Prospect CharterCARE, LLC

Consolidated Financial Statements

As of and for the Years Ended September 30, 2019 and 2018

Prospect CharterCARE, LLC

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Independent Auditor's Report

Board of Directors
Prospect CharterCARE, LLC
Los Angeles, California

We have audited the accompanying consolidated financial statements of Prospect CharterCARE, LLC, (the "Company") which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of operations, members' equity, and cash flows for the years 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 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 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 CharterCARE, LLC and its subsidiaries as of September 30, 2019 and 2018, 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.

Emphasis of Matter

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

BDO USA, LLP

February 6, 2020

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Prospect CharterCARE, LLC

Consolidated Balance Sheets
(in thousands)

September 30,	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ -	$ -
Restricted cash	174	433
Patient accounts receivable, less allowance for doubtful accounts of $17,871 and $11,141	49,713	46,076
Other receivables	2,895	3,306
Due from government payers	5,531	5,533
Inventories	5,974	5,590
Prepaid expenses and other current assets	3,812	2,188
Total current assets	68,099	63,126
Property, improvements and equipment, net	60,918	59,780
Intangible assets, net	19	1,211
Equity method investments	3,675	4,088
Other assets	1,970	2,302
Total assets	$ 134,681	$ 130,507

See accompanying notes to consolidated financial statements.

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Prospect CharterCARE, LLC

Consolidated Balance Sheets
(in thousands)

September 30,	2019	2018
Liabilities and Members' Equity		
Current liabilities		
Accounts payable and other accrued liabilities	$ 33,382	$ 35,590
Accrued salaries, wages and benefits	18,150	17,696
Deferred revenue	170	170
Due to government payers	4,900	4,796
Due to affiliated companies, net	16,694	26,377
Current portion of capital leases	49	798
Total current liabilities	73,345	85,427
Capital leases, net of current portion	43	92
Asset retirement obligations	3,123	2,623
Deferred revenue, net of current portion	1,484	2,270
Other long-term liabilities	10,964	12,674
Total liabilities	88,959	103,086
Commitments and contingencies		
Members' equity		
Member contributions	120,105	92,108
Accumulated deficit	(74,383)	(64,687)
Total members' equity	45,722	27,421
Total liabilities and members' equity	$ 134,681	$ 130,507

See accompanying notes to consolidated financial statements.

CIIH16-001009

Prospect CharterCARE, LLC

Consolidated Statements of Operations
(in thousands)

For the Years Ended September 30,		2019		2018
Revenues				
Net patient service revenues	$	362,109	$	354,578
Provision for bad debts		(14,290)		(12,598)
Net patient service revenues less provision for bad debts		347,819		341,980
Other non-patient Hospital revenues		8,879		8,102
Total net revenues		356,698		350,082
Operating Expenses				
Salaries, wages and benefits		189,268		196,794
Supplies		61,933		62,507
Taxes and licenses		22,911		22,309
Purchased services		29,817		24,125
Depreciation and amortization		15,048		15,096
Professional fees		16,545		10,988
Other		3,461		11,287
Insurance		4,091		4,620
Management fees		7,395		7,298
Utilities		5,159		4,771
Lease and rental		5,185		5,438
Research grant expense		2,626		2,503
Repairs and maintenance		1,702		2,675
Registry		699		887
Total operating expenses		365,840		371,298
Operating income from unconsolidated equity method investments		560		589
Operating loss		(8,582)		(20,627)
Other expense (income):				
Interest expense		1,023		955
Goodwill impairment		-		14,228
Other expense (income), net		-		282
Total other (income) expense, net		1,023		15,465
Net loss from continuing operations		(9,605)		(36,092)
Loss from discontinued operations		(91)		(101)
Net loss	$	(9,696)	$	(36,193)

See accompanying notes to consolidated financial statements.

Prospect CharterCARE, LLC

Consolidated Statements of Members' Equity
(in thousands)

	Member Contributions	Accumulated Deficit	Total Members' Equity
Balance at October 1, 2017	$ 82,261	(28,494)	$ 53,767
Member contributions	9,847	-	9,847
Net loss	-	(36,193)	(36,193)
Balance at September 30, 2018	92,108	(64,687)	27,421
Member contributions	27,997	-	27,997
Net loss	-	(9,696)	(9,696)
Balance at September 30, 2019	$ 120,105	$ (74,383)	$ 45,722

See accompanying notes to consolidated financial statements.

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Prospect CharterCARE, LLC

Consolidated Statements of Cash Flows
(in thousands)

For the Years Ended September 30,	2019	2018
Operating activities		
Net loss	$ (9,696)	$ (36,193)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	14,292	15,094
Provision for bad debts	(14,290)	12,598
Accretion of interest for asset retirement obligations	756	185
Undistributed earnings from equity method investments	(560)	(589)
Goodwill impairment	-	14,228
Write-off of investment	-	280
Changes in operating assets and liabilities, net of business combinations:		
Change in restricted cash	259	2,595
Patient accounts receivables	10,653	(16,247)
Due to/from government payers, net	106	(99)
Inventories	(384)	215
Prepaid expenses, other receivables and other current assets	(1,213)	2,704
Other assets	332	(829)
Accounts payable and other accrued liabilities	(5,163)	10,381
Net cash (used in) provided by operating activities	(4,908)	4,323
Investing activities		
Purchases of property, improvements and equipment	(9,926)	(8,973)
Cash distributions from equity investments	973	578
Cash paid for acquisitions, net of cash received	-	(736)
Net cash used in investing activities	(8,953)	(9,131)
Financing activities		
Increase in due to affiliated companies, net	14,659	6,288
Repayments of capital leases	(798)	(1,480)
Net cash provided by financing activities	13,861	4,808
Change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	$ -	$ -
Supplemental disclosure of cash flow information		
Interest paid	$ 1,019	$ 955
Schedule of non-cash investing and financing activities		
Accrual of property, improvements and equipment	$ 4,322	$ -
Non-cash acquisitions	$ -	$ 7,692
Non-cash contributions (Note 6)	$ 27,997	$ 9,847

See accompanying notes to consolidated financial statements.

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1. Organization

Prospect CharterCARE, LLC ("PCC" or the "Company") is owned 85% by Prospect East PMH, Inc. ("Prospect East"), a wholly-owned subsidiary of Prospect Medical PMH, Inc. ("Prospect" or "PMH") and 15% by CharterCARE Community Board.

The Company provides a comprehensive range of services at Roger Williams Medical Center ("RWMC") and Our Lady of Fatima Hospital ("Fatima" or "SJHRI").

Admitting physicians are primarily practitioners in the local area. The hospitals have payment arrangements with Medicare, Medicaid and other third-party payers, including commercial insurance carriers, health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs"). A School of Nursing (the "School") was operated out of the Hospital locations. As of September 30, 2019, the School has been closed.

At September 30, 2019, the Company had negative working capital in the amount $5,077,000. The Company is dependent on Prospect to fund ongoing operations. As of September 30, 2019, the Company had a liability of $16,694,000 due to Prospect and its subsidiaries, which is payable on demand, does not bear interest, and is included in due to affiliated companies, net in the accompanying consolidated balance sheets. Prospect does not intend to have the Company repay the liability in a manner which would impair the Company's ability to maintain sufficient liquidity to sustain ongoing operations. During the year ended September 30, 2019, Prospect converted approximately $24,700,000 of liabilities into a capital contribution.

2. Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of all wholly-owned subsidiaries, but do not include the accounts of the parent companies, Prospect or CharterCARE Community Board.

Operating results for the Company's subsidiaries are consolidated with the Company's financial statements from their acquisition dates. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenues

Net Patient Service Revenues

Operating revenue consists primarily of net patient service revenues. The Company reports net patient service revenues at the estimated net realizable amounts from patients and third-party payers and others in the period in which services are rendered. The Company has agreements with third-party payers, including Medicare, Medicaid, managed care and other insurance programs that are paid at negotiated rates. These payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments, as further described below. Estimates of contractual allowances are based upon the payment terms specified in the related contractual agreements. The Company accrues for amounts that it believes may ultimately

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be due to or from the third-party payers. Normal estimation differences between final settlements and amounts accrued in previous years are reported as changes in estimates in the current year. Outstanding receivables, net of allowances for contractual discounts and bad debts, are included in patient accounts receivable in the accompanying consolidated balance sheets.

The following is a summary of sources of patient service revenues (net of contractual allowances and discounts) before provision for doubtful accounts and exclude revenues for discontinued operations (in thousands):

For the Years Ended September 30,	2019	2018
Medicare	$ 151,701	$ 165,882
Medicaid	86,573	74,710
Managed Care	82,955	80,605
Self-Pay/Other	40,880	33,381
Total	$ 362,109	$ 354,578

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

Medicare: Medicare is a federal program that provides certain hospital and medical insurance benefits to persons aged 65 and over, some persons with end-stage renal disease and certain other beneficiary categories, including eligible disabled persons. Most inpatient hospital services rendered to Medicare program beneficiaries are paid on a fee-for-service basis at prospectively determined rates per discharge, according to a patient classification system based on clinical, diagnostic, and other factors. Most outpatient services also are paid on a fee-for-service basis generally using prospectively determined rates. The Company receives, as appropriate, Medicare disproportionate share hospital ("DSH") and bad debt payments at tentative rates, with final settlement determined after submission of the annual Medicare cost report and audit thereof by the Medicare Administrative Contractor. The Company also receives, as appropriate, Medicare uncompensated care DSH payments, which are generally not subject to cost report audit except to determine eligibility for Medicare DSH. The Company also receives Medicare outlier payments on an ongoing basis during the year for cases that are unusually costly, and under certain circumstances these payments may be reconciled to more closely reflect the costs in excess of outlier thresholds after the submission and audit of the annual Medicare cost report. Normal estimation differences between filed settlements and amounts accrued are reflected in net patient service revenue.

The Company is reimbursed by Medicare for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare Administrative Contractor. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year that examination is substantially completed.

Although services for most Medicare beneficiaries are paid by the Federal government on a fee-for-service basis, approximately one-third of Medicare beneficiaries are enrolled in a "Medicare Advantage" plan, which is a type of health plan that contracts with the Medicare program to provide hospital and medical benefits to Medicare beneficiaries. Medicare Advantage Plans

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include Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-For-Service Plans, Special Needs Plans, and Medicare Medical Savings Account Plans. For Medicare beneficiaries enrolled in a Medicare Advantage plan, most Medicare services are covered by the plan and are not paid for under fee-for-service Medicare. Certain Medicare Advantage plans make capitation payments to the Company using a "Risk Adjustment model," which compensates providers based on the health status (acuity) of each enrollee. Providers with higher acuity enrollees generally will receive more and those with healthier enrollees will receive less.

Medicaid: Medicaid is a joint federal-state funded healthcare benefit program that is administered by states to provide benefits to qualifying individuals who are unable to afford care. The Company receives reimbursements under the Medicaid program at prospectively determined rates for both inpatient and outpatient services. Similar to Medicare, cost report settlements are recorded based upon as-filed cost reports and adjusted for tentative and final settlements, if any.

RWMC and SJHSRI are participants in the State of Rhode Island's Disproportionate Share Hospital ("DSH") program, which assists hospitals that provide a disproportionate amount of uncompensated care. Under the program, Rhode Island hospitals, including RWMC and SJHSRI, receive federal and state Medicaid funds as additional reimbursement for treating a disproportionate share of low-income patients. RWMC and SJHSRI recognized revenue related to DSH and Upper Payment Limit ("UPL") reimbursement of $20,456,000 and $19,035,000 for the years ended September 30, 2019 and 2018, respectively. DSH and UPL payments received were $20,074,000 and $17,704,000 for the years ended September 30, 2019 and 2018, respectively. RWMC and SJHSRI recorded license fee expenses of $17,565,000 and $16,815,000 for the years ended September 30, 2019 and 2018, respectively, which is included within taxes and licenses expense within the accompanying consolidated statements of operations.

Managed Care: The Company has also entered into payment agreements with certain commercial insurance carriers, HMOs, and PPOs. The basis for payment under these agreements is in accordance with negotiated contracted rates or at the Company's standard charges for services provided.

Self-Pay: Self-pay patients represent those patients who do not have health insurance and are not covered by some other form of third-party arrangement. Such patients are evaluated, at the time of services or shortly thereafter, for their ability to pay based upon federal and state poverty guidelines, qualifications for Medicaid, as well as the Company's local hospital's indigent and charity care policy.

Laws and regulations governing the third-party payor arrangements 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. Normal estimation differences between subsequent cash collections on patient accounts receivable and net patient accounts receivable estimated in the prior year are reported as adjustments to net patient service revenue in the current period.

The Company is not aware of any material claims, disputes, or unsettled matters with any payers that would affect revenues that have not been adequately provided for and disclosed in the accompanying consolidated financial statements.

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Charity Care

The Company provides charity care to patients who lack financial resources and are deemed to be medically indigent based on criteria established under the Company's charity care policy. This care is provided without charge or at amounts less than the Company's established rates. Because the Company does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. The direct and indirect costs related to this care totaled approximately $501,000 and $772,000 for the years ended September 30, 2019 and 2018, respectively. Direct and indirect costs for providing charity care are estimated by calculating a ratio of cost to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients. In addition, the Company provides services to other medically indigent patients under various state Medicaid programs. Such programs pay amounts that are less than the cost of the services provided to the recipients. The Company has not changed its charity care or uninsured discount policies during the years ended September 30, 2019 or 2018.

Provisions for Contractual Allowances and Doubtful Accounts

Collection of receivables from third-party payers and patients is the Company's primary source of cash and is critical to its operating performance. The Company closely monitors its historical collection rates, as well as changes in applicable laws, rules and regulations and contract terms, to assure that provisions for contractual allowances are made using the most accurate information available. However, due to the complexities involved in these estimations, actual payments from payers may be materially different from the amounts management estimates and records. The Company's primary collection risks relate to uninsured patients and the portion of the bill which is the patient's responsibility, primarily co-payments and deductibles. Payments for services may also be denied due to issues over patient eligibility for medical coverage, the Company's ability to demonstrate medical necessity for services rendered and payer authorization of hospitalization.

Accounts receivable are reduced by an allowance for doubtful accounts. Valuation of the collectability of accounts receivable and provision for bad debts is based on historical collection experience, payer mix and the age of the receivables. Management routinely reviews accounts receivable balances in conjunction with these factors and other economic conditions which might ultimately affect the collectability of the patient accounts, and makes adjustments to the Company's allowances as warranted. For receivables associated with services provided to patients who have third-party coverage, management analyzes contractually due amounts and subsequently calculates an allowance for doubtful accounts and provision for bad debts once the age of the accounts reaches a specific age category based on historical experience. For receivables associated with self-pay patients, management records a significant provision for bad debts beginning in the period services were provided based on past experience that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The allowance for doubtful accounts was 26% and 19% of gross patient accounts receivable as of September 30, 2019 and 2018, respectively, and the increase results from a determination at September 30, 2019 to fully reserve for all patient accounts receivable over 365 days old.

Legislation

All of the Company's hospital facilities are subject to the Emergency Medical Treatment and Active Labor Act ("EMTALA"). This federal law requires any hospital that participates in the Medicare program to conduct an appropriate medical screening examination of every person who presents to

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the hospital's emergency department for treatment and, if the patient is suffering from an emergency medical condition, to either stabilize that condition or make an appropriate transfer of the patient to a facility that can handle the condition. The obligation to screen and stabilize emergency medical conditions exists regardless of a patient's ability to pay for treatment. There are severe penalties under EMTALA if a hospital fails to screen or appropriately stabilize or transfer a patient or if the hospital delays appropriate treatment in order to first inquire about the patient's ability to pay. Penalties for violations of EMTALA include civil monetary penalties and exclusion from participation in the Medicare program. In addition, an injured patient, the patient's family or a medical facility that suffers a financial loss as a direct result of another hospital's violation of the law can bring a civil suit against that other hospital. The Company believes that it is in compliance with EMTALA and is not aware of any pending or threatened EMTALA investigations involving allegations of potential wrongdoing that would have a material effect on the Company's consolidated financial statements.

Other Non-Patient Hospital Revenues

Other non-patient Hospital revenues totaled $8,879,000 and $8,102,000 for the years ended September 30, 2019 and 2018, respectively. The principal components of other non-patient Hospital revenues include tuition revenue, grant revenue and rental revenue.

Property, Improvements and Equipment

Property, improvements and equipment are stated on the basis of cost or, in the case of acquisitions, at their acquisition date fair values. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, and amortization of leasehold improvements is provided using the straight-line basis over the shorter of the remaining lease period or the estimated useful lives of the leasehold improvements. Building improvements are generally depreciated over seven years, buildings are depreciated over 10 years, equipment is depreciated over three to seven years and furniture and fixtures are depreciated over five to seven years. Equipment capitalized under capital lease obligations are amortized over the lesser of the life of the lease or the useful life of the asset.

Goodwill

Goodwill represents the excess of the consideration paid and liabilities assumed over the fair value of the net assets acquired, including identifiable intangible assets.

Goodwill is not amortized; rather it is reviewed annually for impairment for each reporting unit, or more frequently if impairment indicators arise. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. The Company's annual goodwill impairment test is conducted on July 1. Impairment of goodwill is tested at the reporting unit level, by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair value of the reporting units are estimated. In evaluating whether indicators of impairment exist, the Company considers adverse changes in market value, laws and regulations, profitability, cash flows, ability to maintain enrollment and renew payer contracts at favorable terms, among other factors. The goodwill impairment test is a one-step process which consists of estimating based on a weighted combination of (i) the guideline company method that utilizes revenue or earnings multiples for comparable publicly-traded companies, and (ii) a discounted cash flow model. If the estimated fair value of the reporting unit is less than its carrying value, this indicates that goodwill is impaired, and impairment is recorded based on the deficiency of fair value compared to the carrying value. The Company's impairment test related to goodwill during the year ended

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September 30, 2018 resulted in a full impairment of goodwill related to the Rhode Island facilities. There was no goodwill as of and during the year ended September 30, 2019.

Intangible Assets

Intangible assets include trade names. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The Company considers assets to be impaired and writes them down to fair value if estimated undiscounted cash flows associated with those assets are less than their carrying amounts. Fair value is based upon the present value of the associated cash flows. Changes in circumstances (for example, changes in laws or regulations, technological advances or changes in strategies) may also reduce the useful lives from initial estimates. Changes in planned use of intangibles may result from changes in customer base, contractual agreements, or regulatory requirements. In such circumstances, management will revise the useful life of the long-lived asset and amortize the remaining net book value over the adjusted remaining useful life. There were no impairments recorded during the years ended September 30, 2019 and 2018.

Insurance Reserves

Medical Malpractice Liability Insurance

The Company carries professional and general liability insurance to cover medical malpractice claims under claims-made policies. Under the policies, insurance premiums cover only those claims actually reported during the policy term. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims related to occurrences during the policy term but reported subsequent to the policy's termination may be uninsured.

GAAP requires that a health care organization record and disclose the estimated costs of medical malpractice claims in the period of the incident of malpractice, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. The Company recognizes an estimated liability for incurred but not reported claims and the self-insured risks (including deductibles and potential claims in excess of policy limits) based upon an actuarial valuation of the Company's historical claims experience of the Company's hospitals. The Company's gross claims liability was $8,498,000 and $9,943,000 as of September 30, 2019 and 2018, respectively, and insurance receivables were $1,881,000 and $2,220,000 as of September 30, 2019 and 2018, respectively. The gross claims liability and insurance receivables were estimated using a discount factor of 4% and are included within long-term liabilities and long-term assets, respectively, in the accompanying consolidated balance sheets.

Workers' Compensation Insurance

The Company was fully insured for workers' compensation claims with no deductible during the years ended September 30, 2019 and 2018.

Reserve Methodology

The claims reserve is based on the best data available to the Company. The estimate, however, is subject to a significant degree of inherent variability. The estimate is continually monitored and reviewed, and as the reserve is adjusted, the difference is reflected in current operations. While the

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ultimate amount of medical malpractice liability is dependent on future developments, management is of the opinion that the associated liabilities recognized in the accompanying consolidated financial statements are adequate to cover such claims. Management is not aware of any potential medical malpractice claims whose settlement, if any, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Asset Retirement Obligations

The Company recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. Over time, the liability is accreted to its present value each period. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of operations. The Company has accrued $3,123,000 and $2,623,000 related to asbestos remediation as of September 30, 2019 and 2018, respectively. The liability was estimated using a discount factor which ranged from 1% and 7%.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with initial maturities of 90 days or less to be cash equivalents. Cash and cash equivalents are primarily comprised of deposits with banks. The Company maintains its cash at banks with high credit-quality ratings.

Restricted Cash

The Company held restricted cash of $174,000 and $433,000 as of September 30, 2019 and 2018, respectively, which was restricted for research at the Company's hospitals as well as for School grants.

Inventories

Inventories of supplies are valued at the lower of amounts that approximate the weighted average cost or net realizable value, which approximates market value, and are expensed as incurred. Inventories consist primarily of medical and surgical supplies and pharmaceuticals.

Income Taxes

For tax reporting purposes, the Company is treated as a Partnership. The Company and its wholly-owned subsidiaries are pass-through entities. Therefore, no provision is made in the accompanying consolidated financial statements for liabilities for federal, state or local income taxes since such liabilities are the responsibility of the Company's parent companies. The Company periodically evaluates its tax positions, including its status as a pass-through entity, to evaluate whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on its technical merits.

As of September 30, 2019 and 2018, the Company has not established a liability for uncertain tax positions. The Company files income tax returns in the U.S. federal jurisdiction and the state of Rhode Island. Generally, the Company is subject to examination by U.S. federal (or state and local) income tax authorities for three to four years from the filing of a tax return.

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Fair Value of Financial Instruments

Financial instruments consist primarily of cash and cash equivalents, restricted cash, patient and other accounts receivables, accounts payable and accrued expenses, accrued salaries and benefits, amounts due from/to government payers, capital lease obligations, and other liabilities. The carrying amounts of current assets and liabilities approximate their fair value due to the relatively short period of time between the origination of the instruments and their expected realization.

Nonfinancial assets such as goodwill and identifiable intangible assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when impairment is recognized. The Company performs an annual impairment test on the goodwill, and performs an impairment test on the intangible assets when there are indications of impairment.

During the year ended September 30, 2018, the Company recorded approximately $14,228,000 of impairment relating to goodwill, which is reflected in the accompanying consolidated statements of operations.

The Company uses the discounted cash flow approach, the guideline public company approach and the guideline transactions approach to estimate the residual value of the Company's goodwill. The measurement of goodwill is a Level 3 measurement.

The following table provides quantitative information related to the significant unobservable inputs to determine fair value and impairment of goodwill as of September 30, 2018:

Residual Value of Goodwill	Valuation Technique	Unobservable Input	Rates
$ -	Discounted Cash Flow	Weighted average cost of capital	9.3%
		Revenue growth rate	2.1% - 2.5%
	Guideline Public Company	LTM EBITDA multiple	7.0x

There were no non-recurring measurements as of September 30, 2019.

Concentrations of Credit Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits of $250,000 per depositor of each financial institution. The Company has not experienced any losses to date related to these balances.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of receivables due from Medicare and Medicaid. The Company received revenues from Medicare and Medicaid as follows (excluding revenues for discontinued operations, in thousands):

Years Ended September 30,	2019	% of Total Revenues	2018	% of Total Revenues
Medicare	$ 151,701	42 %	$ 165,882	47 %
Medicaid	86,573	24 %	74,710	21 %
Total	$ 238,274	66 %	$ 240,592	68 %

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Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the dates, and for the periods, that the consolidated financial statements are prepared. Actual results could materially differ from those estimates. Principal areas requiring the use of estimates include amounts due from/to government payers, allowances for contractual discounts and doubtful accounts, professional and general liability claims, long-lived assets, intangible assets and asset retirement obligations.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" with an effective date deferred by ASU 2015-14. The core principle of ASU 2014-09 is built on the contract between a vendor and a customer for the provision of goods and services, and attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies a performance obligation. Nonpublic entities will apply the new standard for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Three basic transition methods are available — full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the third alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. That is, prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". The core principle of ASU 2016-02 is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of 12 months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. The standard was originally scheduled to effective for nonpublic entities for fiscal years beginning after December 15, 2019. In November 2019 the FASB issued ASU 2019-10, "Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)" which delayed the effective date by one year to December 2020. The Company is currently evaluating the standard and the impact on its consolidated financial statements and footnote disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)". The updated standard addresses eight specific cash flow issues with the objective of reducing diversity in practice.

ASU 2016-15 is effective for non-public business entities for annual reporting periods beginning after December 15, 2018, including interim periods within those annual reporting periods. Early adoption is permitted. The Company is assessing the impact of the adoption of ASU 2016-15 on its consolidated financial statements.

3. Property, Improvements and Equipment

Property, improvements and equipment, consisted of the following (in thousands):

September 30,	2019	2018
Property, improvements and equipment:		
Land and land improvements	$ 7,471	$ 7,471
Buildings and improvements	40,163	39,359
Leasehold improvements	4,410	4,334
Equipment	43,253	39,400
	95,297	90,564
Less: accumulated depreciation	(57,977)	(44,869)
	37,320	45,695
Construction in progress	23,598	14,085
Property, improvements and equipment, net	$ 60,918	$ 59,780

At September 30, 2019 and 2018, the Company had assets under capitalized leases of approximately $4,292,000 and $4,292,000, respectively, and related accumulated depreciation of $2,661,000 and $1,917,000, respectively.

Depreciation expense was $13,100,000 and $13,222,000 for the years ended September 30, 2019 and 2018, respectively.

4. Acquisitions

In December 2017, New University Medical Group ("New UMG") entered into a Second Closing to acquire the remaining assets of University Medical Group ("UMG") that were not acquired in the initial acquisition in December 2014. As consideration for the acquisition, New UMG has assumed certain designated liabilities of the practice, which consists of various loans payable to subsidiaries of the Company, totaling approximately $7.5 million. Post-acquisition, these liabilities are eliminated on consolidation. There was no cash consideration related to the transaction. The remaining assets and liabilities acquired were immaterial and no value was assigned to them in the purchase price allocation, and accordingly goodwill of $7.5 million from the acquisition. The goodwill is deductible for tax purposes at Prospect, with PCC acting as a flow through entity. New UMG's parent company, Prospect CharterCARE Physicians, LLC, dba CharterCARE Medical Associates ("CCMA"), entered into a Post Closing Administrative Services Agreement pursuant to which CCMA and its affiliates provide services to the seller of the practice in connection with its termination of all operations and the wind up its affairs and operations.

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Additionally, during the year ended September 30, 2018, CharterCARE Physicians entered into asset purchase agreements to acquire three medical practices with primary care physicians. Total cash consideration for the medical practices was $976,000, of which $240,000 was included in accounts payable in the accompanying consolidated balance sheets and paid in October 2018.

The acquisitions were accounted for as business combinations using the acquisition method of accounting. Under the acquisition accounting method, assets acquired and liabilities assumed are recorded based on their estimated fair values. As asset purchases, goodwill acquired is expected to be deductible for tax purposes.

The following table summarizes the assets acquired and liabilities assumed in connection with the acquisitions during fiscal 2018 (in thousands):

For the Year Ended September 30,	2018
Improvements and equipment	$ 22
Goodwill	8,406
Accrued purchase consideration due to seller	(240)
Liabilities assumed	(7,452)
Net cash consideration	$ 736

As mentioned at Note 2, on July 1, 2018, the Company tested for goodwill impairment which resulted in a full impairment of goodwill. This includes the goodwill presented in the table above (see Note 5).

5. Goodwill and Intangible Assets

Goodwill and intangible assets relate to the Prospect CharterCARE and CharterCARE Physicians medical practices acquisitions, as well as the acquisition of New UMG. The following is a roll-forward of goodwill for the years ended September 30, 2019 and 2018, respectively (in thousands):

September 30,	2019	2018
Balance, beginning of year	$ -	$ 5,822
Acquisitions	-	8,406
Impairment	-	(14,228)
Balance, end of year	$ -	-

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Identifiable intangible assets are comprised of the following (in thousands):

	Amortization Period	September 30, 2019	September 30, 2018
Trade names	5 years	$ 8,130	$ 8,130
Other	5 years	97	97
Total acquisition cost of intangible assets		8,227	8,227
Less accumulated amortization		(8,208)	(7,016)
Intangible assets, net		$ 19	$ 1,211

Amortization is recognized on a straight-line basis (management's best estimate of the period of economic benefit) over the respective useful lives. Amortization expense was $1,192,000 and $1,643,000 for the years ended September 30, 2019 and 2018, respectively.

Estimated amortization expense for each future fiscal year is as follows (in thousands):

Years ended September 30,	
2020	$ 19

The weighted-average remaining useful life for the intangible assets was approximately one month as of September 30, 2019.

6. Members' Equity

In accordance with the Amended & Restated Limited Liability Company Agreement of PCC ("LLC Agreement"), the profit or loss of PCC is to be allocated to the members based on their Adjusted Capital Contribution, as defined in the LLC Agreement. Total member contributions were $27,997,000 and $9,847,000 for the years ended September 30, 2019 and 2018, respectively. For the year ended September 30, 2019 and 2018, contributions were non-cash transactions. All of these contributions were made by Prospect and are accounted for as additional member contributions, however, in accordance with the LLC Agreement, the contributions were allocated 85% to Prospect and 15% to CharterCARE Community Board, consistent with their ownership percentages.

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The following is a summary of the members' capital accounts (in thousands):

	Prospect	CharterCARE Community Board	Total
Balance at October 1, 2017	$ 45,702	$ 8,065	$ 53,767
Allocated contributions	8,370	1,477	9,847
Net loss	(30,764)	(5,429)	(36,193)
Balance at September 30, 2018	23,308	4,113	27,421
Allocated contributions	23,798	4,199	27,997
Net loss	(9,108)	(1,607)	(10,715)
Balance at September 30, 2019	$ 37,998	$ 6,705	$ 44,703

7. Related Party Transactions

The Company and Prospect East Hospital Advisory Services, LLC ("PEHAS"), a wholly-owned subsidiary of Prospect, entered into a Management Services Agreement ("MSA") as of June 20, 2014, under which PEHAS provides certain administrative and management services to PCC and its Subsidiaries. Management fees due to PEHAS under the MSA consist of 2% of net revenues monthly. The Company recognized management fees of $7,395,000 and $7,298,000 for the years ended September 30, 2019 and 2018, respectively, which is included within management fees expense in the accompanying consolidated statements of operations. As of September 30, 2019 and 2018, the Company had liabilities related to the MSA due PEHAS of $37,959,000 and $30,568,000, respectively.

In May 2019, Prospect East, which owns 85% of the Company, made a non-cash capital contribution in the amount of approximately $24.7 million, which consisted of converting unpaid management fees due to PEHAS of approximately $20.0 million and approximately $4.7 million of unpaid invoices that Prospect paid on behalf of the Company at April 30, 2019, into equity.

8. Commitments and Contingencies

Leases

The Company leases various office facilities and equipment from third parties under non-cancelable operating and capital lease arrangements expiring at various dates through 2021. Capital leases bear interest at rates ranging from 1.5% to 4.3% per annum.

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The future minimum annual lease payments (net of anticipated sublease income) required under leases in effect at September 30, 2019, are as follows (in thousands):

For the Years ending September 30,	Capital Leases	Operating Leases
2020	$ 50	$ 400
2021	44	34
2022	-	15
2023	-	-
2024	-	-
Total minimum lease payments	94	$ 449
Less: amounts representing interest	(2)	
	92	
Less: current portion	(49)	
	$ 43	

Lease and rental expense was $5,185,000 and $5,438,000 for the years ended September 30, 2019 and 2018, respectively.

Contingent Liability for Borrowings by Prospect

The Company is contingently liable as a guarantor, among others, for amounts borrowed by PMH on senior secured notes (through August 23, 2019), credit facilities at September 30, 2019 and 2018. Additionally, as of September 30, 2019 the Company is a pledger for all of the transactions that PMH has entered into with affiliates of Medical Properties Trust, Inc. ("MPT"), a publicly traded Real Estate Investment Trust, on August 23, 2019.

The obligations and related interest expense related to these credit facilities are not reflected in the Company's consolidated financial statements as of and for the years ended September 30, 2019 and 2018, as the borrowings are reflected in the separate consolidated financial statements of PMH.

Total borrowings outstanding as of September 30, 2019, reflected in the consolidated financial statements of PMH, but for which the Company is contingently liable as a guarantor, were (in thousands):

September 30,	**2019**	2018
Senior secured credit facility (net of discount of $0 and $20,085, respectively)	$ -	$ 1,094,315
Less: Deferred financing costs, net ("DFC")	-	(16,214)
Total Debt, net of discount, premium and DFC	$ -	$ 1,078,101

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On June 30, 2016, PMH entered into a six-year $625,000,000 senior secured term loan B (the "Original Term Loan"). The Original Term Loan was issued with an original discount of 1.50%, or $9,375,000. Additionally, PMH refinanced the previous revolver with a new $100,000,000 asset-based revolving credit facility ("Original ABL Facility" and together with the Original Term Loan, the "New Senior Secured Credit Facilities"). Pursuant to various amendments from August 2016 through October 2017, the aggregate commitment amount under the Original ABL facility was increased in stages to $175,000,000. The original maturity date for the Original ABL Facility was June 30, 2021, and the original maturity date for the Term Loan was June 30, 2022.

On February 22, 2018, PMH refinanced and replaced both the Original Term Loan and the Original ABL Facility, and entered into an Amended and Restated Term Loan Credit Agreement (the "Amended TL Agreement"), by and among PMH (as the borrower), the lenders party thereto and JPMorgan Chase Bank, N.A. ("JPMorgan"), as administrative agent and collateral agent. The Amended TL Agreement replaced the Original Term Loan with a new Term B-1 Loan ("Term B-1 Loan"). The principal amount of the Term B-1 Loan is $1,120.0 million and such loan incurred interest at LIBOR (subject to a 1.0% floor) plus 5.5%. The Term B-1 Loan was issued with an original discount of 2% and was originally scheduled to mature on February 22, 2024. The Term B-1 Loan was repaid on August 23, 2019 by the proceeds totaling $1.55 billion from a series of transactions that PMH entered into with affiliates of MPT (see further discussion below).

Additionally, on February 22, 2018, PMH entered into an Amended and Restated ABL Credit Agreement (the "Amended ABL Agreement"), by and among PMH (as the borrower), the lenders party thereto and JPMorgan, as administrative agent and collateral agent. The Amended ABL Agreement replaced the Original ABL Facility. Under the Amended ABL Agreement, the maximum revolving commitment was $250,000,000 with ability to expand the facility to $325,000,000, and the new ABL facility (the "New ABL Facility") bears interest at a variable base rate plus an applicable spread that is based on excess availability under the New ABL Facility, as further described in the Amended ABL Agreement, which was 6.0% as of September 30, 2019. From January 2019 through July 2019 PMH entered into various amendments to the Amended ABL Agreement. Such amendments (i) waived certain events of default at September 30, 2018; (ii) increased the maximum revolving commitment from $250.0 million to $280.0 million, and further to $285.0 million, while simultaneously reducing and removing future expansion of the facility; (iii) introduced $40.0 million of a first in last out ("FILO") revolving facility, which incurred interest at either 2.5% or 3.5% per annum depending on whether they are Eurodollar loans or ABR loans (which were repaid on August 23, 2019); (iv) provides for a reduction in the maximum revolving commitment by $20.0 million and $10.0 million upon the future planned closure or disposition of Nix Health and EOGH, respectively. The New ABL Facility matures on February 22, 2023. As of September 30, 2019, the outstanding balance and the available balance on the New ABL facility was approximately $70.0 million and $175.6 million, respectively. On August 23, 2019, PMH closed a series of transactions with affiliates of MPT. Under these transactions, PMH sold to MPT its hospital buildings in California (excluding Foothill Regional Medical Center ("Foothill"), Connecticut and Pennsylvania for an aggregate purchase price of $1,386,000,000. Concurrent with the sale transactions, PMH entered into two master lease agreements whereby the hospital properties and related medical office buildings were leased back for an initial 15 year term, with options to extend twice for an additional 5 years each and for a further 4.75 year extension. Monthly rent is defined as 7.5% of the lease base, subject to annual escalation of consumer price index, limited to a minimum of 2% and a maximum of 4%. For the first master lease, PMH has the option to buy the properties at their fair value at the end of the lease term. For the second master lease, PMH has the option to purchase at a price that is fixed at the time of entering into the lease (the "Option Price"). If PMH chooses not to exercise this option, and the fair value at the end of the lease is below the Option

Price, then PMH must pay MPT a sum equal to the difference between the fair value and the Option Price. All of the legal entities that are parties to the master lease agreement (which are the hospital entities themselves) provide cross guarantees on all of the obligations to MPT, which guarantees include both lease payments under the master lease as well as indebtedness due to MPT. The balance under sale-leaseback liabilities was $1,331,000,000 at September 30, 2019, as reflected in PMH's consolidated financial statements.

Further, PMH obtained a mortgage on the Foothill property. This mortgage is secured by the buildings at Foothill. The interest on this mortgage is 7.5% per annum and is subject to annual escalation of consumer price index, limited to a minimum of 2% and a maximum of 4%. The maturity date of this loan is in August 2034. MPT can purchase the property on event of default or at end of term, or if Company does not exercise purchase rights for the aforementioned leased properties. Additionally, if the Foothill property is no longer used as collateral for a promissory note payable to Prospect Medical Group, Inc. ("PMG"), , then MPT shall have the right to purchase the Foothill property and lease it back to PMH under the second master lease agreement, for an amount equal to the outstanding principal balance. The referenced promissory note payable to PMG has been included in the calculation of PMG's Tangible Net Equity in connection with requirements of the California Department of Managed Health Care. The balance under this mortgage loan was $51,276,000 at September 30, 2019, as reflected in PMH's consolidated financial statements.

Additionally, PMH entered into a promissory note (the "TRS Note"), under which MPT has advanced to PMH $112,937,000 related to the value of the properties in Rhode Island. The interest on this note is 7.5% per annum and is subject to annual escalation of consumer price index, limited to a minimum of 2% and a maximum of 4%. The maturity date of this note is the earlier of July 2022 or the conversion to and sale-leaseback of the properties in Rhode Island. The balance under this mortgage loan was $112,215,000 at September 30, 2019, as reflected in PMH's consolidated financial statements.

All of the agreements with MPT are cross-collateralized and cross defaulted. The MPT transaction documents contain certain customary covenants and restrictions and a financial covenant based on EBITDAR performance, and PMH was in compliance with such covenants at September 30, 2019.

Litigation

The Company is subject to a variety of claims and suits that arise from time to time in the ordinary course of its business, acquisitions, or other transactions. While the Company's management currently believes that resolving all of these matters, individually or in the aggregate, will not have a material adverse impact on the Company's consolidated financial position or results of operations, the litigation and other claims that the Company faces are subject to inherent uncertainties and management's view of these matters may change in the future. Should an unfavorable final outcome occur, there exists the possibility of a material adverse impact on the Company's consolidated financial position, results of operations and cash flows for the period in which the effect becomes probable and reasonably estimable.

Legislation and HIPAA

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued

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with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

The Company believes that it is in compliance with fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act ("HIPAA") assures health insurance portability, reduces healthcare fraud and abuse, guarantees security and privacy of health information, and enforces standards for health information. The Health Information Technology for Economic and Clinical Health Act ("HITECH Act") expanded upon HIPAA in a number of ways, including establishing notification requirements for certain breaches of protected health information. In addition to these federal rules, states have also developed their own standards for the privacy and security of health information as well as for reporting certain violations and breaches (for example, California's Confidentiality of Medical Information Act and Lanterman-Petris Short Act) which in some cases are more stringent. Other federal privacy laws may also apply to certain services provided by the Company, including 42 C.F.R. Part 2, which addresses the confidentiality of substance use disorder records. The Company may be subject to significant fines and penalties if found not to be compliant with these state or federal provisions.

Affordable Care Act

The Patient Protection and Affordable Care Act ("PPACA") has made significant changes to the United States health care system. The legislation impacted multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Under this legislation, 33 states have expanded their Medicaid programs to cover previously uninsured childless adults, and four additional states voted in 2018 to expand Medicaid or to elect a governor that pledged to expand Medicaid. In addition, many uninsured individuals have had the opportunity to purchase health insurance via state-based marketplaces, state-based marketplaces using a federal platform, state-partnership marketplaces or the federally-facilitated marketplace. PPACA also implemented a number of health insurance market reforms, such as allowing children to remain on their parents' health insurance until age 26 or prohibiting certain plans from denying coverage based on pre-existing conditions. Nationally, these reforms have reduced the number of uninsured individuals.

It is unclear what changes may be made to PPACA with the divided Congress, current presidential administration, and pending litigation over the validity of PPACA. The Administration has promulgated rules to broaden the availability of coverage options that do not comply with the full range of PPACA requirements for individual market coverage, namely Association Health Plans and Short-Term Limited-Duration Insurance. The Administration has also provided additional guidance on state PPACA waivers. These executive actions have been or may be challenged in court. In addition, the Tax Cuts and Jobs Act ("TCJA"), passed in December 2017, eliminates the individual mandate penalty under PPACA, effective January 1, 2019. The individual mandate penalty was included in PPACA to address concerns that other market reforms expanding access to coverage might produce adverse selection and higher premiums. The extent to which the repeal of the individual mandate penalty will impact the uninsured rate and future premiums are unclear at this juncture. On December 14, 2018, the

United States District Court for the Northern District of Texas ruled that the individual mandate without the penalty is unconstitutional and that PPACA is therefore invalid in its entirety. Litigation on this issue is ongoing, with a decision pending from a panel of the United States Court of Appeals for the Fifth Circuit following oral arguments in July 2019. This litigation along with any future legislative changes to PPACA or other federal and state legislation could have a material impact on the operations of the Company. The Company is continuing to monitor the legislative environment and developments in pending litigation for risks and uncertainties.

Collective Bargaining Agreements

The Company has 304 employees that are subject to a collective bargaining agreement with United Nurses and Allied Professionals ("UNAP"), which was effective beginning July 15, 2019 and expires July 31, 2019. During April 2015, a hospital unit consisting of approximately 430 service employees of Fatima elected to be represented by UNAP. The parties entered into a new collective bargaining agreement which was effective beginning July 2, 2019 and expires on June 30, 2022. A small number of employees are subject to a collective bargaining agreement with the Federation of Nurses and Health Professionals ("FNHP"), which expires on July 30, 2021.

Provider Contracts

Many of the Company's payer and provider contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of medical services. Such differing interpretations may not come to light until a substantial period of time has passed following contract implementation. Liabilities for claims disputes are recorded when the loss is probable and can be estimated. Any adjustments to reserves are reflected in current operations.

9. Defined Contribution Plan

Prospect sponsors defined contribution plans (the "Plans") covering substantially all employees who meet certain eligibility requirements. Under the Plans, employees can contribute up to 100% of their compensation up to the IRS deferred annual maximum. Effective May 1, 2018, the plans covering employees at Prospect's facilities in Connecticut and Pennsylvania merged into the plans covering employees at CharterCARE, and the two remaining plans were renamed and segregated between union and non-union employees. The Company may make discretionary matching contributions to the Plans. Employer contributions to the Plan were $1,981,000 and $1,925,000 for the years ended September 30, 2019 and 2018, respectively.

10. Equity Method Investments

RWMC and an unrelated third party are owners of Roger Williams Radiation Therapy ("RWRT") and Southern New England Regional Cancer Center, LLC ("SNERCC"), which provide radiation therapy services. Roger Williams accounts for these investments using the equity method of accounting.

RWMC is not liable for any obligations insured by RWRT or SNERCC nor is it obligated to make any further capital contributions or lend funds to RWRT or SNERCC. As of September 30, 2019 and 2018, the Company's investments in RWRT, SNERCC, and other minor investments under the equity method were approximately $3,675,000 and $4,088,000, respectively, and are included in equity method investments in the accompanying consolidated balance sheets. For the years ended September 30,

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2019 and 2018, the Company recognized approximately $560,000 and $589,000, respectively, as its share of the financial results of RWRT, SNERCC, and other minor investments and received $973,000 and $614,000, respectively, in distributions.

Summarized combined unaudited financial information for RWRT and SNERCC as of and for the years ended September 30, 2019 and 2018 is as follows (in thousands):

September 30,	2019	2018
Cash	$ 1,905	$ 2,515
Receivables and other current assets	1,683	3,756
Total current assets	3,588	6,271
Property, improvements and equipment, net	3,849	3,502
Goodwill	7,142	7,142
Intangible assets	821	851
Other long-term assets	1,532	1,569
Total assets	$ 16,932	$ 19,335
Accounts payable and accrued liabilities	$ 1,304	$ 1,052
Other long-term liabilities	948	420
Equity	14,680	17,863
Total liabilities and partner's capital	$ 16,932	$ 19,335

For the Years Ended September 30,	2019	2018
Revenues	$ 16,678	$ 17,278
Net income	$ 2,461	$ 2,953
Income from equity method investments	$ 560	$ 589

11. Subsequent Events

The Company has evaluated subsequent events through February 6, 2020, the date the Company's consolidated financial statements were available for issuance.

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