charity criteria, such additional losses are included as a reduction of net patient service revenue.

Additionally, the Center sponsors certain other charitable programs, which provide substantial benefit to the broader community. Such programs include services to needy and elderly populations that require special support, as well as health promotion and education for the general community welfare.

Gross charges forgone for free care in excess of third-party reimbursements (e.g., co-pays and deductibles) were $14,178,412 and $11,034,868 in 2021 and 2020, respectively.

5. NET PATIENT SERVICE REVENUE

Inpatient acute care services for Medicare and Medicaid program beneficiaries and outpatient services for Medicare beneficiaries are paid at prospectively determined rates per discharge or outpatient service. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Professional services for patient care are primarily paid based on a fee-for-services basis. Outpatient services for Medicaid beneficiaries and certain pass-through items related to Medicare beneficiaries are paid based on a cost reimbursement methodology or tentative rate, subject to certain limitations. The Center is reimbursed for these cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Center and audits thereof by the program's fiscal intermediaries. Fiscal intermediaries have not audited the cost reports for the years ended December 31, 2021 and 2020. In the opinion of management, adequate provision has been made for estimated settlements and potential adjustments resulting from audit and final settlements with third-party payors. Differences between the estimated and final settlements are recorded in the year of settlement. Included in the net patient service revenue for the years ended December 31, 2021 and 2020 is $82,227 of net favorable adjustments and $1,567,660 of net unfavorable adjustments, respectively, for third-party payor settlements relating to previous years' estimates or changes in estimates.

Net revenue from the Medicare and Medicaid programs for the years ended December 31, 2021 and 2020 constitutes 54% and 58%, respectively, of the Center's net patient service revenue. Laws and regulations governing the Medicare and Medicaid programs are 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 Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending investigations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory actions including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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 have 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 Center.

The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. These agreements have retrospective audit clauses, allowing the payor to review and adjust claims subsequent to initial payment. Changes in estimates resulting from such adjustments are recorded when known or can be estimated.

The components of net patient service revenue for the years ended December 31, are as follows:

	2021	2020
Gross charges	$ 1,088,765,334	$ 1,006,955,522
Contractual adjustments and implicit price concessions	(882,478,542)	(822,979,075)
Change in estimate of prior year's net patient service revenue	82,227	(1,567,660)
Charity care subsidy	624,909	436,241
	$ 206,993,928	$ 182,845,028

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

Patient receivables and other contract asset balances from contracts with customers at December 31, 2021, 2020 and 2019 were as follows:

	2021	2020	2019
Patient receivables, net	$ 25,945,281	$ 21,267,495	$ 25,147,664
Other contract assets	1,014,617	1,809,582	859,855

6. INVESTMENTS AND ASSETS RESTRICTED AS TO USE

Investments and assets limited as to use consist of the following at December 31:

	2021	2020
Unrestricted investments		
Cash and cash equivalents	$ 86,473	$ 158,974
Corporate bonds	174,502	514,058
Government securities	336,774	281,089
Equity securities (including mutual funds and exchange traded funds)	10,403,421	8,786,538
	$ 11,001,170	$ 9,740,659
By Board for designated purposes		
Cash and cash equivalents	$ 228,457	$ 322,690
Corporate bonds	721,963	707,427
Government securities	1,437,067	1,234,084
Certificates of deposit	550,613	548,981
Equity securities (including mutual funds)	12,648,403	12,321,672
	$ 15,586,503	$ 15,134,854
Donor restricted		
Cash and cash equivalents	$ 100,665	$ 1,369,714

	2021	2020
Insurance fund - held by Deborah Medical Associates		
Cash and cash equivalents	$ 1,613,313	$ 106,829
Corporate bonds	340,796	399,573
Government securities	840,298	635,580
Equity securities	3,075,472	3,602,911
	$ 5,869,879	$ 4,744,893
Under bond indenture agreement - held by trustee		
Cash and cash equivalents	$ 1,014,904	$ 1,016,077
Less: Amounts required for current liabilities	(1,014,904)	(1,016,077)
	$ -	$ -
Assets limited as to use under bond indenture agreement are maintained for the following purposes		
Debt service principal fund	$ 981,700	$ 955,982
Debt service interest fund	33,204	60,095
	$ 1,014,904	$ 1,016,077
Assets limited as to use under Greater Commercial Lending agreement for interest reserve fund		
Cash and cash equivalents	$ 4,726,469	$ -

Net investment return for the years ended December 31, 2021 and 2020 amounted to $3,105,066 and $3,222,888, respectively, and is included in other revenue, gains and losses on the accompanying consolidated statements of operations and changes in net assets.

7. FAIR VALUE MEASUREMENTS

The Center measures fair value as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Center uses the market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Center uses the fair value hierarchy to determine the fair value based on the following:

Level 1 - Holdings use quoted (unadjusted) prices for identical assets or liabilities in active markets.

Level 2 - Holdings use the following methods: quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time), inputs other than quoted prices that are observable for the assets/liabilities (e.g., interest rates, yield curves volatility, default rates, etc.), and inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Holdings use quoted market prices of the Center's beneficial interest in the underlying investments of the perpetual trust.

There have been no changes in valuation techniques for these assets for the years ended December 31, 2021 and 2020.

The following tables present the fair value hierarchy for the Center's financial assets measured at fair value on a recurring basis as of December 31:

2021	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 41,694,440	$ -	$ -	$ 41,694,440
Corporate bonds	-	1,237,261	-	1,237,261
Equity securities (including mutual funds and exchange traded funds)	26,127,296	-	-	26,127,296
Governmental securities	2,614,139	-	-	2,614,139
Certificates of deposit	-	550,613	-	550,613
Beneficial interest in perpetual trust	-	-	2,004,603	2,004,603
	$ 70,435,875	$ 1,787,874	$ 2,004,603	$ 74,228,352

2020	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 47,066,314	$ -	$ -	$ 47,066,314
Corporate bonds	-	1,621,058	-	1,621,058
Equity securities (including mutual funds and exchange traded funds)	24,711,121	-	-	24,711,121
Governmental securities	2,150,753	-	-	2,150,753
Certificates of deposit	-	548,981	-	548,981
Beneficial interest in perpetual trust	-	-	1,867,592	1,867,592
	$ 73,928,188	$ 2,170,039	$ 1,867,592	$ 77,965,819

During the years ended December 31, 2021 and 2020, there were no transfers into or out of Level 3 and there were no purchases of Level 3 assets.

8. PROPERTY, PLANT AND EQUIPMENT

Depreciation, including amortization on capital leases, on property, plant and equipment was $7,134,933 and $7,049,930 for the years ended December 31, 2021 and 2020, respectively.

Property, plant and equipment consists of the following at December 31:

	Estimated Life (Years)	2021	2020
Land		$ 100,365	$ 100,365
Buildings and improvements	5-40	50,995,307	48,550,626
Equipment	5-20	59,492,268	57,200,314
		110,587,940	105,851,305
Less: Accumulated depreciation and amortization		(80,493,896)	(74,172,240)
		30,094,044	31,679,065
Construction in progress		5,887,701	2,292,111
		$ 35,981,745	$ 33,971,176

The following, classified as equipment, is held under capital leases:

	2021	2020
Equipment	$ 7,369,921	$ 7,369,921
Less: Accumulated amortization	(5,847,263)	(4,937,349)
	$ 1,522,658	$ 2,432,572

9. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2021	2020
Capital lease obligations, secured by related equipment with interest rates ranging from 2.29% to 8.29%	$ 437,490	$ 1,327,313
Notes payable	1,111,011	234,168
USDA Construction Loan and USDA Guaranteed Loans	929,407	-
Series 2014 Refunding Bonds	2,363,000	4,277,000
Taxable term loan - 2016	4,597,290	6,772,671
	9,438,198	12,611,152
Less: Unamortized debt issuance costs - 2014 issue	(53,778)	(92,592)
Unamortized debt issuance costs - 2016 taxable loan	(35,715)	(57,143)
Long-term debt, net of unamortized debt issuance costs	9,348,705	12,461,417
Less: Current maturities	(4,888,615)	(5,253,805)
Long-term debt, less current maturities	$ 4,460,090	$ 7,207,612

Bonds

The Series 2014 bonds were issued on May 13, 2014 in the amount of $16,148,000 through a financing arrangement with the New Jersey Health Care Facilities Financing Authority (the "Authority"). The principal of the bonds mature and/or sinking fund installments become due on July 1 of each year until 2023. The Series 2014 series bonds were restructured in 2016 to reduce the rate of interest. Annual payment of the restructured bond principal and/or sinking fund requirements is $1,963,000. The interest rate on the bonds is 2.81% and is due on January 1 and July 1 of each year. Although the Series 2014 bonds are a liability of the Authority and certain amounts of the proceeds are held by a trustee, for accounting purposes the obligation and trustee funds are treated as those of the Center.

In 2016, the Center also borrowed $14,350,000, using the proceeds to fund the Center's pension plan with the intent to terminate the plan. The principal of this loan becomes due on July 1 of each year until 2023. Annual payments of the principal requirements range from $2,256,547 to $2,340,742. The interest rate on this loan is 3.68% and is due on January 1 and July 1 of each year.

The aggregate cost basis of the debt issuance costs was $470,969 at December 31, 2021 and 2020. Accumulated amortization was $381,476 and $321,234 at December 31, 2021 and 2020, respectively. Amortization expense on the deferred financing cost was $60,242 for the years ended December 31, 2021 and 2020. Amortization expense for the next year is expected to be $60,243 per year in 2022 and $29,250 in 2023.

All property, plant and equipment, gross receipts of the Center, and a parcel of land owned by the Foundation as to which the Center has entered into a rent-free ground lease with the Foundation are pledged to secure payment of interest and principal on the Series 2014 bonds. The Center has covenants to maintain a minimum annual debt service coverage ratio, a minimum cushion ratio and maintain a minimum number of days cash on hand. In addition, the Center and the Foundation have entered into a Subsidy Agreement whereby the Foundation has guaranteed the interest and principal payments of the Center for the Series 2014 bonds. The Subsidy Agreement requires that the Center and Foundation maintain a certain combined financial ratio of cash and investments to the previous 3 years' average subsidy paid by the Foundation to the Center. Failure to meet the annual debt service coverage ratio, the cushion ratio, number of days cash on hand or the combined financial ratio could require the Center and Foundation to engage and follow the recommendations of a consultant, post collateral with the trustee, or if unremediated for longer than 2 years could cause the holders of the bonds to demand immediate repayment. The Center and Foundation have complied with this and all other financial covenants related to the Series 2014 bonds at December 31, 2021.

Notes Payable

During 2018, the Center entered into an agreement with a vendor for the purchase of medical equipment with a cost of approximately $2,000,000. In 2018, when the balance due to this vendor was $1,450,949, the Center entered into an agreement to pay the vendor 35 monthly, interest-free payments of $41,456. There is no outstanding balance on this loan at December 31, 2021. The outstanding balance on this loan at December 31, 2020 is $234,168.

During 2021, the Center entered into an agreement with a vendor for the purchase of medical equipment with a cost of approximately $1,348,500. In 2021, when the balance due to this vendor was $1,212,012, the Center entered into an agreement to pay the vendor 36 monthly, interest-free payments of $33,667. The outstanding balance on this loan at December 31, 2021 is $1,111,011.

USDA Construction Loan and USDA Guaranteed Loans

In December 2021, the Center was issued and guaranteed loans by the United States Department of Agriculture ("USDA") as follows: 1) an $88,174,000 direct loan by the USDA (the "USDA Loan"); and 2) a $10,277,000 loan by Greater Nevada Credit Union, guaranteed by the USDA (the "Guaranteed Loan"). These loans will underwrite the construction and renovation costs of the "Deborah 100" Expansion Project. The USDA Loan is a 40-year loan with a fixed interest rate of 2.125%. The Guaranteed Loan is a 30-year loan with a fixed interest rate of 4.07%. These loans will close once the certificate of occupancy for the renovations and expansion is issued. Completion of the "Deborah 100" Expansion Project is expected to occur in May 2024. To fund the "Deborah 100" Expansion Project during construction, Greater Commercial Lending, a credit union service organization wholly owned by Greater Nevada Credit Union, has committed to provide the Center with "drawdown" bridge financing, also guaranteed by the USDA, for a period of 3 years at a fixed rate of 2.89% and requires monthly interest only payments. The drawdown on the Greater Commercial Lending bridge financing began on December 16, 2021. The Greater Commercial Lending Loan had a balance of $929,407 at December 31, 2021 and no outstanding balance at December 31, 2020, respectively. Repayment of the Greater Commercial Lending Loan is to begin after completion of the Expansion Project. The aggregate cost basis of the debt issuance costs for the USDA Loan was $327,627 and $173,247 at December 31, 2021 and 2020, respectively, and are included in non-current assets, on the consolidated balance sheets.

Future Principal/Sinking Fund Payments

Maturities and principal/sinking fund payments on long-term debt for the next five years and thereafter are as follows:

	Series 2014 Refunding Bonds	2016 Taxable Loan	USDA Construction Loan and USDA Guaranteed Loans	Notes Payable	Capital Lease Obligations	Total
2022	$ 1,963,000	$ 2,256,547	$ -	$ 404,004	$ 271,710	$ 4,895,261
2023	400,000	2,340,743	-	404,004	131,353	3,276,100
2024	-	-	929,407	303,003	43,883	1,276,293
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
	2,363,000	4,597,290	929,407	1,111,011	446,946	9,447,654
Less: Amount representing interest under capital lease obligations	-	-	-	-	9,456	9,456
	$ 2,363,000	$ 4,597,290	$ 929,407	$ 1,111,011	$ 437,490	$ 9,438,198

Lines of Credit

The Foundation has a line of credit in the amount of $6,425,000 at December 31, 2021 and 2020, at an interest rate of 2.79% and 2.81%, at December 31, 2021 and 2020, respectively, which includes two letters of credit totaling $875,000 at December 31, 2021 and 2020, which expire on July 25, 2022, that are collateral for potential claims under the Center's workers' compensation insurance policy (see Note 12). The maximum amount that can be borrowed against the line of credit was $5,550,000 at December 31, 2021 and 2020. Although this line of credit is in the Foundation's name, and collateralized by Foundation assets, the liability, if any, and related interest expense are recorded on the Center's consolidated financial statements. At December 31, 2021 and 2020, no amounts were outstanding on this line of credit.

The Center has available another line of credit for $1,000,000 which is due on demand, with an interest rate of 1.55%, and requires the Center to maintain with the bank a Certificate of Deposit of $1,000,000, which is included in cash and cash equivalents. This line of credit had $1,000,000 outstanding at December 31, 2021 and 2020.

10. RELATED ORGANIZATION

Contributions by the Foundation to the Center for operations amounted to $4,000,000 in 2021 and 2020, which are included in nonoperating revenue. Additionally, the Foundation raised on the behalf of the Center $10,056,376 and $4,441,451 for the years ended December 31, 2021 and 2020, respectively. The Center has included these amounts in other revenue, gains and losses and contributions with donor restrictions. Funding by the Foundation to the Center for the Children of the World and other specific purpose programs amounted to $212,412 and $205,746 in 2021 and 2020, respectively, and is included in other revenue, gains and losses in the consolidated statements of operations and changes in net assets. Any future contributions from the Foundation to the Center are at the discretion of the Foundation's Board of Directors. At December 31, 2021 and 2020, the Center had a receivable due from the Foundation in the amount of $5,804,650 and $4,283,448, respectively.

A summary of the Foundation's assets, liabilities and net assets, results of operations, and changes in net assets is as follows:

	2021	2020
Assets	$ 27,360,210	$ 31,375,741
Liabilities	$ 8,053,421	$ 6,636,785
Net assets		
Without donor restrictions	10,757,494	10,908,172
With donor restrictions	8,549,295	13,830,784
Total net assets	19,306,789	24,738,956
Total liabilities and net assets	$ 27,360,210	$ 31,375,741
Total revenue	$ 805,817	$ 4,922,545
Less expenses		
Program services	4,212,412	4,205,746
Management, administrative and general	83,220	84,224
Fundraising	1,942,352	1,847,963
Total expenses	6,237,984	6,137,933
Changes in net assets	(5,432,167)	(1,215,388)
Net assets		
Beginning of year	24,738,956	25,954,344
End of year	$ 19,306,789	$ 24,738,956

11. RETIREMENT BENEFIT PLANS

Defined Benefit Pension Plan

The Center has a noncontributory defined benefit pension plan (the “Plan”) which covered all full-time employees of the Center and the Foundation who met prescribed eligibility requirements. The Center froze the Plan as of December 31, 2005 for all employees and replaced it with a defined contribution plan as of January 1, 2006. In 2021, the Center made the decision to terminate the Plan. In September 2021, the Plan began distribution payments to the participants. The Plan was fully distributed to participants in April 2022 and the remaining balance was distributed to the Center in May 2022. The Plan uses a December 31 measurement date.

There were no amounts charged to the Foundation for pension expense related to the Plan during 2021 and 2020.

The following table sets forth the changes in benefit obligation, changes in Plan assets and components of net periodic benefit cost for the pension plan at December 31:

	2021	2020
Change in benefit obligation		
Benefit obligation at beginning of year	$ 64,897,959	$ 62,324,866
Interest cost	1,534,413	1,918,888
Actuarial (gain) loss	(2,270,311)	5,379,108
Benefits and expenses paid	(43,593,078)	(4,724,903)
Benefit obligation at end of year	20,568,983	64,897,959
Change in plan assets		
Fair value of the Plan assets at beginning of year	59,916,024	56,930,597
Actual return on Plan assets	6,749,052	7,710,330
Benefits and expenses paid	(43,593,078)	(4,724,903)
Contributions by the Plan's sponsor	-	-
Fair value of the Plan assets at end of year	23,071,998	59,916,024
Funded status at end of year - recognized in consolidated balance sheets as due from defined benefit pension plan (accrued retirement benefits)	$ 2,503,015	$ (4,981,935)
Accumulated benefit obligation	$ 20,568,983	$ 64,897,959
Amounts recognized in accumulated net assets without donor restrictions		
Net actuarial loss	$ 8,691,695	$ 18,071,724

	2021	2020
Components of net periodic benefit cost		
Net periodic benefit cost		
Interest cost	$ 1,534,413	$ 1,918,888
Expected return on Plan assets	(4,139,334)	(4,614,795)
Amortization of net loss	2,052,123	2,600,000
Lump sum distribution settlements	2,447,877	2,523,000
	1,895,079	2,427,093
Other changes in benefit obligations recognized in other changes in net assets without donor restrictions		
Net actuarial (gain) loss	(4,880,029)	2,283,573
Amortization of net gain	(2,052,123)	(2,600,000)
	(6,932,152)	(316,427)
Total recognized in net benefit cost and without donor restrictions	$ (5,037,073)	$ 2,110,666

There is no estimated net actuarial loss that will be amortized from other changes in net assets without donor restrictions into net periodic benefit cost over the next fiscal year.

	2021	2020
Assumptions		
Weighted average assumptions used to determine pension obligation		
Discount rate	2.55%	3.29%
Rate of compensation increase	N/A	N/A
Weighted average assumptions used to determine net periodic benefit cost for the year ended		
Discount rate	2.55%	3.29%
Rate of compensation increase	N/A	N/A
Expected return on the Plan assets	7.50%	7.50%

Plan Assets

The Plan's asset allocations by asset category are as follows:

	Target Asset Allocation 2022	Target Asset Allocation 2021	December 31, 2021	December 31, 2020
Asset category				
Cash	0%	0%	0%	3%
Equity securities	0%	70%	0%	74%
Fixed income (including cash)	100%	30%	100%	23%
	100%	100%	100%	100%

The expected long-term rate of return for the Plan's total assets is based on the expected return of each of the above categories, weighted based on the target allocation for each class. Equity securities are expected to return 9% to 10% over the long-term, while fixed income is expected to return between 5% and 6%.

The investment policy, as established by the Investment Committee, is to provide for growth of capital with a moderate level of volatility by investing assets per the target allocations stated above. The asset allocation and the investment policy are reviewed periodically to determine if the policy should be changed.

Fair Value of the Plan Assets

The following fair value hierarchy table presents information about each major category of the Plan's financial assets measured at fair value, using the market approach, on a recurring basis at December 31:

2021	Level 1	Level 2	Total
Cash and cash equivalents	$ 1,086,473	$ -	$ 1,086,473
Fixed income (a)	2,975,376	19,500,862	22,476,238
Equity securities (b)	-	-	-
	$ 4,061,849	$ 19,500,862	$ 23,562,711

2020	Level 1	Level 2	Total
Cash and cash equivalents	$ 1,675,196	$ -	$ 1,675,196
Fixed income (a)	4,323,917	9,447,241	13,771,158
Equity securities (b)	44,469,670	-	44,469,670
	$ 50,468,783	$ 9,447,241	$ 59,916,024

(a) Comprised of investment grade bonds of issuers from various industries which is presented as Level 2 and U.S. government issues which is presented as Level 1.

(b) Comprised of mutual funds investing in at least 90% of assets in common stock of companies with large market capitalizations similar to companies in the Standard & Poor's (“S&P”) 500 Index.

Cash Flows

Contributions

There are no contributions expected to be paid into the Plan in 2022 for plan year 2021.

Estimated future benefit payment:

2022	$ 23,000,000

Defined Contribution Plans

The Center sponsors a 401(k) savings plan covering all employees. Employer contributions to the 401(k) savings plan are based on a formula as defined by the 401(k) plan document. Expense related to the 401(k) savings plan was $612,638 and $1,376,942 for the years ended December 31, 2021 and 2020, respectively.

For reasons relating primarily to proposed changes by the IRS to certain non-qualified plans, the Center Board resolved, effective January 1, 2017, to freeze the 457(e) Severance Savings Plan ("SSP"), as amended and restated. No Voluntary Deferrals were permitted under the terms of the SSP after December 31, 2017, and the SSP was frozen as of that date. The accounts of all Participants in the SSP are preserved and will be administered until such time as Participants or their Beneficiaries become entitled to distribution, all in accordance with the terms of the Plan.

A frozen Supplemental Executive Retirement Plan ("SERP") is also being administered until such time as Participants or their Beneficiaries become entitled to distribution, in accordance with the terms of that Plan.

The total deposits in these frozen plans at December 31, 2021 and 2020 were $1,044,232 and $1,442,432, respectively. The plans are recorded in accrued retirement benefits in the consolidated balance sheets. As of December 31, 2021 and 2020, the frozen SSP balance was $1,043,934 and $1,442,133, respectively. As of December 31, 2021 and 2020, $298 and $299, respectively, of the balances above were held in the frozen SERP plan.

In 2017, the Center Board created a new non-qualified plan, a 457(f) Deborah-Funded Top Hat Plan. The Center may, at its sole discretion, deposit funds into this plan. This plan had a balance of $626,571 and $1,123,349 at December 31, 2021 and 2020, respectively.

Effective January 1, 2018, the Center Board created another new non-qualified plan, a 457(b) Employee-Funded Savings Plan. A designated group of management and physicians are eligible to participate in this 457(b) plan. This plan had a balance of $633,121 and $568,210 at December 31, 2021 and 2020, respectively.

The assets of these plans remain assets of the Center. The participants bear the risk of forfeiting their balances in these plans under certain, defined circumstances.

12. COMMITMENTS AND CONTINGENCIES

Professional and General Liability Insurance

The Center addresses its risk of professional and general liability loss by means of aggressive and consistent risk management initiatives, and funds its expected losses through Deborah Medical Associates Insurance Company, LLC, a wholly-owned captive insurance company domiciled in New Jersey. Since its inception on January 1, 2016, DMAIC issued occurrence basis professional liability and general liability insurance policies covering the Hospital, its employees and allieds who are on the medical staff of the Center and who meet specific underwriting criteria.

The Center purchases excess liability coverage in excess of DMAIC coverage for claims in excess of $2,000,000 on an individual claim basis and a maximum limit of $6,000,000 annual aggregate. The Center's excess coverage level is $20,000,000 for any claims breaching the initial limits. Since the inception of the self-insured program in 1988, the Center has maintained various levels of excess insurance coverage. At December 31, 2021 and 2020, no claims have reached excess insurance levels.

As of October 1, 2016, DCG insured its professional liability coverage through DMAIC with limits of $1,000,000 each medical incident for each insured physician, insured allied, or insured medical organization; $3,000,000 aggregate limit for healthcare professional liability for each insured physician, insured allied, or insured medical organization.

Total policy limits for healthcare professional liability for all insureds combined: $2,000,000 each claim for all insureds combined; $6,000,000 aggregate limit for all insureds combined. The total policy aggregate and total policy each claim limits are shared by all policies written by DMAIC regardless of the number of insureds, claims or claimants involved.

Malpractice Litigation

The Center is a defendant in civil actions for alleged medical malpractice and general liability claims. These actions are being defended by the Center and its medical malpractice insurance carrier. In the opinion of management, the Center's liability in these actions will be within the limits of DMAIC's medical malpractice and comprehensive general liability coverage; and within the limits of the insured excess coverage; however, there can be no assurance in this regard.

Workers' Compensation

The Center maintains statutory workers' compensation coverage with an insurance company, subject to a deductible of bodily injury by accident $300,000 each occurrence; bodily injury by disease $300,000 each employee; all covered bodily injury $1,500,000 aggregate. The Workers' Compensation policy also includes Employers Liability Insurance with limits of: bodily injury by accident: $1,000,000 each accident; bodily injury by disease: $1,000,000 policy limit; and bodily injury by disease: $1,000,000 each employee; for 2021 and 2020. The aggregate deductible amount is a minimum deductible amount that is subject to adjustment based on a rate of 1.747 per each $100 that the audited workers' compensation remuneration exceeds the estimated payroll at inception. Due to this level of retention, the Center is required to post collateral, which is in the form of letters of credit (see Note 9) for outstanding open years. Based upon historical loss experience, the Center recorded a liability for the estimated retention and costs of claims not reported of $523,326 and $520,408 at December 31, 2021 and 2020, respectively. The liability is recorded as a component of accrued compensation and employee benefits.

DCG maintains a separate Guaranteed Cost Workers Compensation policy with an insurance company with statutory limits for workers' compensation coverage; and, with Employers Liability limits of $1,000,000 each accident Bodily Injury by Accident; $1,000,000 policy limit Bodily Injury by Disease; $1,000,000 each employee Bodily Injury by Disease.

Operating Leases

The Center leases various equipment and facilities under operating leases expiring at various dates through 2030. Total rent expense for the years ended December 31, 2021 and 2020 was $2,171,904 and $2,265,639, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2021 that have initial or remaining lease terms in excess of one year:

2022	$ 2,303,437
2023	1,620,677
2024	1,214,011
2025	773,566
2026	751,340
Thereafter	1,003,316
	$ 7,666,347

Leased Property

In July 2019, the Center and Capital Health System, Inc. (“Capital Health”) signed a lease agreement for the Satellite Emergency Department (“SED”), in which the Center has leased designated space on the first floor of the Center's campus for Capital Health to operate the SED, while the Center has agreed to provide certain ancillary services to patients of the SED including various clinical (laboratory, radiology, respiratory and pharmacy), non-clinical (housekeeping and security), and on-demand (facilities maintenance, IT and bio-medical engineering) services. The lease expires on June 30, 2024. The monthly rental payments are $19,185 ($230,225 annually). In addition to the monthly rental charge, Capital Health is required to reimburse the Center for the ancillary charges. For the years ended December 31, 2021 and 2020, Capital Health paid the Center $2,229,337 and $2,131,166, respectively.

On June 1, 2016, the Center (“Lessor”) signed a Ground Lease with Browns Mills Medical Office Building, LLC (“Lessee”), in which the Center has leased a portion of its land to the Lessee to develop and construct a medical office building containing approximately 60,000 gross square feet. The Lessee has agreed to pay the Center fair market annual rent of $32,500. The initial lease term is fifty years with two renewal terms of ten years each at the option of the Lessee. The obligation on the part of the Lessee to pay rent commenced on January 11, 2017.

On September 8, 2016, the Center, as Lessee, signed a lease with Browns Mills Medical Office Building, LLC, as Lessor, in which the Center will lease space from the Lessor. Lease payments for the medical office building are $38.57 per square foot with operating expenses of $11.80 per square foot. The initial term of this lease is fifteen years. The commencement date for the first of the leased suites was in August 2018, and the commencement dates for the second and third suites was December 2018 and March 2019, respectively. On February 28, 2020, the Center, as Lessee, signed an additional lease with Browns Mills Medical Office Building, LLC, as Lessor, in which the Center will lease space from the Lessor. Lease payments for the medical office building are $25 per square foot with operating expenses of $11.00 per square foot. The total space to be leased by the Center is 16,947 square feet. The initial term of this lease is ten years.

Professional Services Agreements

The Center entered into a series of Professional Services Agreements with certain physician practices whereby payments are made by the Center to the practices for physician productivity using third-party fair market value data. In exchange, payments on amounts billed and collected from patients are remitted to the Center. The Center and the practices also entered into Staff Services Agreements and Practice Space and Expenses Agreements whereby the Center pays for the expenses associated with operating the practices. Total expenses related to these agreements were $6,130,055 and $3,174,945 for the years ended 2021 and 2020, respectively. The aggregate amounts budgeted for these practices in 2022 total approximately $5,690,000.

Construction Commitments

On December 16, 2021, the Center signed a $52,251,888 construction contract (“the contract”) naming the primary contractor for the “Deborah 100” Expansion Project. The contract calls for progress billings on a monthly basis based on most recent value of work completed. Retainage on these billings will be withheld at 10% of value of work until the contract is 50% complete. At 50% completion or any time after when progress of the work is not satisfactory additional amounts may be retained, but not to exceed 10% of the value of work. Final payment constituting the entire unpaid balance shall be made when the primary contractor has fully performed the contract except for the primary contractor’s responsibility to correct work and a final certificate for payment has been issued by the architect. As of December 31 2021, no progress billings have been made and there is no outstanding retainage payable balance.

PSE&G Hospital Efficiency Program Commitment

In November 2021, the Center signed a $5,287,530 customer repayment agreement with Public Service Electric and Gas Company ("PSE&G") pursuant to the Hospital Efficiency Program. Of the total estimated advance, $3,202,567 is a reimbursable advance to be repaid in 60 monthly payments of $53,376. The remaining $2,084,963 of the non-reimbursable advance will be recorded by the Center as grant income. Funding of the PSE&G advances will be paid in three installments. The reimbursable advance is due upon completion of construction in connection with implementation of specific Energy Conservation measures at the Center. Construction is estimated to be completed in March 2023. In January 2022, the Center received $1,432,028 of funding from PSE&G.

13. CONCENTRATIONS OF CREDIT RISK

The Center grants credit without collateral to its patients who are insured under third-party payor agreements. The mix of accounts receivable from third-party payors was as follows:

	2021	2020
Medicare	49 %	54 %
Managed care	29	24
Commercial insurance	4	6
Blue Cross	8	6
Medicaid	10	10
	100 %	100 %

The Center maintains cash and equivalents in a financial institution which exceed Federal Deposit Insurance Corporation limits. Management believes the credit risk related to these deposits is minimal.

The Center routinely invests its surplus cash in money market mutual funds. The money market funds are generally invested in U.S. Government and agency obligations. These investments are not insured or guaranteed by the U.S. Government; however, insurance is maintained by investment brokers, and management believes the credit risk related to these investments is minimal.

14. FUNCTIONAL EXPENSES

The Center's primary program service is to provide comprehensive inpatient and outpatient cardiac, vascular, and pulmonary health care services. The consolidated financial statements report certain expense categories that are attributable to both program services and management, administrative and general functions. Therefore, the natural expenses require allocation on a reasonable basis, that is consistently applied, across functional expense categories. Certain expenses are wholly allocated to either program or management, administrative and general because they directly support those functions. There are certain other categories of expenses that are attributable to more than one function, so they are allocated accordingly. Those expenses include benefits, insurance, depreciation and interest. Those expenses are allocated based on a percentage of program salaries and management, administrative and general salaries to total salaries.

Expenses by functional classification for the years ended December 31, 2021 and 2020 consist of the following:

2021	Program Services	Management, Administrative and General	Total Expenses
Salary and wages	$ 77,839,443	$ 16,898,583	$ 94,738,026
Employee benefits	15,594,103	3,374,672	18,968,775
Supplies and other expenses	73,654,243	24,796,348	98,450,591
Interest	357,293	79,892	437,185
Depreciation and amortization	5,862,417	1,272,516	7,134,933
	$ 173,307,499	$ 46,422,011	$ 219,729,510

2020	Program Services	Management, Administrative and General	Total Expenses
Salary and wages	$ 71,918,006	$ 17,703,481	$ 89,621,487
Employee benefits	14,374,725	3,523,142	17,897,867
Supplies and other expenses	67,642,816	22,384,880	90,027,696
Interest	502,073	127,917	629,990
Depreciation and amortization	5,664,311	1,385,619	7,049,930
	$ 160,101,931	$ 45,125,039	$ 205,226,970

15. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2021	2020
Subject to expenditure for specified purpose		
Health care services	$ 93,999	$ 77,829
Purchase of property, plant and equipment	388,309	388,309
Capital campaign donations	7,372,012	2,902,824
Nursing scholarships	2,000,000	-
	9,854,320	3,368,962
Subject to passage of time		
Beneficial interest in perpetual trust	2,004,603	1,867,592
Beneficial interest in restricted net assets with donor restrictions of Deborah Hospital Foundation	7,543,217	12,878,450
	9,547,820	14,746,042
	$ 19,402,140	$ 18,115,004

During 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of health care services and purchase of property, plant, and equipment in the amount of $2,419,977 and $914,094, respectively.

16. BOARD DESIGNATED NET ASSETS

The Board designated net assets are restricted for future operations. These funds are in a separate brokerage account, and funds can only be withdrawn from that account after management has obtained approval from the Board of Trustees.

Board designated net assets consist of the following at December 31:

	2021	2020
For future operations	$ 13,280,225	$ 11,998,508
Apartment security deposits	2,354	2,355
Severance savings plan	1,043,934	1,442,133
Supplemental retirement plan	298	299
457(f) deferred compensation plan	626,571	1,123,349
457(b) deferred compensation plan	633,121	568,210
	$ 15,586,503	$ 15,134,854

17. NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions are unrealized gains from DMAIC's investments in the amount of $4,986 and $38,632 at December 31, 2021 and 2020, respectively.

18. SUBSEQUENT EVENTS

The Center evaluated its December 31, 2021 consolidated financial statements for subsequent events through May 26, 2022, the date the consolidated financial statements were available to be issued. Based on this evaluation, the Center has determined that no subsequent events, except for the following, have occurred that required disclosure in the consolidated financial statements.

In January 2022, the Center received $1,432,028 of funding from PSE&G pursuant to the Hospital Efficiency Program entered in November 2021. Per the terms of the agreement with PSE&G, $960,775 is a loan payable to PSE&G and $471,253 is a refundable advance recognized as grant income. See Note 12 for the terms of the agreement.

In April 2022, the Center fully disbursed the remaining Pension assets to participants. The Pension overfunded balance was transferred to the Center in May 2022.