

Hackensack Meridian Health, Inc.

**Consolidated Reports on Federal Awards in
Accordance With the Uniform Guidance and State
Awards in Accordance With New Jersey Department
of the Treasury Circular 15-08-OMB**

December 31, 2021

Employer Identification Numbers: 22-1487576

Hackensack Meridian Health, Inc.

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Part I
Consolidated Financial Statements



Report of Independent Auditors

To the Board of Trustees
Hackensack Meridian Health, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Hackensack Meridian Health, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the 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 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 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 the financial statements were to be issued.



Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, 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 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 consolidated 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal and state awards for the year ended December 31, 2021 and schedule of financial responsibility ratios as of and for the year ended December 31, 2021 are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for



Federal Awards (Uniform Guidance), the State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid and the Department of Education respectively, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards and schedule of financial responsibility ratios are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedule of expenditures of local awards (page 55) and supplemental schedule of budgeted and actual expenditures (pages 56-65), are presented for the purpose of additional analysis as required by the various departments of the State of New Jersey and are not required parts of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on those schedules.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2022, except with respect to Note 18 to the consolidated financial statements and the opinion on the supplemental schedule of financial responsibility ratios, as to which the date is September 29, 2022, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2021. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Florham Park, New Jersey
April 8, 2022, except with respect to Note 18 to the consolidated financial statements and the opinion on the supplemental schedule of financial responsibility ratios, as to which the date is September 29, 2022.

Hackensack Meridian Health, Inc.
Consolidated Balance Sheets
December 31, 2021 and 2020

<i>(in thousands)</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 388,483	\$ 692,245
Patient accounts receivable, net	720,440	588,885
Pledges receivable, net	72,857	46,556
Current assets held for sale	20,761	16,684
Other current assets	501,824	511,402
Assets limited as to use and short-term investments, current portion	<u>1,369,088</u>	<u>743,695</u>
Total current assets	3,073,453	2,599,467
Assets limited as to use and investments, noncurrent portion	3,770,142	4,113,178
Investment in joint ventures	170,506	145,487
Property and equipment, net	3,174,922	3,020,672
Operating lease right-of-use assets	218,323	237,313
Other assets held for sale	153,776	186,255
Other assets	<u>172,727</u>	<u>155,968</u>
Total assets	<u>\$ 10,733,849</u>	<u>\$ 10,458,340</u>
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt and finance lease obligations	\$ 80,507	\$ 62,067
Current portion of operating lease obligations	35,531	34,440
Accounts payable and accrued expenses	1,116,072	974,689
Current liabilities held for sale	5,383	7,884
Other current liabilities	<u>520,081</u>	<u>357,677</u>
Total current liabilities	1,757,574	1,436,757
Long-term debt and finance lease obligations, less current maturities	3,068,244	3,154,891
Long-term operating lease obligations	190,689	209,135
Accrued pension benefits	110,470	317,354
Other liabilities held for sale	40,970	41,781
Other liabilities	<u>454,860</u>	<u>955,355</u>
Total liabilities	<u>5,622,807</u>	<u>6,115,273</u>
Net assets		
Without donor restrictions controlled by the Network	4,731,239	4,021,365
Without donor restrictions attributable to noncontrolling interests	<u>79,915</u>	<u>83,309</u>
Net assets without donor restrictions	4,811,154	4,104,674
Net assets with donor restrictions	<u>299,888</u>	<u>238,393</u>
Total net assets	<u>5,111,042</u>	<u>4,343,067</u>
Total liabilities and net assets	<u>\$ 10,733,849</u>	<u>\$ 10,458,340</u>

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

Hackensack Meridian Health, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2021 and 2020

<i>(in thousands)</i>	2021	2020
Unrestricted revenues and other support		
Net patient service revenue	\$ 6,072,280	\$ 5,138,141
Other revenue	321,170	290,461
Net gain on equity investments	40,397	19,502
Net assets released from restriction used for operating activities	16,052	22,292
Total unrestricted revenues and other support	<u>6,449,899</u>	<u>5,470,396</u>
Expenses		
Salaries and contracted labor	2,495,018	2,359,670
Physician salaries and fees	495,302	448,745
Employee benefits	591,601	555,713
Supplies and other	2,484,920	2,193,285
Depreciation and amortization	266,780	259,256
Interest	90,394	82,134
Total expenses	<u>6,424,015</u>	<u>5,898,803</u>
Excess (deficit) of revenues over expenses before federal legislative relief	25,884	(428,407)
Federal legislative relief	156,963	517,557
Excess of revenues over expenses before other operating adjustments	<u>182,847</u>	<u>89,150</u>
Other operating adjustments		
Investment income, net	326,075	329,127
Net unrealized realized gain (loss) on derivative instruments	9,253	(11,656)
Other gains, net	49,762	55,798
Excess of revenues over expenses	567,937	462,419
Other adjustments in net assets without donor restrictions		
Net assets released from restriction for capital acquisitions	21,318	6,515
Pension-related adjustments	161,524	(89,519)
Other changes	2,809	54,692
Contributions from noncontrolling interests	5,405	1,526
Increase in net assets without donor restrictions before discontinued operations	758,993	435,633
Loss on discontinued operations	<u>(52,513)</u>	<u>(44,550)</u>
Increase in net assets without donor restrictions	<u>\$ 706,480</u>	<u>\$ 391,083</u>

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

Hackensack Meridian Health, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2021 and 2020

<i>(in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Balances at December 31, 2019	\$ 3,713,591	\$ 212,654	\$ 3,926,245
Excess of revenues over expenses	462,419	-	462,419
Investment income	-	2,246	2,246
Contributions	-	41,633	41,633
Net assets released from restriction for capital acquisitions	6,515	(6,515)	-
Net assets released from restriction used for operating activities	-	(22,292)	(22,292)
Pension-related adjustments	(89,519)	-	(89,519)
Other changes	54,692	10,667	65,359
Contributions from noncontrolling interests	1,526	-	1,526
Increase in net assets without donor restrictions before discontinued operations	435,633	25,739	461,372
Loss on discontinued operations	(44,550)	-	(44,550)
Increase in net assets	391,083	25,739	416,822
Balances at December 31, 2020	4,104,674	238,393	4,343,067
Excess of revenues over expenses	567,937	-	567,937
Investment income	-	19,486	19,486
Contributions	-	68,972	68,972
Net assets released from restriction for capital acquisitions	21,318	(21,318)	-
Net assets released from restriction used for operating activities	-	(16,052)	(16,052)
Pension-related adjustments	161,524	-	161,524
Other changes	2,809	10,407	13,216
Contributions from noncontrolling interests	5,405	-	5,405
Increase in net assets without donor restrictions before discontinued operations	758,993	61,495	820,488
Loss on discontinued operations	(52,513)	-	(52,513)
Increase in net assets	706,480	61,495	767,975
Balances at December 31, 2021	\$ 4,811,154	\$ 299,888	\$ 5,111,042

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

Hackensack Meridian Health, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

<i>(in thousands)</i>	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 767,975	\$ 416,822
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	270,510	274,012
(Gain) loss on disposal sale of property and equipment	(6,540)	162
Loss on assets held for sale	29,824	-
Amortization of deferred financing costs	1,015	859
Amortization of bond premium	(4,047)	(4,228)
Net unrealized/realized (gain) loss on derivative instruments	(9,253)	11,656
Net gain on equity investments	(40,397)	(19,502)
Realized and unrealized gains on investments	(295,662)	(295,608)
Restricted contributions for capital acquisitions	(25,520)	(2,360)
Pension-related adjustments	(161,524)	89,519
Changes in assets and liabilities		
Patient accounts receivable and pledges receivable	(156,172)	24,212
Other assets	(25,287)	(198,173)
Accounts payable and accrued expenses	157,301	107,405
Accrued pension benefits	(45,360)	(84,637)
Other liabilities	(349,520)	712,394
Net cash provided by operating activities	<u>107,343</u>	<u>1,032,533</u>
Cash flows from investing activities		
Purchases of property and equipment, net	(474,454)	(447,525)
Proceeds from sales of property and equipment	58,884	-
Sales of investment securities	2,950,437	1,769,238
Purchases of investment securities	(3,131,016)	(2,778,092)
Net cash used in investing activities	<u>(596,149)</u>	<u>(1,456,379)</u>
Cash flows from financing activities		
Repayment on long-term debt and finance lease obligations	(82,329)	(174,275)
Proceeds from borrowings	16,412	1,317,902
Contributions from noncontrolling interests	5,405	1,526
Restricted contributions for capital acquisitions	51,449	5,503
Payment of deferred financing costs	-	(5,739)
Net cash (used in) provided by financing activities	<u>(9,063)</u>	<u>1,144,917</u>
Change in cash, cash equivalents and restricted cash	(497,869)	721,071
Cash, cash equivalents and restricted cash		
Beginning of period	<u>1,064,528</u>	<u>343,457</u>
End of period	<u>\$ 566,659</u>	<u>\$ 1,064,528</u>
Supplemental information		
Cash paid for interest expense	\$ 93,786	\$ 83,342
Change in noncash acquisitions of property and equipment	(15,160)	749
Right-of-use assets obtained in exchange for operating lease obligations	20,668	71,361

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

Hackensack Meridian Health, Inc.

Notes to Consolidating Financial Statements

December 31, 2021 and 2020

(in thousands)

1. Organization

Hackensack Meridian Health, Inc. and its subsidiaries and controlled entities (“HMH” or the “Network”) comprise an integrated health care delivery system. The Network is incorporated as a New Jersey non-profit, nonstock corporation established to promote and carry out charitable, scientific, academic and research activities and was created as a result of the merger of Hackensack University Health Network, Inc. (“HUHN”) and Meridian Health System, Inc. (“MHS”). The surviving parent entity was renamed Hackensack Meridian Health, Inc. on July 1, 2016. The Network is the sole corporate member of the following entities: HMH Hospitals Corporation, Inc. (“HMHHC”); HMH Residential Care, Inc. (“HMHRC”); Hackensack Meridian Health Foundation, Inc. and its nine foundation subsidiaries (“HMHF”); Hackensack Meridian Health Realty Corporation and five subsidiaries (“Realty”); and Bergen Health Management System, Inc. (“BHMS”).

In January 2021, Meridian Health Foundation, Inc. was renamed to Hackensack Meridian Health Foundation, Inc., (“HMHF”) and the membership of three foundations (Hackensack University Medical Center Foundation, Inc., Palisades Medical Center Foundation, Inc., and John F. Kennedy Medical Center Foundation, Inc.), were then transferred to HMHF so that HMHF became the parent company to all existing Foundations (with the exception of Muhlenberg Foundation, Inc.).

On January 1, 2019, HMH became the sole corporate member of HMH Carrier Clinic, Inc. (“Carrier”). Carrier is a non-profit, tax-exempt, behavioral healthcare system treating patients with psychiatric, emotional, and addictive illnesses. Carrier’s service area encompasses the entire state of New Jersey. On April 1, 2021, the membership in Carrier was transferred from HMH to HMHHC.

On January 1, 2018, HMH became the sole corporate member of JFK Health System, Inc. (“JFK Health”). JFK Health was the parent company of the Community Hospital Group, Inc. d/b/a JFK Medical Center; Muhlenberg Regional Medical Center, Inc.; John F. Kennedy University Medical Center Foundation, Inc. (“JFKF”); Muhlenberg Foundation, Inc.; Robert Wood Johnson, Jr. Lifestyle Institute, Inc.; JFK Healthshare, Inc. (“Healthshare”); Hartwyck at JFK, Inc.; Hartwyck West Nursing Home, Inc. and affiliates (“Hartwyck West”); Hartwyck at Oak Tree, Inc. (“Oak Tree”), collectively, the “Hartwycks”; JFK Medical Group, P.C.; and Atlantic Insurance Exchange, Ltd. (“Atlantic”), a wholly owned insurance company. Hartwyck West operated Hartwyck at Cedar Brook, JFK Assisted Living, Inc. d/b/a Whispering Knoll, and JFK Hartwyck Management and Consulting, Inc. The Network transferred no consideration and acquired all of the assets and liabilities of JFK Health. During 2019, Healthshare and JFK Hartwyck Management and Consulting, Inc. were dissolved. As of December 31, 2019, Atlantic was merged with Coastal Medical Insurance Ltd. (“Coastal”). On January 1, 2019, JFK Health merged into Hackensack Meridian Health, resulting in all of the existing subsidiaries of JFK Health noted above becoming subsidiaries of HMH. On January 1, 2019, Hartwyck West and JFK Assisted Living, Inc d/b/a Whispering Knoll, merged into HMH Residential Care, Inc. On January 31, 2021, JFK Hartwyck at Edison Estates, a facility owned by Oak Tree, was sold in the amount of \$20,000. On July 1, 2021, The Community Hospital Group, Inc. d/b/a JFK Medical Center merged into HMH Hospitals Corporation.

The Network is also the sole shareholder of Hackensack Meridian Health Ventures, Inc. and its subsidiaries (“HMHV”), and is the sole member of Meridian Accountable Care Organization, LLC (“MACO”), Hackensack Physician-Hospital Alliance ACO, LLC (“ACO”) and Hackensack Meridian Health Partners, LLC (“HMHP”).

Hackensack Meridian Health, Inc.

Notes to Consolidating Financial Statements

December 31, 2021 and 2020

(in thousands)

HMHHC is the sole corporate member of HMH Casualty Company Ltd. (“HMHCCCL”), and 20 Prospect Holdings, LLC. Effective December 31, 2020, Hackensack University Medical Center Casualty Company Ltd., (“HUMCCO”) and Coastal merged with HMHCCCL whereby HMHCCCL continued as the surviving entity. Prior to the effective date of the HMHCCCL merger, HMHHC was the sole corporate member of both HUMCCO and Coastal. HMHCCCL is, and HUMCCO and Coastal were, wholly owned, off-shore insurance companies domiciled in Bermuda.

HMH Physician Services, Inc. (“HMHPS”) was merged into HMHHC on January 1, 2020. The HMH Physician Division includes seventeen professional corporations (four taxable and thirteen tax exempt) consolidated with the Network and provides other physician practice development strategies.

The Network operates an extensive acute care hospital system which consists of three academic medical centers (which include two children’s hospitals and a cancer center), seven community hospitals, and a behavioral health hospital as follows:

- Hackensack University Medical Center (“HUMC”), located in Hackensack, New Jersey, is an academic medical center and the largest stand-alone medical center in the state with 781 beds. HUMC includes the Joseph M. Sanzari Children’s Hospital, the Donna A. Sanzari Women’s Hospital, the John Theurer Cancer Center, and the Heart and Vascular Hospital;
- Jersey Shore University Medical Center (“JSUMC”), located in Neptune, New Jersey, is a major academic medical center and regional trauma center with 618 beds that includes the K. Hovnanian Children’s Hospital;
- JFK University Medical Center (“JFK”), is a 499-bed academic medical center located in Edison, New Jersey;
- Riverview Medical Center (“RMC”), is a 460-bed community hospital located in Red Bank, New Jersey;
- Raritan Bay Medical Center (“RBMC”), is a 347-bed community hospital located in Perth Amboy, New Jersey;
- Ocean University Medical Center (“OUMC”), is a 357-bed community hospital located in Brick, New Jersey;
- Carrier Clinic, located in Belle Mead, New Jersey is a 297-bed behavioral health hospital that includes Blake Recovery Center;
- Bayshore Medical Center (“BMC”), is a 211-bed community hospital located in Holmdel, New Jersey;
- Palisades Medical Center (“PMC”), located in North Bergen, New Jersey, is a 197-bed community hospital;
- Southern Ocean Medical Center (“SOMC”), is a 176-bed community hospital located in Manahawkin, New Jersey; and

Hackensack Meridian Health, Inc.

Notes to Consolidating Financial Statements

December 31, 2021 and 2020

(in thousands)

- Old Bridge Medical Center (“OBMC”), located in Old Bridge, New Jersey, is a 113-bed community hospital.

On June 5, 2015, the former HUH, now replaced by the Network, and Seton Hall University (“SHU”) signed a definitive agreement to form a new allopathic school of medicine. The partnership established the only private school of medicine in the State of New Jersey. In conjunction with the formation of the new school of medicine, the Network and SHU entered into a long-term lease for two buildings in the town of Nutley and the city of Clifton, New Jersey.

On March 19, 2018, the Network entered into a letter agreement (the “Letter Agreement”) with SHU which provided for the School of Medicine (“SOM”) to seek its own independent accreditation from its various accrediting and licensing bodies. The Letter Agreement stipulated that the Network would assume full responsibility for the finances of the SOM, effective July 1, 2018, inclusive of the long-term lease for the two buildings on the campus. Additionally, the Letter Agreement stipulated that SHU would assign its interest in Kingsland Street Urban Renewal, LLC (“Kingsland”), a real estate holding company, to the Network, and enter into a Sublease with Kingsland to relocate their School of Nursing and School of Allied Health programs at the campus. On July 3, 2020, the SOM received accreditation, and the Board of Governors of the Hackensack Meridian School of Medicine, a New Jersey non-profit corporation assumed full governance over the SOM.

Over the past several years, HMH has continued to expand its network through acquisitions and partnerships with various unrelated entities as a means to continue to fulfill its mission to the surrounding communities that HMH serves.

Joint ventures in which the Network exerts significant influence in the operations of the unconsolidated entities, primarily through shared representation on the governing bodies of the investee and equal voting rights, and has an equity interest of more than 20% but equal to or less than 50%, are accounted for under the equity method of accounting. Income from joint ventures is reflected in the net gain on equity investments in the consolidated statements of operations.

During 2021, HMH contributed 100% of HMH’s membership in a billing company in exchange for shares in a new billing company. HMH previously held 20% of the legacy billing company shares and now owns 12% of the new billing company shares. HMH recorded a gain of \$20,519 as a result of this exchange in the consolidated statement of operations.

During 2012, HUMC entered into two separate joint ventures with an unrelated entity. Under the first joint venture arrangement, entered into on March 23, 2012, HUMC contributed the existing property and equipment of the former Pascack Valley Hospital campus for a 35% interest in the joint venture which was valued at \$51,100. The investment in the Pascack Valley joint venture recorded on the consolidated balance sheets was \$38,064 and \$38,878 as of December 31, 2021 and 2020, respectively.

Under the second joint venture, entered into on July 1, 2012, HUMC purchased a 20% ownership interest in Mountainside Hospital. For its ownership interest, HUMC contributed \$10,644 in cash and entered into a nonrecourse loan agreement with its joint venture partner. In July 2016, HUMC entered into a bank loan and used the proceeds to pay off the remaining outstanding balance on the nonrecourse loan and its accrued interest. The investment in the Mountainside joint venture recorded on the consolidated balance sheets was \$38,844 and \$36,547 as of December 31, 2021 and 2020, respectively.

Hackensack Meridian Health, Inc.
Notes to Consolidating Financial Statements
December 31, 2021 and 2020

(in thousands)

During 2012, HUMC and a separate unrelated entity formed a joint venture limited liability company which purchased a 51% interest in two ambulatory surgical centers (the “Centers”) located in Bergen County, New Jersey, with HUMC receiving 50.1% voting rights in the joint venture entity. As a result, HUMC consolidated the Centers and reflected a noncontrolling interest for the equity related to the previous owners and the unrelated party in accordance with ASC 810. The net assets acquired of the Centers were \$34,950 (including net goodwill of \$34,250). As of December 31, 2021 and 2020, the unamortized goodwill balance was \$23,975 and \$27,400, respectively.

The following schedule of changes in consolidated net assets attributable to the parent and the noncontrolling interests reconciles beginning and ending balances of the parent’s controlling interest and the noncontrolling interests for the years ended December 31, 2021 and 2020:

	Total	The Network (Controlling Interest)	Noncontrolling Interests
Balances at December 31, 2019	<u>\$ 3,713,591</u>	<u>\$ 3,632,920</u>	<u>\$ 80,671</u>
Excess of revenues over expenses	462,419	454,815	7,604
Contributions from noncontrolling interests	1,526	-	1,526
Other changes	<u>(28,312)</u>	<u>(28,312)</u>	<u>-</u>
Change in net assets without donor restrictions before discontinued operations	435,633	426,503	9,130
Loss on discontinued operations	<u>(44,550)</u>	<u>(38,058)</u>	<u>(6,492)</u>
Balances at December 31, 2020	4,104,674	4,021,365	83,309
Excess of revenues over expenses	567,937	560,114	7,823
Contributions from noncontrolling interests	5,405	-	5,405
Other changes	<u>185,651</u>	<u>185,651</u>	<u>-</u>
Change in net assets without donor restrictions before discontinued operations	758,993	745,765	13,228
Loss on discontinued operations	<u>(52,513)</u>	<u>(35,891)</u>	<u>(16,622)</u>
Balances at December 31, 2021	<u>\$ 4,811,154</u>	<u>\$ 4,731,239</u>	<u>\$ 79,915</u>

2. Coronavirus (SARS-Cov-2) Pandemic (“COVID-19”)

HMH admitted the first diagnosed COVID-19 patient in New Jersey on March 2, 2020. Thereafter, the numbers of COVID patients began significantly increasing in New Jersey, with the Governors of New Jersey (March 9, 2020) and New York (March 7, 2020) declaring states of emergency. On Friday, March 13, 2020, the President declared a national state of emergency, which would begin the process of allowing billions of dollars of Federal funding and ordering all states to set up emergency operations centers to combat the pandemic. Emergency measures including closing schools, restricting gatherings, closing theaters, gyms and casinos, began in mid-March and by the end of March most businesses not deemed ‘essential’ were closed in New Jersey and each of its neighboring states as a means to slow the spread or to “flatten the curve” of the coronavirus.

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The Governor of New Jersey signed Executive Order No. 109, effective March 27, 2020, which mandated that all elective surgeries cease with the intent to protect the capacity of hospitals for the expected surge in COVID-19 patients as well as to ensure that nonCOVID-19 patients were not infected through transmission from COVID-19 patients. This mandate extended to all outpatient medical and dental ambulatory surgical centers and physician offices and remained in place until May 26, 2020, when as a part of the Governor's approach to re-start the economy and put New Jersey on the road to recovery, he ended this mandate. The recovery has included a safe return of nonCOVID-19 patients to our hospitals, outpatient sites and physician practices. As has been seen throughout the United States, there have been several subsequent surges that have impacted the Network through 2020 and 2021.

HMH's Response to COVID-19

HMH has had long established, emergency management systems in place and activated those processes in February 2020 in anticipation of the first wave of this pandemic impacting New Jersey. As such, HMH's health care professionals are routinely trained for emergencies such as COVID-19. Additionally, HMH's supply chain leadership began acquiring certain supplies such as personal protective equipment (PPE) in late January 2020 in anticipation of this virus spreading to the United States. While there were substantial supply chain disruptions, HMH was able to weather the storm, through purchasing efforts that began in January 2020 and the use of alternate suppliers to source product.

HMH has tested over 232,000 patients within its hospitals and ambulatory care sites and HMH has admitted over 31,000 COVID-19 positive patients. All of the hospitals within the Network have made infrastructure changes, including to expand their respective inpatient capacity and to expand the number of negative pressure rooms needed for the influx of critical care patients. In December 2020, two COVID-19 vaccines received Emergency Use Authorization from the U.S. Food and Drug Administration and began distribution to providers. HMH has established vaccination sites within all of its hospitals, several physician practices, and operated one of six vaccination mega-sites established by the State. HMH has successfully administered over 733,000 vaccines to individuals within our surrounding communities, including team members, first responders, and community members aged 65+ and those with specific medical conditions.

Lastly, the team at HMH consisting of 35,000 team members has worked tirelessly, around-the-clock – first, in preparation for this pandemic, and then living and working through it to care for our patients, their families and our own team members who became ill from COVID-19.

Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")

In response to the economic impact of COVID-19, the CARES Act was enacted by Congress and was subsequently signed into law on March 27, 2020. Through the end of 2020, additional legislation has been signed into law. Led by the CARES Act, these pieces of legislation included a variety of economic assistance provisions for business and individuals, including \$178 billion in Provider Relief Funds government grants ("PRF") for hospitals, nursing homes, surgical centers, outpatient clinics, and physician practices. In accordance with ASC 958-605, funds received are deemed refundable advances until conditions are met. As the conditions were met and restrictions satisfied in the same period as the funding was received (unreimbursed expenses / lost revenues), in accordance with the simultaneous release policy HMH recognized all of the \$5,799 and \$518,405 funding received as federal legislative relief within net assets without donor restriction (\$334 and \$40,843 included within loss on discontinued operations) in the consolidated statements of operations for the years ended December 31, 2021 and 2020, respectively.

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Federal Emergency Management Agency (“FEMA”)

Due to the related operating and capital expense incurred by the Network in response to COVID-19, the Network has submitted claims to FEMA. As of December 31, 2021 and 2020, the Network has recorded the following obligated FEMA funds within the consolidated statements of operations:

	2021	2020
Federal legislative relief	\$ 151,497	\$ 39,995
Other changes	8,788	37,303
Loss on discontinued operations	14,500	-
	<u>\$ 174,785</u>	<u>\$ 77,298</u>

HMH has recorded a total of \$174,785 and \$77,298, respectively, in obligated FEMA funds in federal legislative relief, loss on discontinued operations, and other changes within the consolidated statements of operations. The Network has additional claims outstanding and under review with FEMA as of December 31, 2021 related to operating and capital expenses incurred related to COVID-19. In accordance with generally accepted accounting principles, the Network will recognize those claims in the year the related funds are obligated by FEMA.

Specific to PRF and FEMA funds received, HMH believes the amount of revenue recognized in the consolidated statements of operations is appropriate based on information contained in laws and regulations, as well as interpretations issued by the U.S. Department of Health and Human Services (“HHS”) and FEMA policies governing the funding, which was publicly available at December 31, 2021. As this crisis has evolved, and through new legislation, HHS has made multiple modifications to its guidance since its passage. The potential financial impacts of future changes in guidance may impact the Network’s ability to retain some or all of the distributions received.

Medicare Accelerated Payments

Under the CARES Act, the Network received \$614,598 in advance payments from the Centers for Medicare and Medicaid Services (“CMS”) in April 2020. CMS has begun recouping these payments beginning in April 2021 by withholding 25% of Medicare reimbursements through February 2022, and then will begin recouping 50% of Medicare reimbursements until August 2022. Under ASC 606, the liability represents a contract liability. During the recoupment periods HMH will reduce the contract liability based upon Medicare claims recognized as revenue.

As of December 31, 2021 and 2020, the liability remaining is as follows:

	2021	2020
Other current liabilities	\$ 368,412	\$ 241,463
Other liabilities	-	373,135
	<u>\$ 368,412</u>	<u>\$ 614,598</u>

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Deferred Payment of Employer Payroll Taxes

As allowed under the CARES Act, beginning in May 2020 and through December 2020, the Network has deferred its payments of the employer portion of social security payroll tax. The CARES Act requires payment of 50% of these deferred taxes by December 31, 2021 and the remaining 50% of these deferred taxes by December 31, 2022.

As of December 31, 2021 and 2020, the liability remaining is as follows:

	2021	2020
Accounts payable and accrued expenses	\$ 51,038	\$ 45,617
Other liabilities	-	51,038
	<u>\$ 51,038</u>	<u>\$ 96,655</u>

3. Significant Accounting Policies

The following is a summary of the Network's significant accounting policies:

Principles of Consolidation

The consolidated financial statements include the accounts of Hackensack Meridian Health, Inc. and all of its subsidiaries in which a controlling interest is maintained. Intercompany balances and transactions are eliminated. Controlling interest is determined by majority ownership interest. For those consolidated subsidiaries where HMH's ownership is less than 100%, the outside parties' interests are shown as net assets without donor restrictions attributable to noncontrolling interests. Investments in joint ventures over which HMH has significant influence but not a controlling interest are recognized using the equity method of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Significant estimates include the contractual discounts on accounts receivable, valuation of alternative investments, estimated amounts due to and from third-party payors, professional liability costs and accrued pension benefit liabilities. Actual results could differ from those estimates.

Income Taxes

All of the not-for-profit entities included in the consolidated financial statements are corporations as described in Section 501(c)(3) of the Internal Revenue Code ("Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. These entities, except for the physician practices, are also exempt from state income taxes. Per the requirement to assess for tax uncertainty, management has determined that it does not have any significant uncertain tax positions required to be accrued or reported.

The for-profit corporations are subject to federal and state income taxes.

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Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents and restricted cash include investments in highly-liquid instruments with original maturities of three months or less. The Network elected to treat highly-liquid short-term investments held within assets limited as to use and investments as cash equivalents. Cash is also held in the assets limited as to use and investments portfolio and in current assets held for sale. At December 31, 2021 and 2020, the Network had cash balances held at a financial institution that exceeded federal depository insurance limits. Management believes that the credit risk related to these deposits is minimal.

ASU 2016-18, *Restricted Cash*, addresses the presentation, disclosure, and cash flow classification of restricted cash and requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	2021	2020
Cash and cash equivalents	\$ 388,483	\$ 692,245
Cash and cash equivalents included in assets limited as to use and investments	176,653	370,536
Cash and cash equivalents included in assets limited as to use and investments included in other assets held for sale	<u>1,523</u>	<u>1,747</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 566,659</u>	<u>\$ 1,064,528</u>

Assets Limited as to Use and Investments

Investments and assets limited as to use are recorded at fair values, which are based on the assumptions and methods described in the “Fair Value Measurements” section of this note.

Assets limited as to use include cash and investments set aside by the Network Board of Trustees (the “Board”) for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held by trustees under indenture agreements, assets held in connection with the captive insurance program, assets held for deferred employee benefit plans, and donor-restricted assets.

Investment income or losses (including realized gains and losses on investments, interest, dividends, holding gains and losses on trading securities, and changes in the value of investments that are valued using NAV as a practical expedient) are included in the accompanying consolidated statements of operations as other operating adjustments, unless the income or loss is restricted by donor or law. In addition, certain investment income is reported within other revenue in the statement of operations as it is utilized as a direct offset for specific programmatic operating expenses. Gains and losses on sales of investment assets are determined using the first-in, first-out method. Investments classified as current assets are available to support current operations.

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Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Financial Instruments

The Network has entered into interest rate swap agreements to manage its exposure to fluctuations in interest rates (interest rate risk) and lower cost of capital. These swap agreements involve the exchange of fixed and variable rate interest payments between the Network and counterparties based on common notional principal amounts and maturity dates that correspond to the Network's outstanding long-term debt. During 2021, the Network terminated four interest rate swap agreements which were originally entered into to mitigate variable rate exposure and take advantage of low interest rates.

The Network recognizes all derivatives at fair value within other liabilities on the consolidated balance sheets. Changes in fair value of these instruments are reported in the consolidated statements of operations as discussed in Note 9.

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Network for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, or quoted prices in markets that are not active.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market Approach (M) – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

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- Cost Approach (C) – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- Income Approach (I) – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions the market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. The Network utilized the best available information in measuring fair value.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments held by the Network:

- Cash and Cash Equivalents – Estimated fair values of cash equivalents are based on daily values (closing price on primary market) that are validated with a sufficient level of observable activity (i.e., purchases and sales).
- Mutual Funds – Estimated fair values of mutual funds are based on daily values (closing price on primary market) that are validated with a sufficient level of observable activity (i.e. purchases and sales).
- Corporate Equity Securities – Securities listed on national stock exchanges are valued at the last published sales price on the last business day of the year; over-the-counter securities for which no sale was reported on the last business day of the year are valued at the latest reported bid price from a published source.
- U.S. Government, Municipal, and Corporate Debt Securities – Valued on the basis of the quoted market prices at year-end. If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings.
- Commercial mortgage backed securities/asset-backed securities – Valued on the basis of the quoted market prices at year-end. If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings.
- Derivative Instruments – Consist of interest rate swap agreements. Value is determined using a market-based interest rate yield curve adjusted specifically to take into account the Network's and counterparty's risk of nonperformance.
- Alternative Investments and common/collective trusts - Fair value of alternative investments are measured based on unobservable inputs that cannot be corroborated by observable market data. The Network accounts for these investments within its assets limited as to use and investments portfolios using the net asset value as a practical expedient and as such, these investments are excluded from the fair value hierarchy.

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- The Network's alternative investments include holdings in common/collective trusts, limited partnerships or hedge funds which engage in a variety of investment strategies and are managed by money managers. Alternative investments are valued by management utilizing the net asset value ("NAV") provided by the respective fund manager of the underlying investment companies unless management determines some other valuation is more appropriate. Such fair value estimates do not reflect early redemption penalties as the Network does not intend to sell such investments before the expiration of the early redemption periods. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.
- Changes in the value of these alternative investments are included in investment income, in the consolidated statements of operations. Generally, alternative investments upon which redemptions may be made annually with written notice of 100 days are recorded as current assets. Limited partnerships which do not provide for voluntary withdrawal and are long term in nature are classified as noncurrent assets.

Inventories

Inventories are stated at lower of cost (determined on an average cost basis) or net realizable value and are included in other current assets on the consolidated balance sheets.

Property and Equipment

Property and equipment are recorded at cost. The Network determines depreciation using the straight-line method, over the estimated useful life of each class of depreciable asset. Estimated lives range from 3 to 20 years for equipment and up to 40 years for buildings.

Finance leases are recorded at their present value at the inception of the lease. Property and equipment under finance leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations. Gains and losses resulting from the retirement of property and equipment are included in the results of current operations.

Gifts of long-lived assets such as property and equipment are determined at their fair value at the date of the gift and reported as an increase to 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.

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Right-of-Use Assets and Lease Liabilities

Under ASU 2016-02, *Leases (Topic 842)* lessees are required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (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. Leases are classified as either operating or finance. Operating leases result in straight-line expense in the statement of operations (similar to previous operating leases), while finance leases result in more expense being recognized in the earlier years of the lease term (similar to previous capital leases).

Long-Lived Assets and Goodwill

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell.

In May 2019, the FASB issued ASU 2019-06, *Intangibles—Goodwill and Other, Business Combinations, and Not-for-Profit Entities*. The guidance allows for a not-for-profit entity to elect to amortize goodwill on a straight-line basis and test for impairment when a triggering event occurs that indicates that the fair value of the reporting unit may be below its carrying amount. Effective January 1, 2019, the Network adopted this new policy for all existing goodwill and all new goodwill generated from acquisitions in 2019. For the year ended December 31, 2021 and 2020, the Network recorded \$11,283 and \$18,279, respectively, in amortization of goodwill and intangibles within depreciation and amortization in the consolidated statements of operations.

Deferred Financing Costs

Deferred financing costs include legal, financing, and placement fees associated with the issuance of long-term debt and are presented net of the related long-term debt issuances. These costs are amortized using the effective interest method over the period the related obligations are outstanding.

Professional, General and Workers Compensation Liabilities

The Network's policy is to accrue an estimate of the ultimate cost of malpractice and workers compensation claims covered through either its wholly owned captive insurance companies or insurance policies with third party insurers. These accrued liabilities are included in other liabilities in the accompanying consolidated balance sheets. The Network also records an estimate for insurance recoveries associated with these claims, which is recorded in other assets in the consolidated balance sheets.

Net Assets

Net assets without donor restrictions are derived from gifts that are not subject to explicit donor-imposed restrictions. Resources arising from the results of operations or assets set aside by the Board of Trustees are classified as without donor restrictions for external reporting purposes. Included in net assets without donor restrictions are board-designated endowment funds of \$84,699 and \$83,115 at December 31, 2021 and 2020, respectively.

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Net assets with donor restrictions are those funds whose use has been limited by donors to a specified time period and/or purpose. Net assets are available for the funding of healthcare services and capital acquisitions. Certain donor restrictions are perpetual in nature and the income from those funds is expendable to support various health care services.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as the cost basis. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Net assets released from restrictions for capital acquisitions are excluded from excess of revenues over expenses within the consolidated statements of operations. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as net assets without donor restrictions.

Consistent with regulatory requirements, the respective Boards of the Foundations described in Note 1, require the preservation of the fair value of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Foundations classify net assets with donor restrictions as (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the amount that reflects the consideration to which the Network expects to be entitled in exchange for providing patient care. These amounts are net of appropriate discounts to give recognition to differences between the Network's charges and reimbursement rates from third party payers. The Network is reimbursed from third party payers under various methodologies based on the level of care provided. Certain net revenues received are subject to audit and retroactive adjustment for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Network bills patients and third-party payers several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

The Network determines performance obligations based on the nature of the services provided. The Network recognizes revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. Performance obligations satisfied relate to patients registered to receive either or both an inpatient or outpatient service. For Inpatient Services, the Network measures performance obligations from time of admission to the point when there are no further services required for the patient, which is generally the time of discharge. For Outpatient Services, performance obligations are satisfied at a point in time, generally when: (1) services are provided; and (2) we do not believe the patient requires additional services.

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

The Network determines the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Network's policy, and implicit price concessions provided to uninsured patients. The Network determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Network determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

A summary of the payment arrangements with major third-party payers is as follows:

- Medicare - inpatient acute care services and most outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Select outpatient services are paid based on a Medicare fee-based schedule or cost based reimbursement. The Network is reimbursed for cost reimbursable items, allowable bad debt, and graduate medical education at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Network. The Network's Medicare cost reports have been audited and finalized through December 31, 2017 except for 2010 for HUMC & 2017 for PMC. RMC has been audited and finalized through December 31, 2017 except for 2010 & 2011. SOMC has been audited and finalized through December 31, 2019.
- Medicaid - inpatient acute care services rendered to Medicaid program beneficiaries are reimbursed under a prospective methodology in accordance with N.J.A.C. 10:52 sub-chapter 14. Outpatient services are paid based upon a cost reimbursement methodology and certain services are paid based on a Medicaid fee schedule. The Network's Medicaid cost reports have been audited and finalized by the Medicaid fiscal intermediary up through December 31, 2018 except for 2007 through 2009 for HUMC.
- The Network has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per patient day or procedure and discounts from established charges.

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Generally, patients who are covered by third-party payers are responsible for related co-pays, co-insurance and deductibles, which vary in amount. The Network provides services to uninsured patients and offers uninsured patients a discount from standard charges. The Network estimates the transaction price for patients with co-pays, co-insurance and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under the Network's uninsured discount programs, the discount offered to certain uninsured patients is recognized as a contractual discount, which reduces net operating revenues at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual discounts recorded, are further reduced to their net realizable value at the time they are recorded through implicit price concessions based on historical collection trends for self-pay accounts and other factors that affect the estimation process. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of the change. For the years ended December 31, 2021 and 2020, the Network recorded \$317,363 and \$322,882 of implicit price concessions as a direct reduction of net patient service revenues.

The components of net patient service revenue for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Gross charges	\$ 23,503,463	\$ 20,662,899
Contractual discounts and implicit price concessions	(17,475,221)	(15,568,264)
Change in estimate of prior year's net patient service revenue	10,412	17,990
Charity care subsidy	8,366	15,662
Hospital relief subsidy	25,260	9,854
	<u>\$ 6,072,280</u>	<u>\$ 5,138,141</u>

The mix of patient service revenue, net of contractual discounts and implicit price concessions from patients and third-party payors for the years ended December 31, 2021 and 2020 is as follows:

Net Patient Service Revenue %	2021	2020
Medicare, including Managed Medicare	32 %	33 %
Medicaid, including Managed Medicaid	9	9
NJ Blue Cross	26	26
Other Payors	31	30
Self pay	2	2
	<u>100 %</u>	<u>100 %</u>

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation for which action for noncompliance includes fines, penalties and exclusion from the Medicare and Medicaid programs. The Network believes that they are currently in compliance with all applicable laws and regulations. The Network has established a Corporate Compliance Program to monitor compliance with various regulations.

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Performance Indicator

The consolidated statements of operations includes excess of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include loss on discontinued operations, noncontrolling interest attributable to acquisitions, contributions from and distributions to noncontrolling interests, pension-related adjustments, net assets released from restriction for capital acquisitions and other changes.

The Network differentiates its core operating activities through the use of excess of revenues over expenses before federal legislative relief and other operating adjustments as an intermediate measure of operations. For the purposes of display, investment income, contribution revenue without donor restrictions, loss on extinguishment of debt and certain other transactions, which management does not consider being components of the Network's core operating activities, are reported as other operating adjustments in the consolidated statements of operations. Certain investment income is reported within other revenue in the statements of operations as it is utilized as a direct offset for specific programmatic expenses.

New Accounting Standards

In August 2018, the FASB issued ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans (Subtopic 715-20). The new ASU eliminates, adds and modifies certain disclosure requirements related to defined benefit plans. HMH adopted this standard in 2021 on a retrospective basis. Adoption resulted in the elimination of certain disclosures from Note 10, specifically amounts in net assets without donor restriction expected to be recognized in net periodic pension cost in the next fiscal year and certain disclosures of the effect of a 1% change in the health care cost trend rate.

New Accounting Standards, Not Yet Adopted

In March 2020, the FASB issued a new accounting standard which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform due to the discontinuation of the London Interbank Offered Rate ("LIBOR"). The amendments apply to contracts, hedges and other transactions affected by reference rate reform due to reference to LIBOR or another reference rate expected to be discontinued. Management believes that the impact from this pronouncement is not material based on its current debt arrangements.

Reclassifications

Certain previously reported amounts in the 2020 consolidated financial statements have been reclassified in order to conform to 2021 presentation.

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(in thousands)

4. Charity and Uncompensated Care

The Network provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services without charge or at amounts less than its established rates. The Network maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished. The Network receives partial reimbursement for the uncompensated care provided. Of the Network's total consolidated operating expenses reported, estimated costs of \$109,894 and \$115,517 for the years ended December 31, 2021 and 2020, are attributable to providing services to charity patients, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Network's total operating expenses, divided by gross patient service revenue.

5. Assets Limited as to Use and Investments

The following tables provide a summary of the Network's assets limited as to use and investments that are measured at fair value on a recurring basis at December 31, 2021 and 2020:

	2021		Total
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Under board of trustees designation			
Cash and cash equivalents	\$ 125,193	\$ -	\$ 125,193
Mutual funds	1,345,871	-	1,345,871
Corporate equity securities	22,159	-	22,159
Exchange traded securities	1,245,038	-	1,245,038
Commercial mortgage-backed securities/Asset-backed securities	-	63,887	63,887
Corporate debt securities	-	282,982	282,982
U.S. government obligations	-	444,643	444,643
	<u>2,738,261</u>	<u>791,512</u>	<u>3,529,773</u>
Accrued interest			427
Alternative investments: common/collective trusts			1,127,632
Alternative investments: hedge funds and limited partnerships			426,953
Total under Board of Trustees designation			<u>5,084,785</u>
Under donor designation			
Cash and cash equivalents	1,151	-	1,151
Mutual funds	2,985	-	2,985
Total under donor designation	<u>4,136</u>	<u>-</u>	<u>4,136</u>
Under bond indenture agreements held by trustee			
Cash and cash equivalents	50,309	-	50,309
Total under bond indenture agreements held by trustee	<u>\$ 50,309</u>	<u>\$ -</u>	<u>\$ 50,309</u>
Total assets limited as to use and investments			<u>\$ 5,139,230</u>

Hackensack Meridian Health, Inc.
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(in thousands)

	Quoted Prices In Active Markets for Identical Assets (Level 1)	2020 Significant Other Observable Inputs (Level 2)	Total
Under board of trustees designation			
Cash and cash equivalents	\$ 322,513	\$ -	\$ 322,513
Mutual funds	941,912	-	941,912
Corporate equity securities	415,457	-	415,457
Commercial mortgage-backed securities/Asset-backed securities	-	41,452	41,452
Corporate debt securities	-	444,534	444,534
U.S. government obligations	11	369,250	369,261
	<u>1,679,893</u>	<u>855,236</u>	<u>2,535,129</u>
Accrued interest			5,177
Alternative investments: common/collective trusts			2,106,655
Alternative investments: hedge funds and limited partnerships			156,914
Total under Board of Trustees designation			<u>4,803,875</u>
Under donor designation			
Cash and cash equivalents	193	-	193
Mutual funds	3,982	-	3,982
Corporate equity securities	993	-	993
Total under donor designation	<u>5,168</u>	<u>-</u>	<u>5,168</u>
Under bond indenture agreements held by trustee			
Cash and cash equivalents	47,830	-	47,830
Total under bond indenture agreements held by trustee	<u>\$ 47,830</u>	<u>\$ -</u>	<u>47,830</u>
Total assets limited as to use and investments			<u>\$ 4,856,873</u>

Common/collective trusts and alternative investments are excluded from the fair value hierarchy table as they are valued using NAV as a practical expedient.

The following tables represent HMM's investments measured at NAV as a practical expedient and the respective liquidity terms as of December 31, 2021 and 2020:

2021			
Redeemable Alternative Investments			
Redemption Frequency	Fair Value	Redemption Notice Period	Remaining Lock
Daily	\$ 780,371	0-5 days	None
Monthly	388,369	5-60 days	None
Quarterly	195,012	65 days	None
Semi-Annually	61,710	90 days	None
Annually	104,651	60 days	90% within 12 months; 10% within 18 months
	<u>\$ 1,530,113</u>		
Non Redeemable Alternative Investments			
Remaining Life	Fair Value	Unfunded Commitment	
<1 year	\$ 7,773	\$	4,400
1 - 4.9 years	2,155		40,071
5 - 10 years	14,544		52,709
	<u>\$ 24,472</u>	<u>\$</u>	<u>97,180</u>

Hackensack Meridian Health, Inc.
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2020			
Redeemable Alternative Investments			
Redemption Frequency	Fair Value	Redemption Notice Period	Remaining Lock
Daily	\$ 1,599,457	0-5 days	None
Monthly	514,205	5-60 days	None
Quarterly	-	-	None
Semi-Annually	53,082	90 days	None
Annually	89,213	60 days	100% in two years
	<u>\$ 2,255,957</u>		
Non Redeemable Alternative Investments			
Remaining Life	Fair Value	Unfunded Commitment	
<1 year	\$ 7,612	\$	4,166
1 - 4.9 years	-	-	-
5 - 10 years	-	-	-
	<u>\$ 7,612</u>	<u>\$</u>	<u>4,166</u>

Assets limited as to use and investments are reported on the consolidated balance sheets at December 31, 2021 and 2020 as follows:

	2021	2020
Assets limited as to use and investments, current portion	\$ 1,369,088	\$ 743,695
Assets limited as to use and investments, noncurrent portion	<u>3,770,142</u>	<u>4,113,178</u>
	<u>\$ 5,139,230</u>	<u>\$ 4,856,873</u>

At December 31, 2021 and 2020, the Network's remaining outstanding funding commitments to alternative investments approximated \$97,181 and \$4,166, respectively.

Assets under bond indenture agreements held by trustees are maintained in the following accounts at December 31, 2021 and 2020:

	2021	2020
Debt service fund, principal	\$ 15,316	\$ 15,159
Debt service fund, interest	28,682	27,219
Debt service reserve fund	<u>6,311</u>	<u>5,452</u>
Total assets under bond indenture agreements	<u>\$ 50,309</u>	<u>\$ 47,830</u>

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(in thousands)

Investment income consists of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividend income	\$ 65,153	\$ 39,790
Realized gains and net change in unrealized gains	295,662	295,608
Investment management fees and other	<u>(12,652)</u>	<u>(6,271)</u>
	<u>\$ 348,163</u>	<u>\$ 329,127</u>

As of December 31, 2021, \$22,088 of investment income is recorded in other revenue within the consolidated statements of operations.

6. Liquidity and Availability of Resources

The Network's financial assets and resources available to meet the cash needs for general expenditures within one year of the date of the consolidated statements of financial position were as follows:

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 388,483	\$ 692,245
Patient accounts receivable, net	720,440	588,885
Pledges receivable, net	31,847	19,387
Assets limited as to use and investments under board of trustees designation	<u>4,955,663</u>	<u>4,710,805</u>
Total financial assets available within one year	6,096,433	6,011,322
Liquidity resources		
Bank lines of credit (undrawn)	<u>184,724</u>	<u>186,750</u>
Total financial assets and resources available within one year	<u>\$ 6,281,157</u>	<u>\$ 6,198,072</u>

As part of the Network's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Assets limited as to use and investments in the table above are all under Board of Trustees designation. These assets could be used for general expenditures, but would require approval from the Board of Trustees. These assets exclude alternative investments with lock-up provisions greater than one year of \$129,122 and \$93,071 as of December 31, 2021 and 2020, respectively (see Note 5 for disclosures about investments).

Hackensack Meridian Health, Inc.
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(in thousands)

7. Property and Equipment

Property and equipment, including assets held under finance lease obligations, consist of the following at December 31, 2021 and 2020:

	2021	2020
Land	\$ 160,868	\$ 129,438
Land improvements	37,194	28,494
Buildings and fixed equipment	3,214,300	3,072,045
Major movable equipment	<u>1,749,842</u>	<u>1,589,947</u>
	5,162,204	4,819,924
Accumulated depreciation and amortization	(2,432,106)	(2,129,591)
Construction-in-progress	<u>444,824</u>	<u>330,339</u>
Property and equipment, net	<u>\$ 3,174,922</u>	<u>\$ 3,020,672</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$250,442 and \$230,824, respectively.

8. Long-Term Debt and Finance Lease Obligations

The Network has various bond issues outstanding, primarily issued through the New Jersey Health Care Facilities Financing Authority (the "Authority"), as well as various bank loans, mortgages and finance lease obligations. During 2017, the Network established one legally obligated group for certain borrowings with the Authority and other lenders. This obligated group is represented by Hackensack Meridian Health and HMHHC ("Obligated Group"). The Obligated Group is subject to the covenants of the Master Trust Indenture ("MTI") with the Authority.

Hackensack Meridian Health, Inc.

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(in thousands)

Long-term debt and finance lease obligations consist of the following at December 31, 2021 and 2020:

	2021	2020
Revenue Bonds		
Series 2020, 2.675%, due September 1, 2041	\$ 500,000	\$ 500,000
Series 2020, 2.875%, due September 1, 2050	500,000	500,000
Series 2018, 4.211%, due July 1, 2048	300,000	300,000
Series 2017, 4.5%, due July 1, 2057	300,000	300,000
Series 2016A, 0.75% and 0.80% at December 31, 2021 and 2020, respectively, due July 1, 2038	118,154	120,702
Series 2015A, 2.5%, due November 1, 2045	103,640	107,973
Series 2006, 0.09% and 0.06% at December 31, 2021 and 2020, respectively, due July 1, 2036*	13,360	13,800
Series 2006 A-3, 0.10% at December 31, 2021 and 2020, due July 1, 2031*	3,500	3,500
Series 2006 A-4, 0.09% and 0.06% at December 31, 2021 and 2020, respectively, due July 1, 2027*	8,830	10,090
Series 2006 A-5, 0.09% and 0.06% at December 31, 2021 and 2020, respectively, due July 1, 2036*	10,915	10,915
Series 2004 A-3, 0.10% at December 31, 2021 and 2020, due July 1, 2035*	8,450	8,935
Series 2003, 0.10% at December 31, 2021 and 2020, due July 1, 2033*	57,830	60,000
Series 1998A, 0.09% and 0.10% at December 31, 2021 and 2020, respectively, due July 1, 2028*	5,900	6,625
Refunding Bonds		
Series 2017A, 2.5% to 5.0%, which mature annually from July 1, 2020 through July 1, 2040	459,640	474,705
Series 2017A, 4.0% to 5.25%, which mature annually from July 1, 2043 through July 1, 2057	98,920	98,920
Series 2013A, 2.0% and 5.0%, in varying maturities through July 1, 2032	20,290	21,230
Series 2011, 2.0% and 5.0%, in varying maturities through July 1, 2027	79,205	91,125
Bank Loans		
Series 2020, 2.50%, a term of 180 months with a 15 year amortization and a fixed monthly payment of \$794; commencing April 1, 2020 and ending April 1, 2035	192,425	197,013
Series 2016, 2.59%, a term of 300 months with a 25 year amortization and a fixed monthly payment of \$92; commencing July 28, 2016 and ending July 28, 2041	17,013	17,666
Series 2015A (tax exempt), 2.38%, a term of 300 months with a 25-year amortization, and a fixed monthly payment of \$372; commencing August 12, 2015 and ending July 12, 2040	67,142	69,966
Series 2015B, 3.31%, a term of 120 months with a 10-year amortization, and a fixed monthly payment of \$177; commencing August 12, 2015 and ending August 1, 2025	29,503	30,622
Other		
Township of Clifton Redevelopment Area Bonds	944	963
Township of Nutley Redevelopment Area Bonds	944	963
Series 2019 Capital Asset Loan, 1.89% and 1.61% at December 31, 2021 and 2020, respectively	17,357	21,214
New Jersey Economic Development Authority Series 1997 Revenue Bonds, 4.1% to 5.7%, due annually from January 1, 1998 through January 1, 2022	2,317	4,768
Accreted bond interest payable on the capital appreciation portion of the Series 1997 bonds due between January 1, 2012 and January 1, 2022.	6,883	13,632
Various commercial mortgages with fixed interest rates ranging from 3.625% to 4.75% and variable interest rates equal to the LIBOR rate for each period plus 0.85% to 1.0%.	24,731	25,783
Other Long Term Borrowings	32,606	30,464
Total long-term debt	<u>2,980,499</u>	<u>3,041,574</u>
Finance lease obligations		
Finance lease obligations and other obligations with interest rates ranging from 2.41% to 7.15%	144,047	148,014
Total finance lease obligations	<u>144,047</u>	<u>148,014</u>
Total long-term debt and finance lease obligations	3,124,546	3,189,588
Current portion of accreted interest, included in accrued interest payable	(6,883)	(6,749)
Original issue premium, net	46,284	50,330
Deferred financing costs, net of accumulated amortization	(15,196)	(16,211)
Current portion	<u>(80,507)</u>	<u>(62,067)</u>
Long-term debt and finance lease obligations, net of current portion	<u>\$ 3,068,244</u>	<u>\$ 3,154,891</u>

*Interest is payable monthly and determined weekly based upon market rates with a 12% per annum maximum

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On August 26, 2020, the Network issued Series 2020 taxable bonds in the amount of \$1,000,000. On April 1, 2020, the Network closed on a \$200,000 15-year bank replacement loan. These financings are to be utilized to finance or refinance certain construction projects, acquisitions and installation of capital assets over the next several years. Interest is paid monthly at a fixed rate sufficient to pay interest on the bonds and the program expenses.

Management is not aware of any noncompliance with any of the required covenants related to its outstanding debt at December 31, 2021 and 2020. The Obligated Group's most restrictive covenants are meeting minimum requirements for debt service coverage ratio, debt-to-capitalization ratio and cushion ratio. At December 31, 2021 and 2020, the Obligated Group was in compliance with all financial ratio covenants.

The future principal payments on long-term debt and payments on finance lease obligations are as follows:

	Long-Term Debt	Finance Lease Obligations	Total
2022	\$ 84,006	\$ 7,320	\$ 91,326
2023	55,607	7,464	63,071
2024	56,568	7,650	64,218
2025	140,115	7,842	147,957
2026	55,877	8,038	63,915
Thereafter	<u>2,588,326</u>	<u>150,803</u>	<u>2,739,129</u>
	2,980,499	189,117	3,169,616
Amounts representing interest on finance lease obligations	<u>-</u>	<u>(45,070)</u>	<u>(45,070)</u>
Total long-term debt and finance lease obligations	<u>\$ 2,980,499</u>	<u>\$ 144,047</u>	<u>\$ 3,124,546</u>

9. Interest Rate Swap Agreements

During 2021, the Network terminated four interest rate swap agreements which were originally entered into to mitigate variable rate exposure and take advantage of low interest rates. Under the terms of the agreements, the Network was paying fixed interest rates of 3.33% to 3.65% in exchange for variable rate payments equal to either 67% or 68% of the one month LIBOR rate. The notional amounts on these swap agreements were tied to estimated outstanding principal on the underlying loan.

Prior to the dates of termination, the Network had recognized an unrealized gain of \$71,821 for 2021 (an unrealized loss of \$11,656 for the year ended December 31, 2020). Additionally in the consolidated statement of operations for the year ended December 31, 2021, the Network paid and recorded a loss on termination attributed to these interest rate swap agreements of \$62,568. The liability balance of the Network's derivative instruments included in other liabilities consists of the following at December 31, 2021 and 2020, respectively:

	2021	2020
Fair value of the Network's derivative instruments (level 2)	\$ -	\$ 71,542

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(in thousands)

10. Pension Plans, Postretirement Health Care and Postemployment

The Network sponsors a tax-qualified noncontributory defined benefit plan, the Consolidated Pension Plan of Hackensack Meridian Health (“Consolidated Plan”). The Consolidated Plan consists of seven legacy defined benefit plans that used to be maintained separately by BMC, Carrier, HUMC, JFK, MHC, PMC and RBMC. These plans have been merged into a single plan as of December 31, 2020.

All legacy component plans are closed for new membership. Benefit accruals have also become completely frozen as of December 31, 2021 due to an amendment to freeze the remaining benefit accruals for the grandfathered HUMC and PMC participants as of December 31, 2021, and the calculation of benefit obligations and net periodic benefit costs reflects the Plan freeze. This resulted in a curtailment gain that was offset by the Consolidated Plan’s unrecognized loss, and since the Consolidated Plan had no prior service cost, there was no impact on the net benefit cost.

Certain participants of the legacy HUMC plan have also accrued benefits under a 457(f) deferred compensation plan (“HUMC SERP”) where benefit accruals were frozen as of December 31, 2010. The Plan intended to restore benefits lost by certain employees due to the statutory limits based on salary and service through December 31, 2010.

Pursuant to the Accounting Standards Update (ASU) 2018-14, the Network has disclosed the weighted average interest crediting rate (for JFK and Meridian legacy plans) and additional information for plans with Accumulated Benefit Obligation (ABO) or Projected Benefit Obligation (PBO) in excess of plan assets.

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The following table sets forth the funded status of the combined defined benefit pension plans for the years ended December 31, 2021 and 2020:

	2021	2020
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 2,199,472	\$ 2,009,056
Service cost (credit)	11,930	12,825
Interest cost (credit)	57,493	67,003
Actuarial (gain) loss	(71,745)	205,423
Benefits paid	(102,780)	(87,430)
Curtailment (gain) loss	(11,328)	(7,405)
Settlements	(3,946)	-
	<u>2,079,096</u>	<u>2,199,472</u>
Change in plan assets		
Fair value of plan assets at beginning of year	1,875,761	1,691,555
Actual return on plan assets	183,620	231,624
Employer contributions	8,957	40,012
Benefits paid	(102,780)	(87,430)
Settlements	(3,946)	-
	<u>1,961,612</u>	<u>1,875,761</u>
Fair value of plan assets at end of year	<u>1,961,612</u>	<u>1,875,761</u>
Funded status at end of year	<u>\$ 117,484</u>	<u>\$ 323,711</u>
Accumulated benefit obligation, end of year	<u>\$ 2,079,096</u>	<u>\$ 2,185,830</u>
Amounts recognized in the consolidated balance sheets consist of		
Current liability (included in accounts payable and accrued expenses)	\$ 7,014	\$ 6,357
Accrued pension benefits	110,470	317,354
Total accrued pension liability	<u>\$ 117,484</u>	<u>\$ 323,711</u>
Amounts recognized in net assets without donor restrictions not yet captured within net periodic benefit costs consist of		
Net loss	<u>\$ 410,509</u>	<u>\$ 572,033</u>
	<u>\$ 410,509</u>	<u>\$ 572,033</u>
Amounts in net assets without donor restrictions expected to be recognized in the following fiscal year's net periodic benefit cost		
Net loss	\$ 8,216	\$ 13,411
	<u>\$ 8,216</u>	<u>\$ 13,411</u>
Additional information for plans with projected benefit obligations in excess of plan assets		
Projected benefit obligation	\$ 2,079,096	\$ 2,199,472
Fair value of plan assets	1,961,612	1,875,761

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At December 31, 2021 and 2020, the respective plans utilized discount rates as described below for the determination of the benefit obligations and the net periodic benefit cost. The discount rate was derived using the bond matching method and determined with an analysis of bonds available with an "AA-" or better rating rated by S&P or Moody's. A hypothetical bond portfolio was constructed to match the expected monthly benefit payments under the Plans.

	2021	2020
Weighted-average assumptions used to determine benefit obligations		
Discount rate	2.98 %	2.68 %
Rate of compensation increase	N/A	3.00 %
Interest crediting rate	3.80 %	4.10 %
Weighted average assumptions used to determine net periodic benefit cost		
Discount rate	2.68 %	3.42 %
Expected return on plan assets	6.58 %	7.00 %
Rate of compensation increase	3.00 %	3.00 %
Interest crediting rate	4.10 %	N/A

The net periodic pension cost and pension-related adjustments included the following components for the years ended December 31, 2021 and 2020:

	2021	2020
Net periodic benefit cost		
Service cost (credit)	\$ 11,930	\$ 12,825
Interest cost (credit)	57,493	67,003
Expected return on assets	(120,337)	(116,745)
Settlement (gain) loss	1,758	-
Curtailment (gain) loss	-	(15,407)
Prior service cost (credit)	-	(4,153)
Actuarial gain (loss)	13,411	13,181
Net periodic benefit cost	<u>(35,745)</u>	<u>(43,296)</u>
Pension-related adjustments		
Net actuarial (gain) loss	(161,524)	69,958
Net prior service cost (credit)	-	19,561
Total pension-related adjustments	<u>(161,524)</u>	<u>89,519</u>
Total net periodic benefit cost and pension-related adjustments	<u>\$ (197,269)</u>	<u>\$ 46,223</u>

Pursuant to the Accounting Standards Update ("ASU 2017-07"), only the service cost of the net periodic pension cost is included in employee benefits in the consolidated statements of operations. The other components of net periodic benefit cost represent gains of \$47,675 and \$56,122 for the years ended December 31, 2021 and 2020, respectively, and are included in other gains, net in the consolidated statements of operations.

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Funding Policy

The Network's funding policy for the defined benefit plan is to contribute annually an amount at least as much as the minimum amount required by the Employee Retirement Income Security Act of 1974 (ERISA), plus additional amounts, which may be approved by the Board or delegated committees and management from time to time.

Investment Policy

The pension investment portfolio is managed by a dedicated internal investment office with oversight from the Investment Committee of the Board of Trustees. As such, the investment policy and strategy with respect to all defined benefit plan portfolios is to provide for growth of capital with a moderate level of volatility by investing in assets based on the Plan's target allocations. The expected long-term rate of return assumptions are based on forward-looking return forecasts for specific modeled asset classes. The long-term forecasts are based on their analysis of long-cycle historical data as well as their longer-term global views. The target allocations have been set to achieve a long-term rate of return of 6.58% for all of the Plans.

The target asset allocations of the pension plan assets are as follows:

Investment Categories	2021	2020
Equities (domestic and foreign)	44 %	48 %
Fixed income	41	37
Alternative investments	14	14
Cash equivalents	1	1
	<u>100 %</u>	<u>100 %</u>

Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Plans' investments at fair value as of December 31, 2021 and 2020:

	2021		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Cash and cash equivalents	\$ 43,369	\$ -	\$ 43,369
Exchange traded securities	279,090	-	279,090
Corporate debt securities	-	202,346	202,346
US Government and municipal securities	-	18,732	18,732
Mutual funds	694,290	-	694,290
Total assets at fair value	<u>\$ 1,016,749</u>	<u>\$ 221,078</u>	1,237,827
Common collective trusts			460,022
Alternative investments			263,763
			<u>\$ 1,961,612</u>

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	2020		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and cash equivalents	\$ 47,536	\$ -	\$ 47,536
Corporate equity securities	214,171	-	214,171
Corporate bonds	-	91,745	91,745
Government securities	-	23,618	23,618
Mutual funds-equity	542,058	-	542,058
Mutual funds-fixed income	397,208	-	397,208
Total assets at fair value	\$ 1,200,973	\$ 115,363	1,316,336
Common collective trusts			362,537
Alternative investments			196,888
			\$ 1,875,761

Common/collective trusts and alternative investments in the Plans' investments are excluded from the fair value hierarchy table as they are valued using NAV as a practical expedient.

At December 31, 2021 and 2020, the Network's remaining outstanding funding commitments to alternative investments were \$22,015 and \$2,050, respectively.

Contributions

Based on its current funded status, the Network is not required to make a contribution to its Plan in 2022.

Estimated Future Benefit Payments

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

	Pension Benefits
2022	\$ 105,351
2023	106,112
2024	106,800
2025	112,274
2026	110,602
2027–2031	567,537

Defined Contribution Plans

As of December 31, 2021, the Network sponsors four 401(k) savings plans where all eligible employees of HMM are contributing and receiving matching contributions. In addition, there are two legacy defined contribution plans. The Network also maintains frozen legacy 403(b) and 401(a)/401(k) plans. Total matching contributions to the defined contribution plans for the years ended December 31, 2021 and 2020 were \$71,967 and \$71,909, respectively.

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Other Benefit Plans

Certain employees of the Network participate in various postemployment benefit plans. In connection with these plans, the Network funds the expenses as incurred.

Certain employees of the Network participate in various deferred compensation plans established pursuant to Sections 457(b) and 457(f) of the Code. For 457(b) plans, the Network deposits amounts with trustees on behalf of the participating employees. Under the terms of these plans, the Network is not responsible for investment gains or losses incurred. The assets set aside under the Plans are designated for payments under the Plans, but may revert to the Network under certain specified circumstances. The participating employees will receive the account balance at retirement. Therefore, at December 31, 2021 and 2020, amounts on deposit with the trustees (at fair value) were equal to the liability under the 457(b) plans. For 457(f) plans, the Network funds benefit payments and expenses as incurred.

The Network has recognized liabilities, in connection with a self-insured medical and dental plan for its employees of \$17,893 and \$18,145 at December 31, 2021 and 2020, respectively. This liability is included in accounts payable and accrued expenses in the consolidated balance sheets.

11. Leases

On January 1, 2019, the Network adopted new guidance for the accounting and reporting of leases. The Network has operating leases primarily for real estate, including medical office buildings, corporate and other administrative offices, as well as medical and office equipment. As permitted under the transition guidance in ASC 842, the Network elected a package of practical expedients which, among other provisions, allowed the Network to carry forward historical lease classifications. The Network determines if an arrangement is a lease at inception of the contract. When evaluating contracts for embedded leases, the Network exercises judgment to determine if there is an explicit or implicit identified asset in the contract and if the Network controls the use of that asset. Embedded leases are immaterial to the consolidated financial statements.

Under ASC 842 transition guidance, the Network elected the hindsight practical expedient to determine the lease term for existing leases, which permitted companies to consider available information prior to the effective date of the new guidance as to the actual or likely exercise of options to extend or terminate the lease. Certain real estate leases have renewal options and the lease term includes options to extend or terminate the lease when it is reasonably certain that the Network will exercise that option. Real estate lease agreements typically have initial terms of five to ten years, and equipment lease agreements typically have initial terms of three years.

Lease expense for operating lease payments is recognized on a straight-line basis over the term of the lease. Operating lease assets and liabilities are recognized based on the present value of lease payments over the lease term. Since the Network's leases do not have a readily determinable implicit discount rate, the Network uses its incremental borrowing rate to calculate the present value of lease payments. As a practical expedient, the Network has made an accounting policy election for all asset classes not to separate lease components from nonlease components in the event that the agreement contains both. The Network includes both the lease and nonlease components for purposes of calculating the right-of-use asset and related lease liability (if the nonlease components are fixed). For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the right-to-use asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the

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(in thousands)

lease term. The Network's policy for equipment leases with future minimum lease payments totaling less than \$50 is to expense as paid as they are immaterial.

The table below presents certain information related to the lease costs for finance and operating leases:

	2021	2020
Finance lease cost		
Amortization of leased assets	\$ 5,037	\$ 4,334
Interest on lease liabilities	3,595	(3,279)
Operating lease cost	41,464	46,699
Short-term and variable lease costs, net of sublease income	<u>26,156</u>	<u>23,437</u>
Total lease cost	<u>\$ 76,252</u>	<u>\$ 71,191</u>

Supplemental consolidated balance sheet information related to operating and finance leases at December 31, 2021 and 2020 is as follows:

	Classification on the Consolidated Balance Sheet	2021	2020
Assets			
Operating lease assets	Operating lease right-of-use assets	\$ 218,323	\$ 237,313
Finance lease assets	Property and equipment, net	96,401	101,437
Total lease assets		<u>\$ 314,724</u>	<u>\$ 338,750</u>
Liabilities			
Current			
Operating	Current portion of operating lease obligations	\$ 35,531	\$ 34,440
Finance	Current maturities of long-term debt and finance lease obligations	3,822	4,254
Noncurrent			
Operating	Long-term operating lease obligations	190,689	209,135
Finance	Long-term debt and finance lease obligations, less current maturities	<u>140,225</u>	<u>143,760</u>
Total lease liabilities		<u>\$ 370,267</u>	<u>\$ 391,589</u>
Weighted-average remaining lease term (in years)			
Operating leases		9	9
Finance leases		20	20
Weighted-average discount rate			
Operating leases		3.18 %	3.17 %
Finance leases		4.07	4.08

The table below presents supplemental cash flow information related to leases:

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	\$ 43,107	\$ 43,053
Operating cash flows for finance leases	7,582	6,815

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Future minimum lease payments under operating leases at December 31, 2021 is as follows:

2022	\$ 41,934
2023	36,438
2024	33,774
2025	30,379
2026	27,775
Thereafter	<u>89,928</u>
Total minimum lease payments	260,228
Less: Imputed interest	<u>(34,015)</u>
Total lease liabilities	<u>\$ 226,213</u>

12. Functional Expenses

The Network provides general health care services and programs. Expenses that can be identified with a specific program are charged directly. Other expenses that are common to program and management services are allocated by various statistical bases.

Expenses related to providing these services consist of the following:

	2021			2020		
	Program Services	Management Services	Total	Program Services	Management Services	Total
Salaries and contracted labor	\$ 1,919,189	\$ 575,829	\$ 2,495,018	\$ 1,839,885	\$ 519,785	\$ 2,359,670
Physician salaries and fees	451,898	43,404	495,302	413,189	35,556	448,745
Employee benefits	458,340	133,261	591,601	424,234	131,479	555,713
Supplies and other	1,735,020	749,900	2,484,920	1,588,944	604,341	2,193,285
Depreciation and amortization	187,225	79,555	266,780	174,628	84,628	259,256
Interest	63,751	26,643	90,394	55,868	26,266	82,134
Total expenses	<u>4,815,423</u>	<u>1,608,592</u>	<u>6,424,015</u>	<u>4,496,748</u>	<u>1,402,055</u>	<u>5,898,803</u>
Other components of net periodic benefit cost	<u>(47,675)</u>	<u>-</u>	<u>(47,675)</u>	<u>(56,122)</u>	<u>-</u>	<u>(56,122)</u>
	<u>\$ 4,767,748</u>	<u>\$ 1,608,592</u>	<u>\$ 6,376,340</u>	<u>\$ 4,440,626</u>	<u>\$ 1,402,055</u>	<u>\$ 5,842,681</u>

13. Commitments and Contingencies

Lines of Credit

The Network had available lines of credit totaling \$200,000 at December 31, 2021 and 2020. The Network had \$15,276 and \$13,250 at December 31, 2021 and 2020, respectively, ear-marked against these lines as collateral for certain insurance policies at HMHHC, leaving \$184,724 and \$186,750 available for cash demands at December 31, 2021 and 2020, respectively. No amounts are outstanding as of December 31, 2021.

Litigation

Various suits, investigations and claims arising in the normal course of operations are pending or are on appeal against the Network. Such suits and claims are either specifically covered by insurance or are not material. While the outcome of these suits cannot be determined with certainty at this time, management believes that any loss which may arise from those suits and claims will not have a material adverse effect on the consolidated financial position or consolidated results of operations of the Network.

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(in thousands)

14. Professional and General Liability Insurance

The Network maintains alternative risk finance programs for its facilities via wholly owned Bermuda domiciled captive insurance companies. Additionally, certain risks are covered through third party insurance policies.

The Network's consolidated balance sheets includes the following estimated liabilities included in other liabilities for hospital professional liability ("HPL"), employed (physician) provider professional liability ("EPPL") general liability ("GL") and workers compensation ("WC") at December 31, 2021 and 2020:

Type of Coverage	Nature of Claims	2021	2020
HMHCCL insurance liabilities	HPL, GL, EPPL and WC	\$ 117,970	\$ 114,724
Third party insured liabilities	WC	18,515	21,608
Incurred but not reported	HPL, GL and WC	75,074	68,181
		<u>\$ 211,558</u>	<u>\$ 204,513</u>

Additionally, the Network has recorded estimated insurance recoveries totaling \$23,010 and \$28,915 at December 31, 2021 and 2020, which is included in other assets on the consolidated balance sheets, respectively. The total represents estimated recoveries from the captives' reinsurance policies as well as third party insurance policies.

Captive Insurance Companies

Coastal (established in 1998); HUMCCO (established in 2003); and Atlantic (established in 1987) provided various coverages to legacy MHS, HUHNN and JFK Health facilities, respectively. As of December 31, 2019, Atlantic merged with Coastal and Coastal assumed all coverage obligations of Atlantic. All captives provided indemnification for respective HPL and GL exposures. Additionally, Coastal provided funding for indemnification for exposures related to EPPL; Excess HPL; Umbrella Liability; and WC. As of December 31, 2020, Coastal and HUMCCO merged with HMHCCL whereby HMHCCL continued as the surviving entity and assumed all coverage obligations of Coastal and HUMCCO.

As of January 1, 2021 HMHCCL provided funding for HPL and GL exposures of \$4,000 for each incident for the Network. The HPL coverage on this program responds to claims and suits on a claims-made basis and the GL responds to claims and suits on an occurrence basis.

Prior to January 1, 2020, Coastal provided indemnification for the deductible portion of legacy MHS workers compensation claims per occurrence exposures ranging from \$250 to \$750 per accident subject to an overall annual aggregate. The per occurrence exposure and annual aggregate for the year ending December 31, 2019 was \$750 and \$17,100, respectively. Upon the merger as described above, HMHCCL has assumed responsibility for these obligations.

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(in thousands)

Reinsurance and Excess Coverage

For the years ended December 31, 2021 and 2020, HMCCL purchased annual reinsurance policies in the amount of \$100,000 and \$150,000, respectively, per claim subject to an annual aggregate of \$100,000 and \$150,000, respectively, in excess of HMCCL's primary and first excess layer.

Self Insured Workers Compensation

HMH maintained a self-insured workers compensation program for the years ended December 31, 2021 and 2020. HMH has recorded an estimated liability for claims incurred but not yet reported within the self-insurance period on the consolidated balance sheets as of December 31, 2021 and 2020 of \$33,392 and \$27,843, respectively. Effective January 1, 2020, the team members of legacy MHS were added to this plan and removed from Coastal. Excess workers compensation coverage is purchased in the commercial market place in excess of \$750 per claim. In addition, the captive excess coverage includes excess employers liability insurance over and above that provided under the excess workers compensation coverage.

15. Concentration of Credit Risk

The Network grants credit without collateral to its patients, most of whom are local residents and are insured under third party payor agreements.

Concentrations of net accounts receivable from patients and third party payors were as follows:

	2021	2020
Medicare and Medicaid	36 %	37 %
Managed Care HMO	53	52
Other third party payors	11	11
Self-pay patients	-	-
	<u>100 %</u>	<u>100 %</u>

Hackensack Meridian Health, Inc.
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(in thousands)

16. Discontinued Operations

During 2021, the Network entered into a Purchase and Sale agreement and letters of intent relating to the sale of its nursing homes and assisted living facilities included within HMHRC. The sale of the facilities is anticipated to be completed within two separate transactions during 2022. There is expected to be various forms of continuing involvement subsequent to the closure of these transactions for preferred provider relationships and pharmacy services. At this time terms and conditions are not expected to be finalized until closure in 2022. The sale of Prospect Heights Care Center and West Caldwell Care Center (“JV Facilities”), of which the Network has 51% ownership, represents one transaction. A second transaction, for which a definitive agreement with an unrelated third party entity was entered into March 22, 2022, includes the following entities that are 100% wholly owned by the Network and include: Meridian Nursing and Rehabilitation at Brick, Meridian Nursing and Rehabilitation at Ocean Grove, Meridian Nursing and Rehabilitation at Shrewsbury, Meridian Subacute Rehabilitation, Bayshore Health Care Center, The Harborage, JFK at Cedar Brook, JFK Hartwyck at Oak Tree, Regent Care Center, The Willows at Holmdel, and JFK at Whispering Knoll. As of December 31, 2021 and 2020, assets and liabilities of the two disposal groups have been classified as held for sale within the consolidated balance sheets. The two disposal groups share incurred losses from operations for the years ended December 31, 2021 and 2020, respectively. These losses are included in loss on discontinued operations in the consolidated statements of operations of \$52,513 and \$44,549. In addition, included in loss on discontinued operations for the year ended December 31, 2021 is an impairment loss of \$29,800 attributed to the expected loss on sale of the JV Facilities. The impairment loss considers the quoted sale price agreed upon between the parties for the transactions and the carrying value of the net assets. The sales result in the elimination of substantially all ownership in nursing homes and assisted living facilities.

The following table sets forth the components of discontinued operations:

	2021	2020
Net patient service revenue	\$ 178,947	\$ 171,283
Other revenue	9,577	10,344
Total unrestricted revenues and other support	<u>188,524</u>	<u>181,627</u>
Salaries and contracted labor	123,174	142,406
Physician salaries and fees	33	37
Employee benefits	30,551	34,829
Supplies and other expenses	61,930	69,485
Depreciation and amortization	33,554	14,972
Interest	6,628	5,291
Total expenses	<u>255,870</u>	<u>267,020</u>
Excess (deficit) of revenues over expenses before federal legislative relief	(67,346)	(85,393)
Federal legislative relief	14,833	40,843
Loss on discontinued operations	<u>\$ (52,513)</u>	<u>\$ (44,550)</u>

Hackensack Meridian Health, Inc.
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(in thousands)

The following table provides the components of assets and liabilities held for sale:

	2021	2020
Cash and cash equivalents	\$ 277	467
Assets limited as to use and short-term investments, current portion	379	352
Patient accounts receivable, net	18,995	14,104
Other current assets	1,110	1,761
Current assets held for sale	<u>20,761</u>	<u>16,684</u>
Assets limited as to use and investments, noncurrent portion	867	929
Property and equipment, net of accumulated depreciation and impairment loss of \$91,899 in 2021 and \$58,250 in 2020) ¹	145,071	176,367
Operating lease right-of-use assets	208	239
Other assets	7,630	8,720
Other assets held for sale	<u>153,776</u>	<u>186,255</u>
Total assets held for sale	<u>\$ 174,537</u>	<u>\$ 202,939</u>
Current maturities of long-term debt and finance lease obligations	\$ 776	\$ 741
Current portion of operating lease obligations	35	28
Accounts payable and accrued expenses	4,489	4,711
Other current liabilities	83	2,404
Current liabilities held for sale	<u>5,383</u>	<u>7,884</u>
Long-term debt and finance lease obligations ²	40,788	41,565
Long-term operating lease obligations	182	216
Other liabilities held for sale	<u>40,970</u>	<u>41,781</u>
Total liabilities held for sale	<u>\$ 46,353</u>	<u>\$ 49,665</u>

¹Property and equipment is predominately comprised of building and fixed equipment.

²Long-term debt is comprised of four commercial mortgages with fixed interest rates between 3.95% and 5.41%.

Cash flow activities from discontinued operations include:

	2021	2020
Depreciation expense, including impairment loss of \$29,824 in 2021	\$ 33,649	\$ 8,227
Amortization expense	-	6,745
Capital expenditures	2,353	4,702
Repayment on long-term debt	741	706

17. Subsequent Events

The Network performed an evaluation of subsequent events through April 8, 2022 which is the date the consolidated financial statements were issued.

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(in thousands)

18. U.S. Department of Education Title IV Supplemental Information

The Network participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited consolidated financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income.

Inputs related to property, plant and equipment, net and long term debt are divided between pre-implementation (2019) financial statement amounts and post implementation Property, plant and equipment, net and long-term debt acquired subsequent to the implementation.

Hackensack Meridian Health, Inc.

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(in thousands)

These ratios as presented within the supplemental schedule of financial responsibility ratios for the year ended December 31, 2021 utilize the following financial data of the Network, which are not otherwise presented in the consolidated financial statements or other notes to the consolidated financial statements, as of and for the year ended December 31, 2021:

Required input per standards (dollars in thousands)	Ratio(s) Uses	Input Amount	Related Financial Statement Amount Not Used as Input on Supplementary Schedule
Assets			
Unsecured related party receivables (contributions receivable)	Primary reserve / Equity ratio	\$ 13,350	
Pre-Implementation property and equipment net			
a. Ending balance of last financial statements submitted to Department of Education	N/A		2,764,581
b. Less: Assets held for sale - discontinued operations (See Note 16)	N/A		(176,368)
c. Less: Subsequent depreciation and disposals	N/A		(163,303)
d. Balance of Pre-Implementation property and equipment, net	Primary reserve	2,424,910	
Post-implementation property and equipment, net -purchase with outstanding debt	Primary reserve	30,104	
Post-implementation property and equipment, net -purchase without outstanding debt	Primary reserve	496,357	
Pre-implementation construction in progress without outstanding debt	Primary reserve	-	
Pre-implementation construction in progress with outstanding debt	Primary reserve	-	
Post-implementation construction in progress without outstanding debt	Primary reserve	223,551	
Post-implementation construction in progress with outstanding debt	Primary reserve	-	
Total property, plant, equipment, net	N/A		<u>3,174,922</u>
Pre-Implementation Operating lease right of use assets	Primary reserve / Equity ratio	-	
Post-Implementation Operating lease right of use assets - purchase with outstanding debt	Primary reserve	218,323	
Post-Implementation Operating lease right of use assets - purchase without outstanding debt	Primary reserve	-	
Total Operating lease right of use assets	N/A		<u>218,323</u>
Intangible assets	Primary reserve / Equity ratio	68,202	
Liabilities			
Pre-Implementation long term debt and finance lease obligations:			
a. Last ending balance submitted to Department of Education, up to Property and Equipment	N/A		2,048,559
b. Less: Assets held for sale - discontinued operations (See Note 16)	N/A		(42,306)
c. Less: Unallowable debt-greater than property and equipment	N/A		-
d. Less: Subsequent debt repayments	N/A		(80,031)
e. Balance of Pre-Implementation long term debt and finance lease obligations	Primary reserve	1,926,222	
Allowable post-implementation debt used for capitalized long-lived assets	Primary reserve	30,104	
Construction in progress financed with short term debt	Primary reserve	-	
Long-term debt for operations and unspent capital funds	N/A		1,192,425
Post-implementation bonds payable and other debt, net	Primary reserve	-	
Other long term debt	N/A		-
Total long-term debt and finance lease obligations	N/A		<u>3,148,751</u>
Right of use liabilities - for long-term purposes pre-implementation	Primary reserve / Equity ratio	-	
Right of use liabilities- for long-term purposes post-implementation	Primary reserve	226,220	
Total right of use liabilities	N/A		<u>226,220</u>
Net assets with donor restrictions			
Restricted in perpetuity	Primary reserve	76,644	
Other net assets with donor restrictions:			
a. Annuities with donor restrictions	Primary reserve	2,601	
b. Term endowments	Primary reserve	5,549	
c. Life income funds	Primary reserve	13,752	
d. Other net assets restricted by purpose and time	N/A		201,342
Total net assets with donor restrictions	Primary reserve / Equity ratio	299,888	
Revenue and gains without donor restrictions			
Total unrestricted revenues and other support of \$6,449,899 (which includes investment income of \$22,000 - Note 5) and Federal Legislative Relief of \$156,953	N/A		6,606,862
Other gains, including non-service component of net periodic pension / post-employment	N/A		49,762
Investment income, net	N/A		326,075
Gain on derivative investments	N/A		9,253
Pension related adjustments	N/A		161,524
Nonoperating activities: Net assets released from restriction for capital acquisitions, contributions from noncontrolling interests and other changes	N/A		29,532
Total revenue and gains without donor restrictions	Net income	<u>7,183,008</u>	
Expenses and losses without donor restrictions			
Total operating expenses without donor restriction	Primary reserve	6,424,015	-
Total losses without donor restrictions	Primary reserve	52,513	-
Non operating activities: Pension related adjustments	N/A	-	-
Non operating activities: Net investment loss	N/A	-	-
Non operating activities: Unrealized loss on derivative investments	N/A	-	-
Total losses without donor restrictions	Primary reserve	-	-
Less: Pension related adjustments	Primary reserve	-	-
Total expenses and losses without donor restrictions	Primary reserve / Net Income	<u>\$ -</u>	

Part II
Supplementary Information

Hackensack Meridian Health, Inc.

Schedule of Financial Responsibility Ratios

As of and For the Year Ended December 31, 2021

Location in financial statements or related notes	Financial element	GAAP Financial Statement Line Item or Disclosure	Amount Used as Ratio Input
<i>(in thousands)</i>			
Primary Reserve Ratio: Expendable Net Assets			
Consolidated balance sheets	Net assets without donor restrictions	4,811,154	4,811,154
Consolidated balance sheets	Net assets with donor restrictions	299,888	299,888
Note 18, U.S. Department of Education Title IV Supplemental Information	Unsecured related party receivable - contributions receivable	-	13,350
Consolidated balance sheets	Total property, plant, and equipment, net	3,174,922	-
Note 18, U.S. Department of Education Title IV Supplemental Information	Property, plant and equipment, net - pre-implementation	-	2,424,910
Note 18, U.S. Department of Education Title IV Supplemental Information	Property, plant and equipment, net - post-implementation with outstanding debt for original purchase	-	30,104
Note 18, U.S. Department of Education Title IV Supplemental Information	Property, plant and equipment, net - post-implementation without outstanding debt for original purchase	-	496,357
Note 18, U.S. Department of Education Title IV Supplemental Information	Construction in progress - post implementation with outstanding debt for original purchase	-	-
Note 18, U.S. Department of Education Title IV Supplemental Information	Construction in progress - post implementation without outstanding debt for original purchase	-	223,551
Note 11, Leases	Total lease right-of-use assets	218,323	-
Note 18, U.S. Department of Education Title IV Supplemental Information	Lease right-of-use assets - pre-implementation	-	-
Note 18, U.S. Department of Education Title IV Supplemental Information	Lease right of use assets, post-implementation	-	218,323
Note 18, U.S. Department of Education Title IV Supplemental Information	Intangible assets	-	68,202
Note 10, Pension Plans, Postretirement Health Care and Postemployment	Post-employment and pension liabilities	117,484	117,484
Note 8, Long-Term Debt	Total long-term debt	3,148,751	-
Note 18, U.S. Department of Education Title IV Supplemental Information	Long-term debt - for long-term purposes - pre- implementation	-	1,926,222
Note 18, U.S. Department of Education Title IV Supplemental Information	Long-term debt - for long-term purposes - post- implementation	-	30,104
Note 18, U.S. Department of Education Title IV Supplemental Information	Line of credit for construction in progress	-	-
Note 11, Leases	Total liability related to lease right-of-use assets	226,220	-
Note 18, U.S. Department of Education Title IV Supplemental Information	Liability related to lease right-of-use assets - pre- implementation	-	-
Note 18, U.S. Department of Education Title IV Supplemental Information	Liability related to lease right-of-use assets - post-implementation	-	226,220
Note 18, U.S. Department of Education Title IV Supplemental Information	Net assets with donor restrictions: restricted in perpetuity	-	76,644
Note 18, U.S. Department of Education Title IV Supplemental Information	Annuities with donor restrictions	-	2,601
Note 18, U.S. Department of Education Title IV Supplemental Information	Term endowments with donor restrictions	-	5,549
Note 18, U.S. Department of Education Title IV Supplemental Information	Life income funds with donor restrictions	-	13,752
Primary Reserve Ratio: Expenses and Losses			
Consolidated statement of operations	Total expenses without donor restrictions	6,424,015	6,424,015
Note 18, U.S. Department of Education Title IV Supplemental Information	Total losses without donor restrictions	-	52,513
Consolidated statement of operations	Pension related changes other than Net periodic benefit costs	-	-
Equity Ratio			
Modified Net Assets			
Consolidated balance sheets	Net assets without donor restrictions	4,811,154	4,811,154
Consolidated balance sheets	Net assets with donor restrictions	299,888	299,888
Note 18, U.S. Department of Education Title IV Supplemental Information	Intangible assets	-	68,202
Note 18, U.S. Department of Education Title IV Supplemental Information	Unsecured related party receivable	-	13,350
Modified Assets			
Consolidated balance sheets	Total assets	10,733,849	10,733,849
Note 18, U.S. Department of Education Title IV Supplemental Information	Intangible assets	-	68,202
Note 18, U.S. Department of Education Title IV Supplemental Information	Unsecured related party receivable	-	13,350
Note 18, U.S. Department of Education Title IV Supplemental Information	Lease right-of-use assets - pre-implementation	-	-
Note 18, U.S. Department of Education Title IV Supplemental Information	Liability related to lease right-of-use assets - pre- implementation	-	-
Net Income Ratio:			
Consolidated statement of operations	Change in net assets without donor restrictions	706,480	706,480
Note 18, U.S. Department of Education Title IV Supplemental Information	Total revenues and gains without donor restrictions	-	7,183,008

Hackensack Meridian Health, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Program	ALN	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number / Contract Award Number	Total Expenditures	Pass To Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER							
U.S. Department of Health and Human Services							
DOJ: Chemigenomic Drug Discovery for Tuberculosis	12.420	\$ -	\$ 120,181	Harvard T.H. Chan School of Public Health	W81XWH-17-1-0692	\$ 120,181	\$ -
Reinnervation of Paralyzed Limb Muscle by Nerve-Muscle-Endplate Grafting Technique	12.420	444,537	-			444,537	-
COVID-19 - Phase II Randomized Study of Cavalescent Plasma as Treatment for Subjects with Early COVID-19 Infection	12.420	695,958	-			695,958	-
Biomarkers and Pathogenesis of Cutaneous Fibrosis	12.420	24,804	-			24,804	-
		1,165,299	120,181			1,285,480	-
COVID-19 Network of Networks Expanding Clinical and Translational approaches to Predict Severe Illness in Children	93.310	-	86,363	Rutgers, The State University	1R61HD105619-01	86,363	-
DNA Repair Phenotype the Missing Link in Breast Cancer Risk Assessment	93.113	-	130,116	The Trustees at Columbia	U01ES029660	130,116	-
Neuromuscular Specializations of the Human Soft Palate	93.173	47,864	-			47,864	-
Simulation to Improve Infection Prevention and Patient Safety: The SIPPS Trial	93.226	-	56,411	The Trustees at Columbia	R18HS026418	56,411	-
COVID-19: The impact of COVID-19 on Latina and African-American breast cancer survivors in the Washington D.C. area	93.350	-	382	Georgetown University	UL1TR0001409	382	-
Patients Perceptions of Electronic Health Record use during initial oncology outpatient clinic visits	93.361	-	76,775	Stevens Institute of Technology	R15NR018965	76,775	-
eDecidele: Mobile Cessation Support for Latino Smokers	93.393	-	16,638	University of Rochester	R01CA212189	16,638	-
TMEM, MENAcac, and MENAINV as Prognostic and Predictive Markers for Breast Cancer Metastasis	93.393	-	128,355	Albert Einstein College of Medicine, Inc	R01CA240646	128,355	-
			144,993			144,993	-
Molecular Markers of Risk of Subsequent Invasive Breast Cancer in Women with Ductal Carcinoma in Situ	93.394	-	367,050	NIH/Albert Einstein College of Medicine,	R01CA218429	367,050	-
A reciprocal support writing intervention to reduce symptoms during stem cell transplant study	93.395	-	115,810	Northwestern University	R01CA2236963	115,810	-
Ex vivo culture platform validation for preservation of patient derived multiple myeloma cells	93.395	334,582	-			334,582	152,464
Targeting Transcriptional Co-repressor CoRest Complex in Melanoma	93.395	427,632	-			427,632	75,417
		762,214	115,810			878,024	227,881
Modulating Signaling Pathways in Endothelial Cells to Abate Leukemic Progression	93.396	89,593	-			89,593	-
Epigenetic Therapies - New Approaches, Project 1	93.397	-	48,490	Coriell Institute for Medical Research	1P50CA254897-01A1	48,490	-
Epigenetic Therapies- New Approaches, Pathology Core	93.397	-	7,953	Coriell Institute for Medical Research	1P50CA254897-01A1	7,953	-
			56,443			56,443	-
NIDILRR Disability and Rehab. Research Projects TBI Model Systems Characterization and Treatment of Chronic Pain After Severe Traumatic Brain Injury	93.433	278,388	-			278,388	-
	93.433	-	9,000	Craig Hospital	90OPTB0017-03-00	9,000	-
		278,388	9,000			287,388	-
NIH: A Multi-scale systems pharmacology approach to TB therapy	93.838	-	2,658	University of Michigan Medical School	U01HL131072	2,658	-
Exhaled Small RNA Biomarkers to Detect and Monitor Airway Disease	93.838	-	193,815	Albert Einstein College of Medicine, Inc	R33HL156270	193,815	-
			196,473			196,473	-
Hackensack University Medical Center Accountable Health Communities Track 2 Assistance Intervention:Improving Population Health in Bergen County, New Jersey	93.650	612,927	-			612,927	-
NIH: A Multi-scale systems pharmacology approach to TB therapy	93.846	-	2,000	Duke University	5K23-AR075874-02	2,000	-
Targeting Lewy Body Specific Pathology Using Biomarkers	93.853	-	108,736	The Trustees at Columbia	U01NS100600	108,736	-
Functional Characterization of an Enhancer RNA in Cerebral Ischemia	93.853	184,490	-			184,490	-
		184,490	108,736			293,226	-

The accompanying notes on pages 49-50 are an integral part of this schedule.

Hackensack Meridian Health, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Program	ALN	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number / Contract Award Number	Total Expenditures	Pass To Subrecipients
Defining STIM1 function at the Immunological Synapse	93.855	-	4,772	Temple University	5R01AI152506-02	4,772	-
Synthetic rescue of antigen-driven T cells and autoimmunity	93.855	-	149,155	Temple University	5R01AI143256-03	149,155	-
Novel bi-specific immunotherapeutic against high-threat Gram-negative pathogens	93.855	1,536,319	-			1,536,319	-
Combating natural resistance and persistence in non-TB mycobacterial disease	93.855	839,178	-			839,178	-
NIH: Critical Factors Influencing Echinocandin Resistance in Candida glabrata	93.855	1,219,816	-			1,219,816	-
NIH: Novel bi-specific immunoprophylactics against multi-drug resistant Gram-negative bacterial infections	93.855	1,195,688	-			1,195,688	38,337
NIH: Tri-Instational TB Research Unit: Persistence and Latency (Core D)	93.855	-	350,279	Weill Cornell Medicine	U19AI111143	350,279	-
NIH: Siderophore Inhibitors for Tuberculosis that Block Mycobactin Biosynthesis	93.855	-	227,958	University of Minnesota	R01AI136445	227,958	-
NIH: Target based discovery of next generation pyrazinamide	93.855	1,131,749	-			1,131,749	270,633
NIH: Targeting Biotin Metabolism in Mycobacterium Tuberculosis	93.855	-	190,167	Sponsored Projects Admin	1R01AI143784-01	190,167	-
NIH: The Molecular basis of the carbapenem resistance epidemic	93.855	1,032,476	-			1,032,476	175,370
Unraveling colistin resistance in Klebsiella pneumoniae	93.855	5,291	-			5,291	-
A Preclinical Program for Targeting Mycobacterium tuberculosis KasA	93.855	-	911	Rutgers, The State University	1R01AI153145-01A1	911	-
Using Collaborative Cross mice to develop a novel model of Mycobacterium abscesses lung infection	93.855	147,298	-			147,298	-
Development of a novel agent to treat antimicrobial resistant Neisseria gonorrhoeae	93.855	-	122,874	Prokaryotics Life Science	R44AI138688	122,874	-
NIH: Center to develop therapeutic countermeasures to high-threat bacterial agents	93.855	6,605,440	-			6,605,440	4,239,419
A Dual-beta-lactam strategy for treating multidrug resistant M abscessus	93.855	584,142	-			584,142	205,336
Lesion-centric optimization of multidrug therapies for tuberculosis	93.855	-	354,200	Trustees of Tufts College	R01AI150684	354,200	-
Antibacterial Resistance Leadership Group (ARLG)	93.855	-	248,071	Duke University-ARLG	UM1AI104681	248,071	-
Novel Strategies for Antibiotic Combinations to Combat Gram-negative Superbugs	93.855	-	107,344	The Research Foundation for SUNY	R01AI14856001	107,344	-
Bacterial Characteristics of Communit-associated Carbapenem-Resistant Enterobacteriaceae	93.855	-	76,729	UNC at Chapel Hill	R01AI143910	76,729	-
Determinants of TB control, relapse and reinfection	93.855	-	54,611	Weill Cornell Medicine	1U19AI162568-01	54,611	-
Transmission Aerobiology of M. tuberculosis: Genes and Metabolic Pathways That Sustain Mb	93.855	-	10,979	Weill Cornell Medicine	1P01AI159402-01	10,979	-
Across an Evolutionary Bottleneck	93.855	-	42,361	University of Pittsburgh	1R21AI152018-01A1	42,361	-
Polycyclonality of carbapenem resistant Enterobacteriaceae bloodstream infections	93.855	666,409	-			666,409	88,332
Translational approaches to improve understanding and outcome in Tuberculous meningitis	93.855	85,692	-			85,692	20,017
Tcf/Lef and B-catenin pathway in follicular helper T cells	93.855	471,310	-			471,310	94,615
Ezh2 regulates follicular helper T cell differentiation	93.855	580,785	-			580,785	51,970
Tcf1 programs CD8 T cell responses to enhance viral and cancer immunity	93.855	689,019	-			689,019	65,549
Immunometabolic regulations of pulmonary TB pathogenesis by adipose tissue	93.855	100,836	-			100,836	-
Harnessing B cells for TB vaccine development to improve therapy of TB and TB-HIV coinfection	93.855	291,293	-			291,293	-
COVID-19: A CETR-based partnership accelerator for rapid drug development targeting SARS-CoV2 and pan-CoVs	93.855	-	-			-	-
Screening for Colonization with Resistant Enterobacteriales in Neutropenic Patients with Hemtologic Malignancies	93.855	-	4,000	Duke University - ARLG	2UM1AI104681-08	4,000	-
NIH: Biomarkers and Mechanisms of Paucibacillary and Latent Tuberculosis	93.855	-	46,806	Rutgers-NJ Medical School	U19AI111276	46,806	-
NIH: Biomarkers and Mechanisms of Paucibacillary and Latent Tuberculosis	93.855	-	91,559	Rutgers-NJ Medical School	U19AI111276	91,559	-
		17,182,741	2,082,776			19,265,517	5,249,578
Epigenetics of Down Syndrome	93.865	1,333,574	-			1,333,574	701,173
Rejuvenation of aged hematopoietic stem cells and endothelial niches by thrombospondin-1 blockade	93.866	527,799	-			527,799	-
mTOR Dependent Regulation of Hematopoietic Stem Cell Aging and Longevity	93.866	-	11,733	New York University, on behalf of its Grossman School of Medicine	1R56AG073379-01	11,733	-
Biomarkers of Alzheimer's Disease in Adults with Down Syndrome	93.866	-	27,721	The Trustees at Columbia	U01AG0051412	27,721	-
		527,799	39,454			567,253	-
Total U.S. Department of Health and Human Services		22,184,889	3,592,963			25,777,852	6,178,632
Total Research and Development Cluster		22,184,889	3,592,963			25,777,852	6,178,632
AGING CLUSTER							
U.S. Department of Health and Human Services							
Special Programs for the Aging Medical Adult Day Care	93.044	-	13,581	County of Union, New Jersey Office of Aging	21-APC-115	13,581	-
Total U.S. Department of Health and Human Services			13,581			13,581	-
Total Aging Cluster			13,581			13,581	-
STUDENT FINANCIAL AID CLUSTER							
U.S. Department of Education							
Federal Supplemental Education Opportunity Grant Program	84.007	21,900	-			21,900	-
Federal Supplemental Education Opportunity Grant Program	84.007	35,700	-			35,700	-
COVID-19 Federal Supplemental Education Opportunity Carens Emergency Grants	84.007	19,991	-			19,991	-
		77,591	-			77,591	-
Federal Pell Grant Program	84.063	432,570	-			432,570	-
Federal Pell Grant Program	84.063	400,026	-			400,026	-
		832,596	-			832,596	-
Federal Direct Student Loans	84.268	2,219,505	-			2,219,505	-
Federal Direct Student Loans	84.268	1,920,299	-			1,920,299	-
Federal Direct Student Loans-Hackensack Meridian School of Medicine	84.268	14,462,687	-			14,462,687	-
		18,602,491	-			18,602,491	-
Total U.S. Department of Education		19,512,678	-			19,512,678	-
Total Student Financial Aid Cluster		19,512,678	-			19,512,678	-

The accompanying notes on pages 49-50 are an integral part of this schedule.

Hackensack Meridian Health, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Program	ALN	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number / Contract Award Number	Total Expenditures	Pass To Subrecipients
OTHER PROGRAMS							
U.S. Department of Justice							
New Jersey Hospital -Based Violence Intervention Program	16.575	-	1,443,503	State of New Jersey Department of Law and Public Safety-Office of Attorney General	HVP-04-18/2018-V2-GX-0052	1,443,503	330,584
New Jersey Hospital -Based Violence Intervention Program	16.575	-	202,028	State of New Jersey Department of Law and Public Safety-Office of Attorney General	HVP-04-18/2018-V2-GX-0051	202,028	-
Total U.S. Department of Justice			1,645,531			1,645,531	330,584
U.S. Department of Veterans' Affairs							
Veterans Health ADC	64.026	-	1,963	County of Union, New Jersey Office of Aging	VA243P-15-G-0072	1,963	-
Total U.S. Department of Veterans' Affairs			1,963			1,963	-
U.S. Department of Education							
Services: Early Intervention System, Special Education Grants for Infants and Families	84.181	-	2,400,096	New Jersey Department of Health and Senior Services	04-2156-EIP-H-0	2,400,096	-
COVID-19 - CARES ACT: Higher Education Emergency Relief Funds	84.425F	2,400	-			2,400	-
COVID-19 - CARES ACT: Higher Education Emergency Relief Funds	84.425F	471,006	-			471,006	-
		473,406	-			473,406	-
Total U.S. Department of Education		473,406	2,400,096			2,873,502	-
U.S. Department of Health and Human Services							
New Jersey Family-Centered Mental Health Access Program Telehealth	93.110	-	101,530	New Jersey Academy of Pediatrics	DFHS21PMH001	101,530	-
New Jersey Family-Centered Mental Health Access Program Telehealth	93.110	-	32,819	New Jersey Academy of Pediatrics	DFHS22PMH002	32,819	-
			134,349			134,349	-
Project for the Treatment of Pediatric HIV	93.153	-	118,471	NJ Department of Health and Senior Services	DFHS21PDA008	118,471	-
Project for the Treatment of Pediatric HIV	93.153	-	85,033	NJ Department of Health and Senior Services	DFHS22PDA006	85,033	-
			203,504			203,504	-
Seton Hall University and Hackensack Meridian Health Interprofessional Medication-Assisted Treatment Training Program	93.243	-	76,152	Seton Hall University	6H79T081653-03	76,152	-
ICARE Integrated Care for Addiction Recovery Expansion	93.243	37,375	-			37,375	-
HMH Carrier Clinic Mental Health Awareness in Identifying Disturbances in Emotions Program (AIDE)	93.243	19,417	-			19,417	-
		56,792	76,152			132,944	-
ANE- Nurse Practitioner Residency Program	93.247	897,308	-			897,308	-
COVID-19 - SARS-CoV-2 Hospital Testing 2021	93.323	-	3,357,240	State of New Jersey Department of Health	PHLP21CHT004	3,357,240	-
Integrated Care for Kids Model	93.378	2,724,380	-			2,724,380	2,438,361
COVID-19: DHHS Stimulus Payments	93.498	516,319,105	-			516,319,105	-
New Jersey Home Visiting Initiative: Parents as Teachers	93.870	-	168,837	New Jersey Department of Children and Families	21HSMP	168,837	-
COVID-19 - APR -New Jersey Home Visiting Initiative: Parents as Teachers	93.870	-	6,132	New Jersey Department of Children and Families	21HSMP	6,132	-
New Jersey Home Visiting Initiative: Parents as Teachers	93.870	-	31,316	New Jersey Department of Children and Families	22TBXP	31,316	-
COVID-19 - APR -New Jersey Home Visiting Initiative: Parents as Teachers	93.870	-	602	New Jersey Department of Children and Families	22TBXP	602	-
			206,887			206,887	-
COVID-19: HIV Emergency Relief Project Grants	93.914	-	5,250	Middlesex County Department of Human Services	P0117192 and P0117869	5,250	-
HIV Emergency Relief Project Grants	93.914	-	28,010	Middlesex County Department of Human Services	P0117192 and P0117869	28,010	-
HV Emergency Relief Project Grants	93.914	-	185,799	Middlesex County Department of Human Services	P0HS2164	185,799	-
Ryan White	93.914	-	33,940	City of Paterson Department of Human Resources	99-9818	33,940	-
Ryan White	93.914	-	118,150	City of Paterson Department of Human Resources	G0209818	118,150	-
			371,149			371,149	-
COVID-19: HIV Care Formula/Ryan White Title II	93.917	-	26,243	State of New Jersey Department of Health	DHST20RWB016	26,243	-
HIV Care Formula/Ryan White Title II	93.917	-	50,348	State of New Jersey Department of Health	DHST20RWB016	50,348	-
HIV Care Formula/Ryan White Title II	93.917	-	690,473	State of New Jersey Department of Health	DHST21RWB013	690,473	-
Ryan White	93.917	-	45,727	State of New Jersey Department of Health	DHST20RWB017	45,727	-
Ryan White	93.917	-	252,231	State of New Jersey Department of Health	DHST21RWB014	252,231	-
			1,065,022			1,065,022	-
Ryan White HIV/AIDS Dental Reimbursement	93.924	19,152	-			19,152	-
Child Evaluation Center	93.994	-	19,293	State of New Jersey Department of Health	DFHS21EVL007	19,293	-
Child Evaluation Center	93.994	-	21,035	State of New Jersey Department of Health	DFHS22EVL009	21,035	-
			40,328			40,328	-
Total U.S. Department of Health and Human Services		520,490,143	9,515,802			530,005,945	2,768,945
Health Resources and Services Administration							
COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing	93.461	15,211,890	-			15,211,890	-
Total Health Resources and Services Administration		15,211,890	-			15,211,890	-
U.S. Department of Homeland Security							
COVID-19 - Federal Emergency Management Agency Disaster Relief Fund	97.036	-	194,109,699	New Jersey Office of Emergency Management	4488	194,109,699	-
Federal Emergency Management Agency Disaster Relief Fund	97.036	-	92,676	New Jersey Office of Emergency Management	2021-2022	92,676	-
Total U.S. Department of Homeland Security			194,202,375			194,202,375	-
Total Expenditures of Federal Awards		\$ 577,399,600	\$ 207,311,140			\$ 784,710,740	\$ 8,947,577

The accompanying notes on pages 49-50 are an integral part of this schedule.

Hackensack Meridian Health, Inc.

Notes to the Schedule of Expenditures of Federal Awards

December 31, 2021

(in thousands)

1. **Basis of Presentation**

Federal Awards

The accompanying Schedule of Expenditures of Federal Awards (the "Federal Schedule") presents the activities of the federal financial assistance programs of Hackensack Meridian Health, Inc. and its subsidiaries (the "Network") that have been financed by the U.S. Government.

The information in this Federal Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this Federal Schedule may differ from amounts presented in or used in preparation of the consolidated financial statements. All financial assistance received directly from federal agencies, as well as financial assistance passed through other governmental agencies or non-profit organizations, are included on the Federal Schedule. Direct and indirect costs are charged to awards in accordance with cost principles contained in the Department of Health and Human Services, U.S. Office of the Assistant Secretary Comptroller ("OASC"), OASC-3, A Guide for Hospitals. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The accompanying Federal Schedule is presented on the accrual basis of accounting. Because the Federal Schedule presents only a selected portion of the activities of the Network, it is not intended to, and does not, present the consolidated financial position, results of operations, and changes in net assets or cash flows of the Network.

The Network does not use the 10% de-minimis indirect cost rate for sponsored programs. The Network charges indirect costs to federal awards based on award-specific rates as defined in each grant award.

2. **Pass-through Awards**

Full Assistance Listing Numbers ("ALN") and pass through award numbers are presented where available and applicable.

3. **Federal Direct Student Loan Program**

The Network is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, the total outstanding loans are not included in the Network's consolidated financial statements. It is not practical to determine the balance of loans outstanding to students under this program as of December 31, 2021. The schedule of expenditures of federal awards includes loans granted in 2021.

Hackensack Meridian Health, Inc.
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2021

(in thousands)

4. COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured

The Network conducted COVID-19 testing and/or provided treatment for uninsured individuals with a COVID-19 primary diagnosis on or after February 4, 2020 and as such has requested claims reimbursement under ALN 93.461 Health Resources and Services Administration's ("HRSA") COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment and Vaccine Administration for the Uninsured program. The Network has recorded \$15,211 on the Federal Schedule consisting of \$10,100 reimbursed as of December 31, 2021 from HRSA on claims with service dates during fiscal year 2021 and \$5,111 in claims with service dates in fiscal year 2021 that had not been reimbursed or were unbilled as of December 31, 2021. Substantially all open HRSA claims have been collected as of the date of issuance of this report. Claims not yet submitted or reimbursed have been estimated based on services provided and expected reimbursement rates and any adjustments based on actual cash receipts, will be reflected in the Network's fiscal year 2022 Federal Schedule.

5. Department of Health and Human Services Provider Relief Funds

The Federal Schedule includes grant activity related to the Department of Health and Human Services ("HHS") Coronavirus Aid Relief and Economic Security ("CARES") Act ALN 93.498 Provider Relief Fund ("PRF"). The PRF is administered by HRSA. As required based on guidance in the 2021 OMB Compliance Supplement, the Federal Schedule includes all Period 1 funds received between April 10, 2020 and June 30, 2020 and expended by June 30, 2021 and all Period 2 funds received between July 1, 2020 to December 31, 2020 and expended by December 31, 2021 as reported to HRSA via the PRF Reporting Portal. The Federal Schedule, thus includes \$511,773 of lost revenue and \$4,546 of direct expenditures.

6. Federal Emergency Management Agency ("FEMA")

As of December 31, 2021, the Network submitted \$174,785 of claims to FEMA under ALN 97.036. The claims submitted represented incurred eligible capital and operating expenses attributed to the Network's response to COVID-19. In addition, on February 2, 2021, FEMA and the New Jersey Office of Emergency Management ("NJOEM") increased the percentage of reimbursement from 75% to 100% of obligated claims and therefore the Network was approved for the remaining amount of \$19,324 relating to 2020 claims previously submitted, which is included in the Federal Schedule for 2021.

Hackensack Meridian Health, Inc.

Schedule of Expenditures of State Awards

Year Ended December 31, 2021

Title	Grant/Contract Account Number	Grant Award Period End	State	Federal	Total	Total Grant Period Expenditures
State of New Jersey Department of Children and Family Services						
Division of Child Protection & Permanency						
Pediatric AIDS	21AUNC	1/1/2020 - 6/30/2021	\$ 47,008	\$ -	\$ 47,008	\$ 188,412
Pediatric AIDS	22AUNC	7/1/2021 - 6/30/2022	54,906	-	54,906	54,906
Regional Diagnostic Treatment Center	21EZBN	1/1/2021 - 6/30/2021	796,137	-	796,137	796,137
Regional Diagnostic Treatment Center	21EZBN	7/1/2021 - 6/30/2022	557,799	-	557,799	557,799
New Jersey Home Visiting Initiative: Parents as Teachers	21HSMP	1/1/2021 - 11/30/2021	-	168,837	168,837	168,837
COVID-19 - APR -New Jersey Home Visiting Initiative: Parents as Teachers	21HSMP	1/1/2021 - 11/30/2021	-	6,132	6,132	6,132
New Jersey Home Visiting Initiative: Parents as Teachers	22TBXP	12/1/2021 - 6/30/2022	-	31,316	31,316	31,316
COVID-19 - APR -New Jersey Home Visiting Initiative: Parents as Teachers	22TBXP	12/1/2021 - 6/30/2022	-	602	602	602
Total Division of Child Protection & Permanency			<u>1,455,850</u>	<u>206,887</u>	<u>1,662,737</u>	<u>1,804,141</u>
Mental Health Collaborative	21CTNC	10/1/2020 - 6/30/2021	1,840,815	-	1,840,815	2,964,412
Mental Health Collaborative	22CTNC	7/1/2021 - 6/30/2022	2,200,688	-	2,200,688	2,200,688
Total Mental Health Collaborative			<u>4,041,503</u>	<u>-</u>	<u>4,041,503</u>	<u>5,165,100</u>
Residential Treatment and Community Home:						
Intensive Residential Treatment – Swan Lodge	18AAGR	1/1/2018 - 12/31/2021	4,204,212	-	4,204,212	15,316,248
Residential Treatment – East Mountain Youth Lodge	17FETR	5/1/2017 - 12/31/2022	6,631,983	-	6,631,983	24,640,053
Residential Treatment – Wolf Lodge (Co-occurring RTC)	17FETR	5/1/2017 - 12/31/2022	1,872,437	-	1,872,437	9,467,010
Psychiatric Community Home – Sunflower	21AATR	1/1/2021 - 12/31/2024	1,093,014	-	1,093,014	1,093,014
Psychiatric Community Home – Lotus	21AATR	1/1/2021 - 12/31/2024	1,060,704	-	1,060,704	1,060,704
Total Residential Treatment and Community Home			<u>14,862,350</u>	<u>-</u>	<u>14,862,350</u>	<u>51,577,029</u>
Total State of New Jersey Department of Children and Family Services			<u>20,359,703</u>	<u>206,887</u>	<u>20,566,590</u>	<u>58,546,270</u>
State of New Jersey Department of Health						
Division of Mental Health and Addiction Services						
DMHS	20202	1/1/2021 - 12/31/2021	185,820	-	185,820	185,820
DMHS	20206	1/1/2021 - 12/31/2021	272,473	-	272,473	272,473
DMHS	20107	1/1/2021 - 12/31/2021	416,856	-	416,856	416,856
Pass-through from County of Somerset						
Inpatient Mental Health Services Individuals Referred from Short Term Care Facility (STCF) or Psychiatric Screening Center and for Middlesex and Monmouth County Residents	10403	1/1/2021 - 12/31/2021	2,505,356	-	2,505,356	2,505,356
New Jersey Family-Centered Mental Health Access Program Telehealth	DFHS21PMH001	10/1/2020 - 9/30/2021	-	101,530	101,530	124,287
New Jersey Family-Centered Mental Health Access Program Telehealth	DFHS22PMH002	10/1/2021 - 9/30/2022	-	32,819	32,819	32,819
Total Division of Mental Health and Addiction Services			<u>3,380,505</u>	<u>134,349</u>	<u>3,514,854</u>	<u>3,537,611</u>
Division of Family Health Services						
Child Evaluation Center	DFHS21EVL007	7/1/2020 - 6/30/2021	40,997	19,293	60,290	134,434
Child Evaluation Center	DFHS22EVL009	7/1/2021 - 6/30/2022	44,698	21,035	65,733	65,733
Child Evaluation Center	DFHS21EVL008	7/1/2020 - 6/30/2021	134,813	-	134,813	272,478
Child Evaluation Center	DFHS22EVL005	7/1/2021 - 6/30/2022	135,752	-	135,752	135,752
Childhood Lead Exposure Prevention Program	OLPH21CLP030	10/1/2020 - 6/30/2021	123,757	-	123,757	159,240
Childhood Lead Exposure Prevention Program	OLPH22CLP028	7/1/2021 - 6/30/2022	116,590	-	116,590	116,590
Childhood Lead Exposure Prevention Program	OLPH22CLP031	7/1/2020 - 9/30/2021	22,373	-	22,373	22,373
Total Division of Family Health Services			<u>618,980</u>	<u>40,328</u>	<u>659,308</u>	<u>906,600</u>

The accompanying notes on page 54 are an integral part of this schedule.

Hackensack Meridian Health, Inc.

Schedule of Expenditures of State Awards

Year Ended December 31, 2021

Title	Grant/Contract Account Number	Grant Award Period End	State	Federal	Total	Total Grant Period Expenditures
State of New Jersey Department of Health (continued)						
Division of HIV, STD, TB						
HIV/AIDS Care and Treatment	DHST21CTR025	7/1/2020 - 6/30/2021	31,527	-	31,527	63,000
HIV/AIDS Care and Treatment	DHST22CTR022	7/1/2021 - 12/31/2021	31,501	-	31,501	31,501
HIV/AIDS Care and Treatment	DHST21CTR021	7/1/2020 - 6/30/2021	108,267	-	108,267	225,000
HIV/AIDS Care and Treatment	DHST22CTR004	7/1/2021 - 12/31/2021	106,402	-	106,402	106,402
Ryan White Title II - JSMC	DHST20RWB016	4/1/2020 - 3/31/2021	-	50,348	50,348	973,950
COVID-19 - HIV Care Formula / Ryan White Title II - JSMC	DHST20RWB016	4/1/2020 - 3/31/2021	-	26,243	26,243	26,243
Ryan White Title II - RMC	DHST20RWB017	4/1/2020 - 3/31/2021	-	45,727	45,727	364,811
Ryan White Title II - JSMC	DHST21RWB013	4/1/2021 - 3/31/2022	-	690,473	690,473	690,473
Ryan White Title II - RMC	DHST21RWB014	4/1/2021 - 3/31/2022	-	252,231	252,231	252,231
DHSTS State HIV Prevention Program 2021	DHST21SPR038	7/1/2020 - 6/30/2021	116,745	-	116,745	227,909
DHSTS State HIV Prevention Program 2021	DHST21SPR032	7/1/2020 - 6/30/2021	39,579	-	39,579	61,967
DHSTS State HIV Prevention Program 2022	DHST22SPR029	7/1/2021 - 6/30/2022	60,124	-	60,124	60,124
DHSTS State HIV Prevention Program 2022	DHST22SPR008	7/1/2021 - 6/30/2022	26,201	-	26,201	26,201
Project for the Treatment of Pediatric HIV	DFHS21PDA008	8/1/2020 - 7/31/2021	-	118,471	118,471	185,204
Project for the Treatment of Pediatric HIV	DFHS22PDA006	8/1/2021 - 7/31/2022	-	85,033	85,033	85,033
Total Division of HIV, STD, TB			520,346	1,268,526	1,788,872	3,380,049
Division of Senior Affairs						
Victims of Alzheimer's Disease and Related Disorders	DOAS21ADC13	7/1/2020 - 6/30/2021	9,975	-	9,975	17,888
Total Division of Senior Affairs			9,975	-	9,975	17,888
Services: Early Intervention System, Special Education Grants for Infants and Families	04-2156-EIP-H-0	1/1/2004 - Open ended	-	2,400,096	2,400,096	2,400,096
Dedicated Grant-in-Aid 2021	MGMT21GIA008	10/1/2020 - 6/30/2021	2,620,771	-	2,620,771	4,000,000
Dedicated Grant-in-Aid 2022	MGMT22GIA015	7/1/2021 - 6/30/2022	3,351,025	-	3,351,025	3,351,025
Newborn Screening & Genetic Services	DFHS21NWB005	7/1/2020 - 6/30/2021	107,703	-	107,703	206,749
Newborn Screening & Genetic Services	DFHS22NWB003	7/1/2021 - 6/30/2022	89,171	-	89,171	89,171
Screen NJ Initiative	PO 1402908	11/1/2020 - 6/30/2021	34,382	-	34,382	35,752
Screen NJ Initiative	PO 1402908	7/1/2021 - 6/30/2022	7,307	-	7,307	7,307
Outreach and Education 2021	DFHS21OTR001	7/1/2020 - 6/30/2021	35,706	-	35,706	75,539
Outreach and Education 2022	DFHS22OTR002	7/1/2021 - 6/30/2022	35,271	-	35,271	35,271
Tobacco Prevention and Cessation Services	DCHS21TPC006	7/1/2020 - 6/30/2021	235,971	-	235,971	360,000
Tobacco Prevention and Cessation Services	DCHS22TPC005	7/1/2021 - 6/30/2022	186,916	-	186,916	186,916
COVID-19 - Health Equity Response to COVID-19 Activity B2 2022	OOPH22HED001	8/1/2021 - 7/31/2022	74,747	-	74,747	74,747
COVID-19 - PHILEP Emergency Funding 2021	PHLP21EMG004	7/1/2020 - 6/30/2022	150,097	-	150,097	150,097
COVID-19 - SARS-CoV-2 Hospital Testing 2021	PHLP21CHT004	10/1/2020 - 9/30/2022	-	3,357,240	3,357,240	3,357,240
Total State of New Jersey Department of Health			11,458,873	7,200,539	18,659,412	22,172,058

The accompanying notes on page 54 are an integral part of this schedule.

Hackensack Meridian Health, Inc.

Schedule of Expenditures of State Awards

Year Ended December 31, 2021

Title	Grant/Contract Account Number	Grant Award Period End	State	Federal	Total	Total Grant Period Expenditures
New Jersey Commission on Brain Injury Research						
Brain Injury Research Pilot Projects 2019	CBIR19PIL010	4/1/2019 - 3/31/2021	23,008	-	23,008	93,191
Total New Jersey Commission on Brain Injury Research			23,008	-	23,008	93,191
State of New Jersey Office of Aging						
Special Programs for the Aging Medical Adult Day Care	21-APC-115	1/1/2021 - 6/30/2021	-	13,581	13,581	13,581
Veterans Health Adult Day Care	VA243P-15-G-0072	10/1/2015 - 6/30/2021	-	1,963	1,963	12,090
Total State of New Jersey Office of Aging			-	15,544	15,544	25,671
State of New Jersey Department of Human Services						
Statewide MCMAP-JFK	P-1746-1	1/1/2021 - 6/30/2021	3,533	-	3,533	3,533
DMHAS	10109	1/1/2021 - 12/31/2021	180,181	-	180,181	180,181
Total State of New Jersey Department of Human Services			183,714	-	183,714	183,714
New Jersey Department of Banking and Insurance						
Navigator Cooperative Agreement	21-100-082-2000	9/16/2020 - 9/15/2021	47,798	-	47,798	57,295
Navigator Cooperative Agreement	21-100-082-2000	9/16/2021 - 9/15/2022	13,982	-	13,982	13,982
Total New Jersey Department of Banking and Insurance			61,780	-	61,780	71,277
State of New Jersey Department of Law and Public Safety-Office of Attorney General						
New Jersey Hospital -Based Violence Intervention Program	HVP-04-18/2018-V2-GX-0052	1/1/2020 - 9/30/2021	-	1,443,503	1,443,503	1,900,936
New Jersey Hospital -Based Violence Intervention Program	HVP-04-18/2018-V2-GX-0051	10/1/2021 - 9/30/2022	-	202,028	202,028	202,028
Total State of New Jersey Department of Law and Public Safety-Office of Attorney General			-	1,645,531	1,645,531	2,102,964
New Jersey Office of Emergency Management						
COVID-19 - Federal Emergency Management Agency Disaster Relief Fund	4488	1/20/2020 - 12/31/2021	-	194,109,699	194,109,699	252,082,829
Federal Emergency Management Agency Disaster Relief Fund	2021-2022	1/1/2021 - 12/31/2021	-	92,676	92,676	92,676
Total New Jersey Office of Emergency Management			-	194,202,375	194,202,375	252,175,505
New Jersey Economic Development Authority						
COVID-19 - New Jersey Sustain and Serve Grant	HMH21-002	11/13/2020 - 7/31/2021	226,800	-	226,800	226,800
COVID-19 - New Jersey Sustain and Serve Grant	HMH22-003	8/1/2021 - 12/31/2021	92,726	-	92,726	92,726
Total New Jersey Economic Development Authority			319,526	-	319,526	319,526
Total Expenditures of State Awards			\$ 32,406,604	\$ 203,270,876	\$ 235,677,480	\$ 335,690,176

The accompanying notes on page 54 are an integral part of this schedule.

Hackensack Meridian Health, Inc.

Notes to the Schedule of Expenditures of State Awards

Year Ended December 31, 2021

1. Basis of Presentation

State Awards

The accompanying Schedule of Expenditures of State Awards (the “State Schedule”) presents the activities of the state financial assistance programs of the Network that have been financed by the State of New Jersey.

The information in this State Schedule is presented in accordance with the requirements of New Jersey Department of Treasury Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this State Schedule may differ from amounts presented in or used in preparation of the basic consolidated financial statements. For purposes of the State Schedule, State awards include any assistance provided by a State agency directly or indirectly in the form of grants and contracts. Federal awards to the State of New Jersey which the State has passed through to the Network have been included in the Network’s Federal Schedule in accordance with the Uniform Guidance and the State Schedule in accordance with New Jersey Department of Treasury Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Direct and indirect costs are charged to awards in accordance with cost principles contained in the Department of Health and Human Services, U.S. Office of the Assistant Secretary Comptroller (“OASC”), OASC-3, *A Guide for Hospitals*. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The State Schedule is presented on the accrual basis of accounting. Because the State Schedule presents only a selected portion of the activities of the Network, it is not intended to, and does not present the consolidated financial position, results of operations, changes in net assets or cash flows of the Network.

The Network charges indirect costs to state awards based on award-specific rates as defined in each grant award.

2. Federal Emergency Management Agency (“FEMA”)

As of December 31, 2021, the Network submitted \$174,785 of claims to FEMA under ALN 97.036. The claims submitted represented incurred eligible capital and operating expenses attributed to the Network’s response to COVID-19. In addition, on February 2, 2021, FEMA and the New Jersey Office of Emergency Management (“NJOEM”) increased the percentage of reimbursement from 75% to 100% of obligated claims and therefore the Network was approved for the remaining amount of \$19,324 relating to 2020 claims previously submitted, which is included in the State Schedule for 2021.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Expenditures of Local Awards (Unaudited)
Year Ended December 31, 2021

	Grant/Contract Number		Local Expenditures
Monmouth County Department of Human Services			
Division of Mental Health - Jersey Shore University Medical Center	P.O. DMH262341	\$	48,492
Division of Mental Health - Riverview Medical Center	P.O. DMH262340		48,492
Middlesex County Office of Senior Services			
Statewide Respite-JFK	P-1746-1		9,900
Statewide MCMAP-JFK	P-1746-1		3,533
		<u>\$</u>	<u>110,417</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
Project for the Treatment of Pediatric HIV		
Grant Contract Number: DFHS21PDA008		
Grant Period: August 1, 2020 to July 31, 2021		
Salaries and Wages	\$ 190,764	\$ 114,471
Consultants / Professional Services Cost	5,200	4,000
Travel, Conferences & Meetings	1,871	-
COVID funding	2,065	-
	<u>\$ 199,900</u>	<u>\$ 118,471</u>
Project for the Treatment of Pediatric HIV		
Grant Contract Number: DFHS22PDA006		
Grant Period: August 1, 2021 to July 31, 2022		
Salaries and Wages	\$ 190,429	\$ 82,633
Consultants / Professional Services Cost	5,200	2,400
Travel, Conferences & Meetings	1,071	-
	<u>\$ 196,700</u>	<u>\$ 85,033</u>
Child Evaluation Center		
Grant Contract Number: DFHS21EVL008		
Grant Period: July 1, 2020 to June 30, 2021		
Salaries and Wages	\$ 266,428	\$ 131,862
Office Expense and Related Cost	1,700	1,007
Program Expense	3,000	1,944
Staff Training and Education Cost	750	-
Travel	600	-
	<u>\$ 272,478</u>	<u>\$ 134,813</u>
Child Evaluation Center		
Grant Contract Number: DFHS22EVL005		
Grant Period: July 1, 2021 to June 30, 2022		
Salaries and Wages	\$ 266,528	\$ 132,880
Office Expense and Related Cost	1,700	892
Program Expense	3,000	1,980
Staff Training and Education Cost	750	-
Travel	500	-
	<u>\$ 272,478</u>	<u>\$ 135,752</u>
Ryan White Title II - RMC		
Grant Contract Number: DHST20RWB017		
Grant Period: April 1, 2020 to March 31, 2021		
Salaries and Wages	\$ 330,441	\$ 39,069
Consultants / Professional Services Cost	54,250	11,713
Program Expense and Related Cost	49,489	-
COVID funding	9,797	-
Less Program Income	(75,367)	(5,055)
	<u>\$ 368,610</u>	<u>\$ 45,727</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
Ryan White Title II - RMC		
Grant Contract Number: DHST21RWB014		
Grant Period: April 1, 2021 to March 31, 2022		
Salaries and Wages	\$ 261,659	\$ 211,569
Consultants / Professional Services Cost	52,025	16,650
Program Expense and Related Cost	57,114	41,986
Less Program Income	(19,741)	(17,974)
	<u>\$ 351,057</u>	<u>\$ 252,231</u>
Ryan White Title II - JSMC		
Grant Contract Number: DHST20RWB016		
Grant Period: April 1, 2020 to March 31, 2021		
Salaries and Wages	\$ 812,387	\$ 203,671
Fringe Benefits	173,086	53,566
Equipment	5,790	-
Supplies	199,862	(32,019)
Facility Cost	55,913	61,546
COVID Funding	39,767	26,243
Less Program Income	(155,601)	(236,416)
	<u>\$ 1,131,204</u>	<u>\$ 76,591</u>
Ryan White Title II - JSMC		
Grant Contract Number: DHST21RWB013		
Grant Period: April 1, 2021 to March 31, 2022		
Salaries and Wages	\$ 726,222	\$ 504,238
Fringe Benefits	190,997	140,682
Supplies	168,086	171,338
Facility Cost	55,913	41,935
Less Program Income	(91,529)	(167,720)
	<u>\$ 1,049,689</u>	<u>\$ 690,473</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
HIV/AIDS Care and Treatment		
Grant Contract Number: DHST21CTR025		
Grant Period: July 1, 2020 to June 30, 2021		
Salaries and Wages	\$ 47,250	\$ 25,527
P Office Expenses	250	-
Program Expense & Related Cost	2,000	-
Staff Training and Education Cost	1,500	-
Facility Cost	12,000	6,000
	<u>\$ 63,000</u>	<u>\$ 31,527</u>
HIV/AIDS Care and Treatment		
Grant Contract Number: DHST22CTR022		
Grant Period: July 1, 2021 to December 31, 2021		
Salaries and Wages	\$ 31,501	\$ 31,501
	<u>\$ 31,501</u>	<u>\$ 31,501</u>
HIV/AIDS Care and Treatment		
Grant Contract Number: DHST21CTR021		
Grant Period: July 1, 2020 to June 30, 2021		
Salaries and Wages	\$ 202,126	\$ 104,981
Fringe Benefits	22,874	3,286
	<u>\$ 225,000</u>	<u>\$ 108,267</u>
HIV/AIDS Care and Treatment		
Grant Contract Number: DHST22CTR004		
Grant Period: July 1, 2021 to December 31, 2021		
Salaries and Wages	\$ 97,500	\$ 83,192
Fringe Benefits	15,000	23,210
	<u>\$ 112,500</u>	<u>\$ 106,402</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
DHSTS State HIV Prevention Program 2021		
Grant Contract Number: DHST21SPR038		
Grant Period: July 1, 2020 to June 30, 2021		
Salaries and Wages	\$ 241,164	\$ 114,577
P Office Expenses	300	86
Program Expense & Related Cost	4,372	-
Facility Cost	4,164	2,082
	<u>\$ 250,000</u>	<u>\$ 116,745</u>
DHSTS State HIV Prevention Program 2022		
Grant Contract Number: DHST22SPR029		
Grant Period: July 1, 2021 to June 30, 2022		
Salaries and Wages	\$ 112,500	\$ 60,124
	<u>\$ 112,500</u>	<u>\$ 60,124</u>
DHSTS State HIV Prevention Program 2021		
Grant Contract Number: DHST21SPR032		
Grant Period: July 1, 2020 to June 30, 2021		
Salaries and Wages	\$ 54,607	\$ 27,013
Fringe Benefits	12,896	12,566
	<u>\$ 67,503</u>	<u>\$ 39,579</u>
DHSTS State HIV Prevention Program 2022		
Grant Contract Number: DHST22SPR008		
Grant Period: July 1, 2021 to June 30, 2022		
Salaries and Wages	\$ 33,750	\$ 26,201
	<u>\$ 33,750</u>	<u>\$ 26,201</u>
Dedicated Grant-in-Aid 2021		
Grant Contract Number: MGMT21GIA008		
Grant Period: Oct 1, 2020 to June 30, 2021		
Facility Costs	\$ 826,500	\$ 578,550
Other	3,173,500	2,042,221
	<u>\$ 4,000,000</u>	<u>\$ 2,620,771</u>
Dedicated Grant-in-Aid 2022		
Grant Contract Number: MGMT22GIA015		
Grant Period: July 1, 2021 to June 30, 2022		
Facility Costs	\$ 700,000	\$ 350,000
Other	6,300,000	3,001,025
	<u>\$ 7,000,000</u>	<u>\$ 3,351,025</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
DMHS 2021		
Grant Contract Number: DMHS 20202		
Grant Period: January 1,2021 to December 31,2021		
Salaries and Wages	\$ 2,003,793	\$ 1,904,724
Materials and Supplies	17,425	13,784
Spec. Assistance to Clients	880	241
Other	69	60
Total Costs	2,022,167	1,918,809
Revenues:		
Client-Generated Fees	(143,279)	(295,980)
Hospital Subsidy	(1,693,068)	(1,437,009)
Net Operating Costs	\$ 185,820	\$ 185,820
DMHS 2021		
Grant Contract Number: DMHS 20206		
Grant Period: January 1,2021 to December 31,2021		
Salaries and Wages	\$ 573,858	\$ 564,960
Materials and Supplies	1,225	1,924
Other	1,080	-
Total Costs	576,163	566,884
Revenues		
Client-Generated Fees	(108,256)	(118,775)
Hospital Subsidy	(195,434)	(175,636)
Net Operating Costs	\$ 272,473	\$ 272,473
DMHS 2021		
Grant Contract Number: DMHS 20107		
Grant Period: January 1, 2021- December 31, 2021		
Salaries and Wages	\$ 1,479,868	\$ 1,348,369
Materials and Supplies	5,100	9,418
Other	500	-
Total Costs	1,485,468	1,357,787
Revenues		
Client-Generated Fees	(321,952)	(278,524)
Hospital Subsidy	(746,660)	(662,407)
Net Operating Costs	\$ 416,856	\$ 416,856
Screen NJ Initiative		
Grant Contract Number: PO 1402908		
Grant Period: November 1, 2020 to June 30 , 2021.		
Salaries and Wages	\$ 71,827	\$ 30,185
Supplies	9,931	-
Lung Screenings	15,000	4,197
Uninsured Screenings	18,000	-
Total Costs	\$ 114,758	\$ 34,382

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
Screen NJ Initiative		
Grant Contract Number: PO 1402908		
Grant Period: July 1, 2021 to June 30, 2022.		
Salaries and Wages	\$ 64,000	\$ 6,107
Supplies	34,393	-
Lung Screenings	7,500	1,200
	<u>\$ 105,893</u>	<u>\$ 7,307</u>
Pediatric Mental Health Program		
Grant DFHS21PMH001		
Grant Period: October 1, 2020 to September 31, 2021		
Salaries / Wages	\$ 122,770	\$ 101,464
Supplies	2,450	66
Mileage	815	-
	<u>\$ 126,035</u>	<u>\$ 101,530</u>
Pediatric Mental Health Program		
Grant DFHS22PMH002		
Grant Period: October 1, 2021 to September 31, 2022		
Salaries / Wages	\$ 121,725	\$ 32,680
Supplies	2,500	-
Mileage	1,150	139
Mobile Device Supplemental	660	-
	<u>\$ 126,035</u>	<u>\$ 32,819</u>
SARS-CoV-2 Hospital testing 2021		
Grant Contract Number: PHLP21CHT004		
Grant Period: October 1, 2020 to September 30, 2022		
Salaries and Wages	\$ 1,158,129	\$ 483,936
Construction/Alterations and Renovations	402,780	-
Equipment	1,491,770	436,976
Other	6,432,923	2,404,675
Indirect Costs	91,190	31,653
	<u>\$ 9,576,792</u>	<u>\$ 3,357,240</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
Child Evaluation Center		
Grant Contract Number: DFHS21EVL007		
Grant Period: July 1, 2020 to June 30, 2021		
Salaries and Wages	\$ 89,394	\$ 39,521
Fringe Benefits	22,310	9,741
Facility Cost	4,230	2,118
Professional Service Agreements	16,000	8,000
Supplies	2,000	410
Training	500	500
	<u>\$ 134,434</u>	<u>\$ 60,290</u>
Child Evaluation Center		
Grant Contract Number: DFHS22EVL009		
Grant Period: July 1, 2021 to June 30, 2022		
Salaries and Wages	\$ 89,247	\$ 45,628
Fringe Benefits	23,057	12,475
Facility Cost	4,230	2,116
Professional Service Agreements	16,000	4,800
Supplies	1,400	714
Training	500	-
	<u>\$ 134,434</u>	<u>\$ 65,733</u>
Childhood Lead Exposure Prevention Program		
Grant Contract Number: OLPH21CLP030		
Grant Period: October 1, 2020 to June 30, 2021		
Nurse Case Management	\$ 236,436	\$ 123,757
	<u>\$ 236,436</u>	<u>\$ 123,757</u>
Childhood Lead Exposure Prevention Program		
Grant Contract Number: OLPH22CLP028		
Grant Period: July 1, 2021 to June 30, 2022		
Nurse Case Management	\$ 197,936	\$ 116,590
	<u>\$ 197,936</u>	<u>\$ 116,590</u>
Childhood Lead Exposure Prevention Program		
Grant Contract Number: OLPH22CLP031		
Grant Period: July 1, 2020 to September 30, 2021		
Nurse Case Management	\$ 22,373	\$ 22,373
	<u>\$ 22,373</u>	<u>\$ 22,373</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
Victims of Alzheimer's Disease and Related Disorders		
Grant Contract Number: DOAS21ADC13		
Grant Period: July 1, 2020 to June 30, 2021		
Alzheimer's Adult Day Services	\$ 56,000	\$ 9,975
	<u>\$ 56,000</u>	<u>\$ 9,975</u>
Services: Early Intervention System, Special Education Grants for Infants and Families		
Grant Contract Number: 04-2156-EIP-H-0		
Grant Period: January 1, 2004 to Open ended		
Special Education services for Infants and Families	Open Ended	\$ 2,400,096
	<u>\$ -</u>	<u>\$ 2,400,096</u>
Newborn Screening and Genetic Services		
Grant Contract Number: DFHS21NWB005		
Grant Period: July 1, 2020 to June 30, 2021		
Salaries / Wages	\$ 195,801	\$ 93,590
Program Expense & Related Costs	18,000	10,330
Travel, Conference & Meetings	8,219	3,783
	<u>\$ 222,020</u>	<u>\$ 107,703</u>
Newborn Screening and Genetic Services		
Grant Contract Number: DFHS22NWB003		
Grant Period: July 1, 2021 to June 30, 2022		
Salaries / Wages	\$ 196,144	\$ 87,166
Program Expense & Related Costs	18,000	2,005
Travel, Conference & Meetings	7,876	-
	<u>\$ 222,020</u>	<u>\$ 89,171</u>
Outreach and Education 2021		
Grant Contract Number: DFHS21OTR001		
Grant Period: July 1, 2020 to June 30, 2021		
Salaries / Wages	\$ 60,095	\$ 32,464
Fringe Benefits	15,444	8,538
Family Programming	5,000	(5,296)
	<u>\$ 80,539</u>	<u>\$ 35,706</u>
Outreach and Education 2022		
Grant Contract Number: DFHS22OTR002		
Grant Period: July 1, 2021 to June 30, 2022		
Salaries / Wages	\$ 54,745	\$ 27,579
Fringe Benefits	14,255	7,692
Family Programming	2,500	-
	<u>\$ 71,500</u>	<u>\$ 35,271</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
PHILEP Emergency Funding		
Grant Contract Number: PHLP21EMG004		
Grant Period: July 1, 2020 - June 30, 2022		
Salaries / Wages	\$ 132,880	\$ 95,684
Fringe Benefits	34,375	26,030
Supplies	123,810	27,603
Other	14,967	780
	<u>\$ 306,032</u>	<u>\$ 150,097</u>
Tobacco Prevention and Cessation Services		
Grant Contract Number: DCHS21TPC006		
Grant Period: July 1, 2020 to June 30, 2021		
Salaries and Wages	\$ 213,022	\$ 125,440
Fringe Benefits	56,876	35,241
Professional Services	2,000	2,000
Supplies	55,375	51,838
Indirect Cost	32,727	21,452
	<u>\$ 360,000</u>	<u>\$ 235,971</u>
Tobacco Prevention and Cessation Services		
Grant Contract Number: DCHS22TPC005		
Grant Period: July 1, 2021 to June 30, 2022		
Salaries and Wages	\$ 245,662	\$ 115,584
Fringe Benefits	64,610	31,557
Supplies	17,002	24,420
Travel	-	197
Indirect Cost	32,726	15,157
	<u>\$ 360,000</u>	<u>\$ 186,916</u>
Health Equity Response to COVID-19 Activity B2 2022		
Grant Contract Number: OOPH22HED001		
Grant Period: August 1, 2021 to July 31, 2022		
Salaries and Wages	\$ 337,224	\$ 45,173
Fringe Benefits	90,038	12,602
Supplies	2,000	295
Training	21,918	-
Other	29,500	9,882
Facility Cost	48,070	6,795
	<u>\$ 528,750</u>	<u>\$ 74,747</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Supplemental Schedule of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

	Final Approved Budget	Expenditures January 1, 2021 to December 31, 2021
Veterans Health Adult Day Care		
Grant Contract Number: VA243P-15-G-0072		
Grant Period: October 1, 2015 to June 30, 2021		
Adult Day Care Services	Open Ended	\$ 1,963
	<u>\$ -</u>	<u>\$ 1,963</u>
Special Programs for the Aging Medical Adult Day Care		
Grant Contract Number: 21-APC-115		
Grant Period: January 1, 2021 to June 30, 2021		
Adult Day Care Services	\$ 31,344	\$ 13,581
	<u>\$ 31,344</u>	<u>\$ 13,581</u>
Brain Injury Research Pilot Projects 2019		
Grant Contract Number: CBIR19PIL010		
Grant Period: April 1, 2019 to March 31, 2021		
Salaries and Wages	\$ 54,235	\$ 13,948
Fringe Benefits	11,325	3,668
Equipment	3,530	-
Animal Care	4,000	-
Supplies	76,910	3,300
Indirect Cost	30,000	2,092
	<u>\$ 180,000</u>	<u>\$ 23,008</u>

The accompanying note on page 66 is an integral part of this schedule.

Hackensack Meridian Health, Inc.
Note to Supplemental Schedule of Expenditures of Local Awards (Unaudited)
And Supplemental Schedule of Budgeted and Actual Expenditures for State of
New Jersey Department of Health Grant Programs (Unaudited)
Year Ended December 31, 2021

1. Basis of Presentation

The accompanying Schedule of Expenditures of Local Awards and Schedules of Budgeted and Actual Expenditures for State of New Jersey Department of Health Grant Programs for the year ended December 31, 2021 on pages 55-65, are presented for the purpose of additional analysis by the various departments of the State of New Jersey and are not a required part of the consolidated financial statements. The supplemental state schedules are prepared on the accrual basis of accounting. The information on these schedules was derived from the underlying books and records used to prepare the Schedule of Expenditures of State Awards.

Part III
Reports on Internal Controls and Compliance



**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Trustees of
Hackensack Meridian Health, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Hackensack Meridian Health, Inc. and its subsidiaries (the “Company”), which comprise the consolidated balance sheet as of December 31, 2021 and the related consolidated statement of operations, of changes in net assets and of cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”), and have issued our report thereon dated April 8, 2022, except with respect to Note 18 to the consolidated financial statements and the opinion on the supplemental schedule of financial responsibility ratios, as to which the date is September 29, 2022. Our opinion was not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company’s internal control over financial reporting (“internal control”) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Company’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Florham Park, New Jersey

April 8, 2022, except with respect to Note 18 to the consolidated financial statements and the opinion on the supplemental schedule of financial responsibility ratios, as to which the date is September 29, 2022.



**Report of Independent Auditors on Compliance for Each Major Program and on Internal Control
Over Compliance Required by Uniform Guidance and the State of New
Jersey Department of the Treasury Circular 15-08-OMB**

To the Board of Trustees of
Hackensack Meridian Health, Inc.

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Hackensack Meridian Health, Inc. and its subsidiaries' (the "Company") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the State of New Jersey Department of the Treasury *Circular 15-08-OMB Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* ("Treasury Circular 15-08 OMB") that could have a direct and material effect on each of the Company's major federal and state programs for the year ended December 31, 2021. The Company's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance"); and Treasury Circular 15-08 OMB. Our responsibility under those standards, Uniform Guidance and Treasury Circular 15-08 OMB are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.



We are required to be independent the Company and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Company's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, Uniform Guidance, and the Treasury Circular 15-08 OMB will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, the Uniform Guidance, and the Treasury Circular 15-08 OMB, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.



- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Treasury Circular 15-08 OMB, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Student Financial Aid cluster as a major program. Also, as indicated in the first paragraph of this report, we performed our audit of compliance using the compliance requirements contained in the OMB Compliance Supplement, including those contained in Part V 5.3, Compliance Requirement N, Special Tests and Provisions, Section 10 "Gramm-Leach-Bliley Act-Student Information Security." This section includes three suggested audit procedures with respect to verification that the institution (1) designated an individual to coordinate the information security program, (2) performed a risk assessment that addresses the three required areas in 16 CFR 314.4(b), and (3) documented a safeguard for each risk identified. Our procedures in relation to these three items were limited to inquiry of and obtaining written representation from management and obtaining and reading management's documentation related to these three items. Our procedures did not include an analysis of the adequacy or completeness of the risk assessment performed or the safeguards for each risk identified by management.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Treasury Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Florham Park, New Jersey
September 29, 2022

Part IV
Schedule of Findings and Questioned Costs

Hackensack Meridian Health, Inc.
Schedule of Findings and Questioned Costs
December 31, 2021

Section I – Summary of Auditor’s Results
Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes ___X___ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ Yes ___X___ None reported
- Noncompliance material to consolidated financial statements noted? ___ Yes ___X___ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes ___X___ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ Yes ___X___ None reported

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes ___X___ No

Identification of major federal programs: ALN’s	<i>Name of Federal Program or Cluster</i>
Various	Student Financial Aid Cluster
93.461	COVID-19: Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured
97.036	COVID-19 - New Jersey Office of Emergency Management: Disaster Relief Fund
93.498	COVID-19 – Coronavirus Relief Fund
16.575	New Jersey Hospital – Based Violence Intervention Program
93.323	COVID-19 - SARS-CoV-2 Hospital Testing 2021

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? ___X___ Yes ___ No

Hackensack Meridian Health, Inc.
Schedule of Findings and Questioned Costs
December 31, 2021

State Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major state programs Modified Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and New Jersey Department of the Treasury *Circular 15-08*? Yes No

Identification of major state programs:
Grant Number(s)

Name of State Award

18AAGR

State of New Jersey Department of Children and Family Services: Intensive Residential Treatment – Swan Lodge

PHLP21CHT004

COVID-19 - SARS-CoV-2 Hospital Testing 2021

HVP-04-18/2018-V2-GX-0052; HVP-04-18/2018-V2-GX-0051

New Jersey Hospital -Based Violence Intervention Program

4488

COVID-19 - New Jersey Office of Emergency Management: Disaster Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

Hackensack Meridian Health, Inc.
Schedule of Findings and Questioned Costs
December 31, 2021

Section II – Financial Statement Findings

As a result of our audit, no instances of noncompliance related to the financial statements, that are required to be reported in accordance with *Government Auditing Standards*, were identified.

Section III – Federal and State Award Finding and Questioned Costs

A. Federal Awards

No federal award findings and questioned costs were reported as a result of our audit.

B. State Awards

No state award findings and questioned costs were reported as a result of our audit.

Hackensack Meridian Health, Inc.
Summary Schedule of Prior Audit Findings
December 31, 2021

There were no prior year audit findings that require an update in this report.