

**Pascack Valley Health
System, LLC**
Consolidated Financial Statements
December 31, 2017

Pascack Valley Health System, LLC
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December 31, 2017

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Report of Independent Auditors

Joint Venture Board
Pascack Valley Health System LLC

We have audited the accompanying consolidated financial statements of Pascack Valley Health System LLC, which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statements of operations, members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pascack Valley Health System LLC as of December 31, 2017 and the consolidated results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

July 31, 2018

Pascack Valley Health System, LLC
Consolidated Balance Sheet
December 31, 2017
(dollars in thousands)

| | <u>December 31,</u> <u>2017</u> |
|---|------------------------------------|
| Assets | |
| Current assets | |
| Accounts receivable, less allowance for doubtful accounts of \$7,050 | \$ 14,047 |
| Inventories | 4,355 |
| Other current assets | 2,201 |
| Total current assets | <u>20,603</u> |
| Property and equipment, at cost | |
| Land | 15,955 |
| Buildings and improvements | 98,648 |
| Furniture and equipment | 52,670 |
| Construction-in-progress | 392 |
| Accumulated depreciation and amortization | <u>(40,184)</u> |
| Property and equipment, net | 127,481 |
| Goodwill | 582 |
| Intangible assets, net | 697 |
| Amounts due from affiliate | 7,147 |
| Total assets | <u>\$ 156,510</u> |
| Liabilities and Members' Equity | |
| Current liabilities | |
| Accounts payable | \$ 9,218 |
| Accrued salaries and benefits | 2,191 |
| Other accrued expenses and liabilities | 495 |
| Current portion of long-term debt | 215 |
| Total current liabilities | <u>12,119</u> |
| Long-term liabilities | |
| Long-term debt | 1,300 |
| Other long-term liabilities | 190 |
| Total liabilities | <u>13,609</u> |
| Common units | 175,205 |
| Accumulated deficit | <u>(32,304)</u> |
| Members' equity | 142,901 |
| Total liabilities and members' equity | <u>\$ 156,510</u> |

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

Pascack Valley Health System, LLC
Consolidated Statement of Operations
Year ended December 31, 2017
(dollars in thousands)

| | Year ended |
|--|--------------------------|
| | December 31, 2017 |
| Patient revenue before provision for doubtful accounts | \$ 113,929 |
| Provision for doubtful accounts | (1,268) |
| Net patient revenue | <u>112,661</u> |
| Other revenue | <u>1,476</u> |
| Net revenue | <u>114,137</u> |
| Operating expenses | |
| Salaries and benefits | 40,857 |
| Supplies | 17,006 |
| Contract Services | 16,412 |
| Other operating expenses | 14,887 |
| Depreciation and amortization | 9,660 |
| Management fees | 2,351 |
| Energy improvement incentive income | <u>(1,156)</u> |
| Total operating expenses | <u>100,017</u> |
| Income from operations | 14,120 |
| Interest income, net | 155 |
| Net income | <u>\$ 14,275</u> |

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

Pascack Valley Health System, LLC
Consolidated Statement of Members' Equity
December 31, 2017
(dollars in thousands)

| | <u>Units</u> | <u>Amount</u> | <u>Accumulated Deficit</u> | <u>Total</u> |
|--------------------------|--------------|-------------------|--------------------------------|-------------------|
| December 31, 2016 | 1,477 | \$ 175,205 | \$ (31,143) | \$ 144,062 |
| Distributions to | | | | |
| LHP Pascack Valley, LLC | - | - | (13,646) | (13,646) |
| Hackensack UMC | - | - | (7,348) | (7,348) |
| Contributions from | | | | |
| LHP Pascack Valley, LLC | - | - | 3,613 | 3,613 |
| Hackensack UMC | - | - | 1,945 | 1,945 |
| Net income | - | - | 14,275 | 14,275 |
| December 31, 2017 | <u>1,477</u> | <u>\$ 175,205</u> | <u>\$ (32,304)</u> | <u>\$ 142,901</u> |

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

Pascack Valley Health System, LLC
Consolidated Statement of Cash Flows
Year Ended December 31, 2017
(dollars in thousands)

| | <u>Year ended</u> <u>December 31, 2017</u> |
|--|---|
| Operating activities | |
| Net income | \$ 14,275 |
| Adjustments to reconcile net income to net cash provided by operating activities | |
| Provision for doubtful accounts | 1,268 |
| Depreciation and amortization | 9,660 |
| Loss on disposal of assets | 276 |
| Change in cash from operating assets and liabilities | |
| Accounts receivable | 3,122 |
| Inventories and other assets | (76) |
| Accounts payable and accrued expenses | 270 |
| Other liabilities | (601) |
| Net cash provided by operating activities | <u>28,194</u> |
| Investing activities | |
| Purchases of property and equipment | (5,699) |
| Acquisitions, net of cash acquired | (1,071) |
| Net cash used in investing activities | <u>(6,770)</u> |
| Financing activities | |
| Proceeds from borrowings | 375 |
| Contributions from members | 5,558 |
| Distributions to members | (20,994) |
| Payments to affiliate | (6,363) |
| Net cash used in financing activities | <u>(21,424)</u> |
| Change in cash | <u>\$ -</u> |
| Beginning of year | - |
| End of year | <u>\$ -</u> |

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

Pascack Valley Health System, LLC

Notes to Consolidated Financial Statements

December 31, 2017

1. Business Overview

Organization

Pascack Valley Health System, LLC (the Company) is a privately held New Jersey limited liability company. Membership units in the Company are owned by LHP Pascack Valley, LLC (the Parent), an indirectly wholly owned subsidiary of LHP Hospital Group, Inc. (LHP), and Hackensack UMC (Hackensack), collectively, the Members. The Members of the LLC are not personally liable for the debts and liabilities of the LLC in accordance with the LLC agreement and applicable statutes. In March 2017, LHP completed a merger with Ardent Health Services (Ardent), pursuant to the Agreement and Plan of Merger. Through the transaction, LHP became a wholly-owned subsidiary of Ardent. Under the terms of the agreement, Ardent assumed LHP's management and operational responsibilities within the Company. At December 31, 2017, Ardent owned 65% of the Company and Hackensack owned 35%.

The terms "we," "our," "the Company," and "us" refer to the business of Pascack Valley Health System, LLC and its subsidiaries Pascack Valley Hospital, LLC and Pascack Valley Health Services, LLC.

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

Basis of Presentation

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

Unless otherwise indicated, all numbers are in thousands, except unit amounts.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Pascack Valley Health System, LLC
Notes to Consolidated Financial Statements
December 31, 2017

Revenue Recognition and Accounts Receivable

The Company recognizes revenues in the period in which services are performed. Accounts receivable primarily consist of amounts due from third-party payors and patients. The Company's ability to collect outstanding receivables is critical to its results of operations and cash flows. Amounts the Company receives for treatment of patients covered by governmental programs such as Medicare and Medicaid and other third-party payors such as health maintenance organizations, preferred provider organizations, and other private insurers are generally less than the Company's established billing rates. Additionally, to provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. Accordingly, the revenues and accounts receivable reported in the Company's consolidated financial statements are recorded at the net amount expected to be received.

The Company's approximate patient revenue before provision for doubtful accounts and percentage by payor were as follows for the year ended December 31, 2017:

| | <u>Amount</u> | <u>Ratio</u> |
|--|-------------------|--------------|
| Medicare | \$ 31,900 | 28% |
| Medicaid | 4,557 | 4 |
| Managed care | 75,193 | 66 |
| Other | <u>2,279</u> | <u>2</u> |
| Patient revenue before provision for doubtful accounts | <u>\$ 113,929</u> | <u>100%</u> |

Concentration of Revenues

In 2017, approximately 32% of the Company's patient revenue before provision for doubtful accounts were related to patients participating in the Medicare and Medicaid programs collectively. The Company's management recognizes that revenues and receivables from government agencies are significant to the Company's operations, but it does not believe that there are significant credit risks associated with these government agencies. The Company's management does not believe that there are any other significant concentrations of revenues from any particular payor that would subject the Company to any significant credit risks in the collection of its accounts receivable.

The Company's revenues are particularly sensitive to regulatory and economic changes in the state of New Jersey, where the Company generates its revenues.

Contractual Discounts and Cost Report Settlements

The Company derives a significant portion of its revenues from Medicare, Medicaid, and other payors that receive discounts from its established billing rates. The Company must estimate the total amount of these discounts to prepare its consolidated financial statements. The Medicare and Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex and are subject to interpretation and adjustment. The Company estimates the allowance for contractual discounts on a payor-specific basis given its interpretation of the applicable regulations or contract terms. These interpretations sometimes result in payments that differ from the Company's estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management. Changes in estimates related to the allowance for contractual discounts affect revenues reported in the Company's accompanying consolidated statement of operations.

Pascack Valley Health System, LLC

Notes to Consolidated Financial Statements

December 31, 2017

Cost report settlements under reimbursement agreements with Medicare and Medicaid are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Net adjustments to estimated cost report settlements were \$18 for the year ended December 31, 2017. The cost report settlements receivable by the Company included in other current assets on the accompanying consolidated balance sheet were approximately \$573 at December 31, 2017. The Company's management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under these programs.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the Company's consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care

Self-pay revenues are derived primarily from patients who do not have any form of health care coverage. The revenues associated with self-pay patients are generally reported at the Company's gross charges. The Company evaluates these patients, after the patient's medical condition is determined to be stable, for their ability to pay based upon federal and state poverty guidelines, and qualifications for Medicaid or other governmental assistance programs, as well as the local hospital's policy for charity care. The Company provides care without charge to certain patients who qualify under the charity care policy. In 2017, the Company estimates that its costs of care provided under its charity care programs were \$727.

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

Additionally, the Company does not report a charity care patient's charges in revenues or in the provision for doubtful accounts as it is the Company's policy not to pursue collection of amounts related to these patients.

Other Discounts

We provide discounts to uninsured patients who do not qualify for Medicare, Medicaid, or charity care. These discounts are similar to discounts provided to many local managed care plans and totaled \$2,067 for the year ended December 31, 2017. In implementing our discount policy, we first attempt to qualify uninsured patients for Medicare or Medicaid, other federal or state assistance, or charity care. If an uninsured patient does not qualify for these programs, the uninsured discount is applied.

Pascack Valley Health System, LLC
Notes to Consolidated Financial Statements
December 31, 2017

Provision and Allowance for Doubtful Accounts

To provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. The primary uncertainty lies with uninsured patient receivables and deductibles, copayments, or other amounts due from individual patients.

The Company has an established process to determine the adequacy of the allowance for doubtful accounts that relies on a number of analytical tools and benchmarks to arrive at a reasonable allowance. No single statistic or measurement determines the adequacy of the allowance for doubtful accounts. Some of the analytical tools that the Company utilizes include, but are not limited to, historical cash collection experience, revenue trends by payor classification, and revenue days in accounts receivable. Accounts receivable are written off after collection efforts have been followed in accordance with the Company's policies.

| | |
|---|-----------------|
| Allowance for doubtful accounts balance at December 31, 2016 | \$ 13,730 |
| Additions recognized as reductions to revenues | 1,268 |
| Accounts written off, net of recoveries | (7,948) |
| Allowance for doubtful accounts balance at December 31, 2017 | <u>\$ 7,050</u> |

Inventories

Inventory is carried at the lower of cost or market (first-in, first-out method) and consists mainly of drugs and medical supplies. Cost is determined based on the weighted-average method.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment acquired in connection with asset acquisitions are recorded at their relative fair value in accordance with the cost accumulation approach of accounting as prescribed in FASB ASC 805-50, *Business Combinations – Related Issues*. Routine maintenance and repairs are charged to expense when incurred. Expenditures that increase capacities or extend useful lives of assets are capitalized.

Depreciation expense is computed by applying the straight-line method over the estimated useful lives of the assets. The estimated useful lives of buildings and improvements generally range from 10 to 40 years, while the estimated useful lives of furniture and equipment range from 3 to 10 years. Depreciation for 2017 was \$9,534.

Capital leases included in equipment were \$126 at December 31, 2017. Accumulated amortization related to capital leases was \$126 at December 31, 2017. Amortization expense related to capital leases was \$126 in 2017.

Long-Lived Assets

When events, circumstances, or operating results indicate the carrying values of certain long-lived assets (excluding indefinite-lived intangibles) expected to be held and used might be impaired, we prepare projections of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. If the projections indicate the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value.

Pascack Valley Health System, LLC

Notes to Consolidated Financial Statements

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Goodwill and Indefinite-Lived Intangible Assets

Goodwill is the excess of the purchase price over the fair value of identifiable assets acquired. Under FASB ASC 350, *Intangibles – Goodwill and Other*, goodwill and intangibles with indefinite lives are not amortized, but tested for impairment annually or more frequently if certain indications of impairment arise.

In connection with its annual goodwill impairment evaluation, the Company compares the fair value of the reporting units to their carrying amounts on at least an annual basis to determine if there is potential impairment on a quantitative and qualitative basis. If the fair value is less than carrying value, the fair value of the reporting unit is assigned to its respective assets and liabilities, including goodwill. An impairment charge is recorded if the implied fair value of goodwill is determined to be less than its carrying value. There was no goodwill or other intangible impairment charges in 2017. The Company bases its estimates of fair value of reporting units on various assumptions on a quantitative and qualitative basis that are believed to be reasonable under the circumstances. Actual results may differ from these estimates, which may require a future impairment charge that could have a material adverse impact on the Company's financial position and results of operations.

Professional and General Liability

Ardent maintains, on behalf of its affiliates, an insurance policy with a commercial insurer. The professional and general liability policy has combined limits of \$1,000 per claim and \$6,000 annual aggregate for claims. The deductible is \$100,000 per occurrence. In addition to the primary coverage, umbrella and excess coverage is maintained with shared limits of \$15,000. Ardent maintains reserves for estimates of loss that will ultimately be incurred on claims that have been reported but not paid and claims that have been incurred but not reported. These reserves are established based on consultation with independent actuaries and billed as premiums to each affiliate. At December 31, 2017, the Company has recorded an accrued liability to Ardent for professional risk liabilities of \$796, which is included in the amounts due from affiliate on the consolidated balance sheet. Expenses for professional and general liability coverage allocated to the Company were approximately \$255 for the year ended December 31, 2017, and are included in other operating expense within the consolidated statement of operations.

Self-Insured Liabilities

Ardent is self-insured for substantially all of the medical benefits of its employees. Ardent maintains reserves for medical benefits that reflect known claims and an estimate of incurred but not reported claims based upon an actuarial analysis as of the December 31 and are billed as premiums to each affiliate. At December 31, 2017, the Company recorded an accrued liability to Ardent for self-insured medical benefits of \$361, which is included in the amounts due from affiliate on the consolidated balance sheet. Expenses for medical benefit coverage allocated to the Company were approximately \$3,081 for the year ended December 31, 2017, and is included in salaries and benefits expense in the consolidated statement of operations.

Ardent is self-insured for workers' compensation claims with a stop-loss limit of \$500 per occurrence. Estimated liabilities for workers' compensation claims were \$1,315 and were included in amounts due from affiliate at December 31, 2017. Expenses for workers' compensation allocated to the Company were approximately \$468 for the year ended December 31, 2017, and are included in other operating expenses in the accompanying consolidated statement of operations.

Pascack Valley Health System, LLC

Notes to Consolidated Financial Statements

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New Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-02, Leases (“ASU 2016-02”), which requires lessees to recognize assets and liabilities for most leases. ASU 2016-02 is effective for private business entities for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the provisions of ASU 2016-02 to determine how our financial statements will be affected, and the primary effect of adopting the new standard will be to record right-of-use assets and obligations for our leases currently classified as operating leases.

In May 2014, the FASB and the International Accounting Standards Board issued a final, converged, principles-based standard on revenue recognition. Companies across all industries will use a five-step model to recognize revenue from customer contracts. The new standard, which replaces nearly all existing revenue recognition guidance, will require significant management judgments and change the way many companies recognize revenue in their financial statements. In July 2015, the FASB decided to defer the effective date of the new revenue standard by one year to annual and interim periods beginning after December 15, 2018 for private companies as well as permit entities to adopt one year earlier if they choose. The FASB decided, based on its outreach to various stakeholders and continuing amendments to the new revenue standard, that a deferral was necessary to provide adequate time to effectively implement the new standard. The Company is currently evaluating the effect of the new revenue recognition guidance on the Company’s financial statements and disclosures.

Fair Value of Financial Instruments

Management believes the carrying value of accounts receivable, other current assets, accounts payable, and accrued expenses approximates fair value due to their short-term maturity. Management believes the fair value of notes receivable approximates fair value based on current interest rate assumptions and the remaining term to maturity. The fair value of amounts due from affiliate cannot be determined due to the uncertainty of timing of payment. Management believes the carrying amounts of the Company’s long-term debt (including current portion) approximate fair value based on consideration of the Company’s credit standing and current interest rate. Management believes the fair value of long-term liabilities approximates fair value based on current interest rate assumptions and remaining term to maturity.

3. Goodwill

The Company acquired the assets of a physician practice for \$1,071 in 2017, resulting in \$582 in goodwill at December 31, 2017.

Pascack Valley Health System, LLC

Notes to Consolidated Financial Statements

December 31, 2017

4. Long-Term Debt

The Company entered into an agreement with Public Service Electric and Gas Company (PSE&G) to implement various energy cost-reduction strategies and measures to improve the hospital's energy efficiency. Pursuant to the terms of the agreement, PSE&G funds a portion of certain energy-reducing capital projects without requiring repayment from the Company (the Permanent Incentive). The portion of the funding received in 2016 from PSE&G for a chiller project that is required to be repaid, \$859, is repaid over five years and does not bear interest. In November 2017, PSE&G funded an additional \$644 for a lighting upgrade that is to be repaid over 5 years and does not bear interest. The remaining balance of the loan at December 31, 2017 was \$644. The Company accounts for the permanent incentive portion of the PSE&G contract in accordance with ASC 450-30, *Contingencies – Gain Contingencies*. For the year ended December 31, 2017, the Company recognized \$1,156 in permanent incentive under the PSE&G contract reflected separately in the accompanying consolidated statements of operations as energy improvement incentives within operating expenses.

5. Retirement Plan

The Company participates in Ardent's contributory benefit plan that is available to employees who meet certain minimum requirements. The plan requires the Company to match 100% of a participant's contributions up to the first 3% of the participant's compensation. The Company recorded contribution expense of \$519 in 2017.

6. Transactions With Related Parties

Ardent provides services to the Company with regard to management and administration, financial management, clinical and patient care, medical staff relations, group purchasing programs, information technology, and other services. The Company reimburses Ardent and its affiliates for these services based on a management fee arrangement. Additionally, Hackensack provides managed care services to the Company based on a management fee arrangement. The Company recorded management fee expense of \$2,251 to the Ardent and \$100 to Hackensack for the year ended December 31, 2017.

Amounts due from affiliate of \$7,147 at December 31, 2017, represents the net shortage of amounts paid by an affiliate of Ardent on behalf of the Company under the amounts transferred by the Company. Amounts paid by affiliates on behalf of the Company generally include operating expenses and fees and services provided by Ardent to the Company.

7. Leases

The Company leases real estate, buildings, vehicles, and equipment under cancelable and noncancelable leases. Rental expense on operating leases was \$199 for the year ended December 31, 2017.

Pascack Valley Health System, LLC
Notes to Consolidated Financial Statements
December 31, 2017

Future minimum lease payments for noncancelable leases at December 31, 2017, are as follows:

| | | |
|------------|----|--------------|
| 2018 | \$ | 859 |
| 2019 | | 756 |
| 2020 | | 774 |
| 2021 | | 791 |
| 2022 | | 692 |
| Thereafter | | <u>2,805</u> |
| | \$ | <u>6,677</u> |

The Company leases certain medical office space to physicians under noncancelable leases. Sublease income, included in other revenue, was \$985 for the year ended December 31, 2017.

8. Income Taxes

The Company was formed as a limited liability company and is intended to be treated as a partnership for federal and state income tax purposes. As such, taxable income of the Company is the direct obligation of its members; therefore, no federal or state income tax provision is recorded in the Company's financial statements. Management is not aware of any course of action or series of events that has occurred that might adversely affect the Company's tax status.

9. Regulatory Matters

From time to time, claims and suits arise in the ordinary course of the Company's business. In certain of these actions, plaintiffs request punitive or other damages against the Company that may not be covered by insurance. The Company does not believe that it is a party to any proceeding that, in management's opinion, would have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

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

Pascack Valley Health System, LLC
Notes to Consolidated Financial Statements
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10. Commitments and Contingencies

Legal

The Company is, from time to time, subject to claims and suits arising in the ordinary course of business, including claims for damage for personal injuries, breach of contract, and employment-related claims. In certain of these actions, plaintiffs request payment for damages, including punitive damages that may not be covered by insurance. The Company is currently not a party to any pending or threatened proceedings that, in management's opinion, would have a material adverse effect on the Company's consolidated business, financial condition, or results of operations.

11. Subsequent Events

The Company has evaluated its financial statements and disclosures for the impact of subsequent events through July 31, 2018, the date these consolidated financial statements were available for issuance.