

**PROSPECT MEDICAL HOLDINGS
EAST ORANGE GENERAL HOSPITAL**

FINANCIAL STATEMENTS

SEPTEMBER 2018



Independent Auditor's Report

Board of Directors
Prospect EOGH, Inc.
East Orange, New Jersey

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Prospect EOGH, Inc. (the "Company"), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of operations, member's (deficit) equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Prospect EOGH, Inc. as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Company is financially dependent on its parent, Prospect Medical Holdings, Inc., which has agreed to provide the financial support necessary for the operations of the entity. The accompanying consolidated financial statements do not reflect any adjustments or disclosures that would be required should the parent company discontinue its financial support.

BDO USA, LLP

March 28, 2019

East Orange General Hospital
Balance Sheet
As of September 30, 2018
(Audited)
In thousands



	<u>Sep-18</u>
Current Assets	
Cash and Cash Equivalents	\$ 595
Patient Accts Receivable, net of allowance for doubtful accunts	16,312
Other Accounts Receivable	1,164
Government program receivables	199
Supplies Inventory	1,454
Prepaid Exp & Other Curr Assets	933
Total Current Assets	\$ 20,657
Other Assets	
Property, Improvements & Equipment	\$ 60,651
Intangible assets, net	\$ 1,797
Other assets	164
Total Assets	\$ 83,269
Current Liabilities	
Accounts Payable	\$ 15,448
Accrued Comp / Benefits	4,436
Due to Government Payer	1,479
Due to affiliated companies, net	60,661
Curr Portion of Capital Leases	405
Total Current Liabilities	\$ 82,429
Other Liabilities	
Capital Leases, net of current portion	\$ 584
Malpractice Reserve	2,312
Note payable	952
Other Long -Term Liability	1,407
Total Liabilites	\$ 87,684
Member's (deficit) equity:	
Member contributions	\$ 32,719
Accumulated (deficit) equity	(37,134)
Total Stockholders' Equity in Net Assets	\$ (4,415)
Total Liabilities and member's (deficit) equity	\$ 83,269

East Orange General Hospital
Income Statement
For the Period Ended September 30, 2018
(Audited)
In thousands



	<u>FYTD Sept-18</u>
Revenue	
Net patient service revenue	\$ 88,334
Less: Provision for doubtful accounts	(7,388)
Patient Service Revenue	<u>\$ 80,946</u>
Other Revenue	\$ 803
Grant Revenue	788
Total Revenue	<u>\$ 82,537</u>
Operating Expenses	
Salaries, wages and benefits	\$ 51,092
Supplies	12,072
Purchased services	4,643
Taxes and licenses	1,215
Professional fees	11,889
Other	1,113
Utilities	1,594
Grant expense	1,314
Insurance	2,394
Lease and rental	562
Repairs and maintenance	6,294
Registry	1,559
Total Operating Expenses	<u>\$ 95,741</u>
EBITDA	<u>\$ (13,204)</u>
Other Expense	
Depreciation and amortization	\$ 5,033
Goodwill impairment	4,572
Management fees	4,464
Interest expense	763
Other expense, net	151
Tax provision (benefit)	3,523
Net Loss	<u><u>\$ (31,710)</u></u>

	FYTD	MTD
ADMISSIONS		
Actual 2018	6,220	463
Actual 2017	6,081	461
Variance	139	2
PATIENT DAYS (D/C)		
Actual 2018	37,091	2,606
Actual 2017	34,027	2,726
Variance	3,064	(120)
ALOS per Dsch		
Actual 2018	5.3	4.9
Actual 2017	5.0	5.2
Variance	0.3	(0.2)
SAME DAY SURGERY		
Actual 2018	1,850	174
Actual 2017	1,845	154
Variance	5	20
SAME DAY ENDOSCOPY		
Actual 2018	1,313	79
Actual 2017	1,573	141
Variance	(260)	(62)
TOTAL OCCUPANCY RATE (%) Staffed		
Actual 2018	48%	41%
Actual 2017	44%	43%
Variance	4%	-2%
Occupancy % Acute staffed	42%	35%
Occupancy % Psych staffed	78%	68%
Observation		
Actual 2018	472	48
Actual 2017	533	10
Variance	(61)	38
NET E.R. VISITS		
Actual 2018	35,636	3,055
Actual 2017	36,838	2,851
Variance	(1,202)	204
E.R. ADMITS Acute		
Actual	4,953	372
% / Admissions	80%	80%
E.R. ADMITS Psych		
Actual	925	72
% / Admissions	15%	16%
Interventional Radiology Procedures		
Actual 2018	1,110	22
Actual 2017	130	8
Variance	980	14
Licensed Beds	212	212
Operating Beds	166	166
Licensed Acute Beds	175	175
Operating Acute Bed	129	129
Licensed Psych Beds	37	37
Operating Psych Beds	37	37