IJKG, LLC and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2017 and 2016

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Contents

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Independent Auditor's Report

Board of Directors
IJKG, LLC and Subsidiaries
Bayonne, New Jersey

We have audited the accompanying consolidated financial statements of IJKG, LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, members' 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 audits 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 IJKG, LLC and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

April 27, 2018

IJKG, LLC and Subsidiaries

Consolidated Balance Sheets

December 31,	**2017**	2016
Assets		
Current:		
Cash and cash equivalents	**$ 19,526,843**	$ 14,074,503
Net patient accounts receivable, current portion	**20,099,683**	32,498,252
Other receivables, current portion	**4,287,677**	3,936,029
Other assets	**4,678,484**	4,315,418
Total Current Assets	**48,592,687**	54,824,202
Assets Limited as to Use	**7,685,275**	7,685,275
Net Patient Accounts Receivable, Less Current Portion	**20,005,363**	32,967,549
Other Receivables, Less Current Portion	**47,328,494**	46,606,085
Investments in Unconsolidated Affiliates	**739,318**	739,318
Goodwill	**1,334,896**	1,334,896
Property, Plant and Equipment, Net	**50,636,012**	56,135,725
	$176,322,045	$200,293,050
Liabilities and Members' Equity		
Current Liabilities:		
Accounts payable	**$ 13,244,363**	$ 12,468,756
Accrued compensation and other accrued expenses	**5,389,541**	4,686,004
Other current liabilities	**152,775**	149,418
Accrued interest, current portion	**9,000,000**	-
Due to third party payors, current portion	**1,026,306**	715,638
Current portion of capital lease and long-term debt	**4,379,253**	4,979,572
Total Current Liabilities	**33,192,238**	22,999,388
Due to Third Party Payors, Less Current Portion	**2,581,435**	1,599,635
Line of Credit	**14,929,843**	21,245,911
Estimated Malpractice Liability	**-**	478,000
Accrued Interest, Less Current Portion	**18,000,000**	-
Capital Lease Payable, Less Current Portion	**39,234,481**	43,489,387
Long-Term Debt, Less Current Portion	**-**	5,000,000
Total Liabilities	**107,937,997**	94,812,321
Commitments and Contingencies		
Members' Equity	**68,384,048**	105,480,729
	$176,322,045	$200,293,050

See accompanying notes to consolidated financial statements.

IJKG, LLC and Subsidiaries

Consolidated Statements of Income

Year ended December 31,	**2017**	2016
Revenues:		
Net patient service revenue	**$173,955,811**	$180,083,394
Charity care subsidy	**632,129**	1,238,827
Other revenue	**999,145**	1,114,463
Total Revenues	**175,587,085**	182,436,684
Costs and Expenses:		
Salaries and wages	**53,200,876**	50,968,689
Fringe benefits	**10,182,891**	11,598,229
Physician fees	**13,814,753**	17,300,139
Supplies and other expenses	**78,108,622**	72,581,666
Total Expenses	**155,307,142**	152,448,723
Income From Operations Before Interest Expense, Depreciation and Amortization and Loss in Equity of Unconsolidated Affiliates	**20,279,943**	29,987,961
Interest Expense	**39,671,677**	5,597,271
Depreciation and Amortization	**7,077,742**	9,126,140
(Loss) Income Before Loss in Equity of Unconsolidated Affiliates	**(26,469,476)**	15,264,550
Loss in Equity of Unconsolidated Affiliates	**-**	-
Net (Loss) Income	**$ (26,469,476)**	$ 15,264,550

See accompanying notes to consolidated financial statements.

IJKG, LLC and Subsidiaries

Consolidated Statements of Members' Equity

Years ended December 31, 2017 and 2016

Members' Equity at December 31, 2015	**$ 94,451,999**
Net income	**15,264,550**
Distributions to owners	**(4,235,820)**
Members' Equity at December 31, 2016	**105,480,729**
Net loss	**(26,469,476)**
Distributions to owners	**(10,627,205)**
Members' Equity at December 31, 2017	**$ 68,384,048**

See accompanying notes to consolidated financial statements.

IJKG, LLC and Subsidiaries

Consolidated Statements of Cash Flows

Year ended December 31,	**2017**	2016
Cash Flows From Operating Activities:		
Net (loss) income	**$(26,469,476)**	$ 15,264,550
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	**7,077,742**	9,126,140
Change in present value of other receivables	**1,311,846**	1,315,431
Changes in assets and liabilities:		
Decrease (increase) in:		
Net patient accounts receivable	**25,360,755**	(14,800,540)
Other assets	**(363,066)**	(69,190)
Other receivables	**(2,385,903)**	8,899,221
Increase (decrease) in:		
Accounts payable	**775,607**	(1,769,697)
Accrued compensation and other accrued expenses	**703,537**	566,013
Accrued interest	**27,000,000**	-
Other current liabilities	**3,357**	22,774
Due to third party payors	**1,292,468**	(653,157)
Malpractice reserve	**(478,000)**	(478,000)
Net Cash Provided By Operating Activities	**33,828,867**	17,423,545
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment	**(1,578,029)**	(570,050)
Decrease in assets limited as to use	**-**	(472,615)
Net Cash Used In Investing Activities	**(1,578,029)**	(1,042,665)
Cash Flows From Financing Activities:		
Distributions to members	**(10,627,205)**	(4,235,820)
Proceeds from line of credit, net of payments	**(6,316,068)**	4,652,073
Repayment of long-term debt	**(5,000,000)**	(646,381)
Repayment of capital lease obligation	**(4,855,225)**	(5,761,329)
Net Cash Used In Financing Activities	**(26,798,498)**	(5,991,457)
Net Increase in Cash and Cash Equivalents	**5,452,340**	10,389,423
Cash and Cash Equivalents, Beginning of Year	**14,074,503**	3,685,080
Cash and Cash Equivalents, End of Year	**$ 19,526,843**	$ 14,074,503
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	**$ 12,607,784**	$ 5,651,756

See accompanying notes to consolidated financial statements.

1. Description of the Organization

IJKG, LLC ("IJKG") is a holding company that was formed to acquire Bayonne Medical Center ("BMC") out of bankruptcy in February 2008. Upon acquisition of BMC, IJKG formed IJKG-OPCO, LLC (d/b/a Bayonne Medical Center) (the "Hospital"), a wholly-owned subsidiary of IJKG, to facilitate the operations of the acquired BMC, a licensed 278-bed acute care facility that provides inpatient and outpatient services. IJKG is the sole member and manager of the Hospital and, as such, maintains certain reserved powers under the IJKG OPCO, LLC Operating Agreement.

Bayonne RadOnc Associates, LLC ("Bayonne RadOnc") is a wholly-owned subsidiary of the Hospital which provides radiation oncology services. Peninsula Surgery Center Management, LLC is a wholly-owned subsidiary of the Hospital, which in 2013 acquired full ownership interest in Peninsula Surgery Center, LLC ("PSC"), a healthcare organization that provides outpatient surgical services.

2. Principles of Consolidation

The consolidated financial statements include the activities of IJKG and its majority-owned subsidiary, the Hospital, as well as the majority-owned subsidiaries of the Hospital (collectively, the "Company"). Interests in majority-owned subsidiaries are reported using the full consolidation method, whereby the consolidated financial statements include 100% of the assets and liabilities of the subsidiaries. All material intercompany transactions have been eliminated.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the consolidated balance sheets, assets and liabilities are presented in a classified manner, in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents with the exceptions of amounts limited as to use for capital purchases and as required by the line of credit agreement with a financial institution.

(c) Fair Value Measurements

Professional standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Company would use in pricing the Company's asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Company are traded. The Company estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

(d) Net Patient Accounts Receivable

Net patient accounts receivable are reported at estimated net realizable value. Management's estimate of net realizable value is based on historical collection patterns and does not distinguish between contractual allowances and allowances for doubtful accounts. Individual patient accounts are written off when they are determined to be uncollectible based upon management's periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages.

Net patient accounts receivable primarily consist of balances due from third-party insurers for services to patients. Management performs periodic analyses to evaluate the net realizable value of accounts receivable. These estimates were calculated based on the Company's previous subsequent collections history and ongoing collection efforts. The timing of collections and the ultimate amounts collected may materially differ from such estimates. The Company does not impute interest on its accounts receivable.

The Company's experience indicates that the normal collection cycle for certain accounts extends beyond twelve months. Accordingly, the estimate of accounts expected to settle after twelve months from the balance sheet dates has been reclassified from current to noncurrent assets.

(e) Investments in Unconsolidated Affiliates

The Company records its investments in unconsolidated affiliates utilizing the equity method of accounting, reporting its economic interest in the affiliates' assets and liabilities as a non-current asset on the consolidated balance sheets. That amount is either increased or decreased by the Company's proportionate share of the affiliates' net income or loss and any distributions made during the year.

(f) Goodwill

Goodwill represents the excess purchase price over the fair value of net assets acquired. Goodwill is not amortized but rather tested annually or when events or circumstances occur that may indicate impairment. The Company is required to review goodwill by reporting unit for impairment. The Company has determined its entire business represents one reporting unit.

Determining the fair value of a reporting unit requires the Company to make judgments and involves the use of significant estimates and assumptions. These estimates and assumptions relate to, among other things, revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. The Company bases its fair value estimates on assumptions it believes to be reasonable but that are unpredictable and inherently uncertain. Actual results may differ from those estimates. As of December 31, 2017 and 2016, the Company's impairment analysis did not identify any goodwill impairments.

(g) Property, Plant and Equipment

Property, plant and equipment are recorded at their aggregate purchase cost, apportioned to individual assets on the basis of fair market value at the date of acquisition. Depreciation is provided over the estimated useful life for each class of depreciable asset and is computed using the straight-line method. The estimated useful lives of various asset classes are as follows:

Building and building improvements	5–15 years
Fixed equipment	10 years
Major moveable equipment	5–7 years

(h) Revenue Recognition

Net operating revenues are recognized in the period services are performed and consist primarily of the net patient service revenue that is reported at estimated net realizable amounts from patients, third-party payors and for other services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. Payment arrangements with third-party payors include prospectively determined rates per discharge, reimbursed costs, charges, discounted charges and per diem payments.

(i) Income Taxes

As a limited liability company, the income of the Company passes through to the tax returns of the respective owners and income tax expense is not reported as an element of expense in the Company's consolidated financial statements. Furthermore, as the Hospital is a solely owned LLC, it is regarded as a Disregarded Entity under the tax code. As such, it does not file a tax return and its operations are combined for tax purposes with its sole member, IJKG, which then passes through net income to its members. In addition, the Company has not taken an uncertain tax position that would require provision of a liability in accordance with GAAP.

(j) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(k) Concentrations of Credit Risk

The Company is located in the state of New Jersey. The Company extends credit based on financial condition for all customers without collateral, most of who are local residents and are insured under various third-party payor insurance carriers. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

The mix of receivables from primary payor sources, including patients and third parties, at December 31, 2017 and 2016 is as follows:

	2017	2016
Medicare	**8%**	7%
Medicaid	**5**	3
Other third-party payors	**87**	90

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. At various times during the year, the Company may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

(l) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(m) Recent Pronouncements

(i) Revenue From Contracts With Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 which deferred the effective date for the Company until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Company does not believe the pending adoption of ASU 2014-09 will have a material impact on the consolidated financial statements.

(ii) Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019. The Hospital is currently evaluating the impact of the pending adoption of ASU 2016-02.

(iii) Intangible Assets

On January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other," to simplify how all entities assess goodwill for impairment by eliminating Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step, comparing the fair value of a reporting unit with its carrying amount. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. The

Company does not believe the pending adoption of ASU 2017-04 will have a material impact on the consolidated financial statements.

4. Net Patient Service Revenue

The Company has agreements with Medicare, Medicaid and other third-party payors that provide for payments to the Company at amounts different from its established rates. A summary of the payment arrangements with third-party payors follows:

(a) Medicare

Under the Medicare program, the Company receives reimbursement under a prospective payment system (“PPS”) for inpatient and outpatient services. The Company’s reimbursements from Medicare are subject to certain variations under Medicare’s single bundled payment rate system, whereby reimbursements can be adjusted for certain patient characteristics and other factors. Federal regulations provide for certain adjustments to current and prior years’ payment rates, based on industry wide and hospital specific data. The Company has been audited and received final settlements on its Medicare cost reports through 2013 and tentative settlements through 2016.

(b) Non-Medicare Payments

Service rendered to Medicaid 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. Revenues associated with commercial health plans and health maintenance organizations are estimated based on contractual terms for the patients under healthcare plans with which the Company has formal agreements, non-contracted health plan coverage terms, if known, estimated secondary collections, historical collection experience and historical trends of refunds and payor payment adjustments.

(c) Regulation and Reimbursement Contingencies

Regulations require annual retroactive settlements for cost-based reimbursements through cost reports filed by the Company. These retroactive settlements are estimated and recorded in the financial statements in the year in which they become known. The estimated settlements recorded at December 31, 2017 and 2016 could differ from actual settlements based on the results of the cost report audits.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Company is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying consolidated financial statements and believes it is in compliance, in all material respects, with the applicable laws and regulations. Action for noncompliance could result in repayment of amounts improperly reimbursed, fines, penalties and exclusion from Medicare and Medicaid programs.

5. Property, Plant and Equipment, Net

Property, plant and equipment, net at December 31, 2017 and 2016 consists of the following:

	2017	2016
Building	$ 62,662,124	$ 62,662,124
Building improvements	4,060,168	3,877,674
Fixed equipment	14,169,899	14,301,465
Major moveable equipment	41,237,165	41,332,045
Construction-in-progress	2,686,046	1,064,065
	124,815,402	123,237,373
Less: Accumulated depreciation	74,179,390	67,101,648
Property plant and equipment, net	$ 50,636,012	$ 56,135,725

During 2017, the Company had property, plant and equipment additions of $1,578,029.

Costs incurred to date on projects included in construction-in-progress as of December 31, 2017 represents approximately 40% of the project construction costs.

The Company is obligated under capital leases covering building and equipment that expire at various dates over the next ten years. At December 31, 2017 and 2016, the gross amount of building and equipment and related accumulated depreciation recorded under capital leases were as follows:

December 31,	2017	2016
Building	$ 62,662,124	$ 62,662,124
Equipment	16,695,992	16,695,992
	79,358,116	79,358,116
Less: Accumulated depreciation	43,673,062	39,864,719
	$ 35,685,054	$ 39,493,397

6. Line of Credit

At December 31, 2017 and 2016, the Company had the ability to borrow from a financial institution up to $25,000,000. The line is secured by the Hospital's and an affiliated physician practice's, Garden State Healthcare Associates, LLC ("Garden State"), net patient accounts receivable. Interest on the outstanding advances under the line is due and payable on a monthly basis at an annual interest rate of the London Interbank Offered Rate ("LIBOR") plus 3.50%. At December 31, 2017 and 2016, the outstanding amounts on the Company's line was $14,929,843 and $21,245,911, respectively. At both December 31, 2017 and 2016, total outstanding amounts on Garden State's line was $3,704,765, which is not included in the $14,929,843 and $21,245,911 for 2017 and 2016, respectively.

7. Capital Lease Obligations

(a) The Company entered into a capital lease agreement for land and a building with a healthcare real estate investment trust on February 4, 2011. The lease is secured by the land and building and requires monthly payments of principal and interest, at an imputed rate. The lease expires in February 2026.

(b) The Company leases equipment under multiple capital leases that expire on various dates between January 2018 to July 2019. The leases are secured by the equipment and require monthly payments of principal and interest, at a rate of 2.53% to 6.56% per annum.

The following is a schedule of future minimum lease payments, including interest under the terms of the lease, together with the present value of the net minimum lease payments, as of December 31, 2017.

2018	$ 7,691,825
2019	7,337,328
2020	7,261,149
2021	7,261,149
2022	7,261,149
Thereafter	22,388,548
Total minimum lease payments	59,201,148
Less: Amount representing interest	15,587,414
Present value of net minimum lease payments	43,613,734
Less: Current portion	4,379,253
	$39,234,481

The Company is required to comply with certain covenants under its major lease agreement. All such covenants were compiled with or waived by the lessor.

8. Long-Term Debt

(a) In May 2008, the Company finalized a long-term agreement with a healthcare company. Under the terms of the agreement, the healthcare company purchased notes valued at $5,000,000 which included no scheduled principal repayments of long-term debt over the years with the note maturing in 2018. The notes were convertible at any time into a number of common units, representing a minority position in the Company. As of December 31, 2016, the entire balance of the debt of $5,000,000 was recorded as long-term debt.

On December 21, 2017, the Company entered into a settlement agreement with the healthcare company on the long-term debt. Under the terms of the settlement, the prior convertible note was retired in exchange for a lump-sum payment and additional future payments. In connection with this transaction, at December 31, 2017, the Company established a liability for payments which begin in January 2018 of $750,000 per month for 36 months. The excess of these payments over the value of the debt was recognized as interest expense for the year ended December 31, 2017.

(b) On February 1, 2014, the Hospital entered into a term note agreement for $1,500,000 with a financial institution to refinance existing indebtedness assumed in the acquisition of PSC. Principal payments were due monthly in equal installments of $25,000 with the term note bearing an interest rate of LIBOR plus 2.50%. The note matured on February 1, 2017 and payment was made to satisfy the liability. At December 31, 2016, the outstanding amount on the note was $293,566.

9. Charity Care

The Company provides services without charge, or at amounts less than its established rates, to patients who meet the criteria of its charity care policy. Because the Company does not pursue collection of amounts determined to qualify as charity care, such services are not reported as revenue.

The estimated cost of charity care provided was $6,465,104 and $8,003,007 for the years ended December 31, 2017 and 2016, respectively. The estimated cost of charity care is based on the ratio of cost to charges, as determined by hospital-specific data.

10. Malpractice Contingencies

Effective June 15, 2014, the Hospital purchased a claims-made policy from the related captive insurance provider, CarePoint Health Captive Assurance Company, LLC (the "Captive"). The policy includes no deductible for the Hospital and a $250,000 per claim and $750,000 in the aggregate deductible covered by the Captive, which is shared with related healthcare providers HUMC-Opco, LLC and Hudson Hospital Opco, LLC, such that losses from all three entities would erode the $750,000 aggregate retention. The Company has also purchased excess coverage of up to $15,000,000 from the Captive with limits being shared among all three entities. The Captive reinsures 100% for the limits of the excess liability coverage.

Estimated malpractice liabilities are based upon actuarial valuation of the estimated effect of probable loss contingencies and determined policy deductibles. In the opinion of management, the final disposition of such claims will be within the available insurance coverage and not have a material adverse effect on the Company's financial position, results of operations or liquidity.

Upon purchasing BMC, the Company initiated a provision to cover medical malpractice claims arising from events that had occurred prior to the transaction closing date of February 1, 2008. Since the establishment of the initial tail liability on the consolidated balance sheet in 2008, there have been no reported claims. The Company has taken the position that the probability of receiving claims arising from events that occurred within that timeframe is unlikely. As a result, the Hospital had begun to amortize the recorded liability in 2014 for a period of three years until the liability was fully amortized in 2017. If subsequent claims are received, management will record any necessary liability in the year the claim is received.

11. Retirement Plan

The Company sponsors a voluntary 401(k) Profit Sharing Plan (the "Plan"). All employees of the Company are eligible to participate in the Plan. Employees can contribute any amount of their compensation each pay period subject to annual limits imposed by the Internal Revenue Service and additional limits imposed by law. The employees' accounts are fully and immediately vested from their date of participation in the Plan. The Company also makes employer matching contributions to all eligible employees who have completed one year of service. However, the employer matching contribution is discretionary and is based on the financial performance of the Company for the year.

During the year ended December 31, 2017, the maximum allocation that a participant can receive is 3% of the participant's compensation. Total employer contributions for the years ended December 31, 2017 and 2016 were $671,004 and $729,484, respectively.

12. Related Party Transactions

(a) Members

The total distributions paid to the members were $10,627,205 and $4,235,820 for 2017 and 2016, respectively.

(b) Investment in McCabe Ambulance Services, Inc.

On November 1, 2013, the Company entered into a stock purchase agreement to attain ownership of McCabe Ambulance Services, Inc. ("McCabe"). The Hospital invested $1,441,731, which equated to ownership of approximately 23% of McCabe's outstanding stock. McCabe is a comprehensive provider of emergency medical services, including both emergency and non-emergency ambulance transportation services. The investment is accounted for using the equity method of accounting and is recorded in investments in unconsolidated affiliates in the accompanying consolidated balance sheets.

(c) Practice Management

The Hospital has provided advances to Quality Care Associates LLC and its predecessor, Jersey Health Alliance LLC (collectively, "Practice Management"). These advances include the provision for the working capital needs of the physician groups managed by the Practice Management. This includes Garden State Healthcare Associates LLC, which employs all of the traditional hospital-based physician specialties working full-time at the Hospital, and New Jersey Medical and Health Associates LLC d/b/a CarePoint Health Medical Group, which employs physicians acquired to provide continuity of care to the Hospital's patients. The Hospital believes that the services provided by the Practice Management have been beneficial to both the Hospital and its patients. The Practice Management is a management service organization formed to provide both healthcare and technology expertise to affiliated physician groups.

The Hospital and the Practice Management have entered into agreements defining how advances are made by the Hospital and the method of repayment by the Practice Management. These agreements include interest at an annual rate of 7.5%. The Practice Management is expected to commence repayment of the loans in 2018. At both December 31, 2017 and 2016, the Hospital has reported the outstanding balance of $13,560,092, which is net of a present value discount as due from the Practice Management as of December 31, 2017 and 2016. The entire net balance is recorded as a noncurrent asset on the consolidated balance sheets. The discount was calculated at a rate of 5.29% and 4.88% at December 31, 2017 and 2016, respectively. These two rates represent the current borrowing rate of the Hospital for the respective years.

13. Commitments and Contingencies

The healthcare industry is subject to numerous laws and regulations of Federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which would result in the imposition of significant fines and penalties as well as significant repayments for patient service previously billed. Even if the Company were to ultimately prevail, a significant governmental inquiry or action under one of the above laws, regulations or rules could have a material adverse impact on it.

The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

14. Subsequent Events

The Company's management has performed subsequent event procedures through April 27, 2018, which is the date the consolidated financial statements were available to be issued and there were no other subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein