

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

AtlantiCare Health System, Inc. and Affiliates
Year Ended December 31, 2021 and
Six-Month Period Ended December 31, 2020
With Report of Independent Auditors

Ernst & Young LLP



AtlantiCare Health System, Inc. and Affiliates

Consolidated Financial Statements and
Supplementary Information

Year Ended December 31, 2021 and
Six-Month Period Ended December 31, 2020

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Report of Independent Auditors

The Board of Trustees
AtlantiCare Health System, Inc.

Opinion

We have audited the consolidated financial statements of AtlantiCare Health System, Inc. and Affiliates (collectively, AtlantiCare), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the year ended December 31, 2021 and the six-month period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”).

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of AtlantiCare at December 31, 2021 and 2020, and the results of its operations and changes in net assets and its cash flows for the year ended December 31, 2021 and the six-month period ended December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of English Creek Assurance, Ltd., a wholly owned subsidiary, which statements reflect total assets of \$93.1 million and \$84.8 million as of December 31, 2021 and 2020, respectively, and total revenue of \$8.0 million and \$4.2 million for the year ended December 31, 2021 and six-month period ended December 31, 2020, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for English Creek Assurance, Ltd., is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AtlantiCare and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AtlantiCare's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AtlantiCare's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AtlantiCare’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2021 and consolidating statement of operations and changes in net assets for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits, the procedures performed as described above, and the report of other auditors, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

May 23, 2022

AtlantiCare Health System, Inc. and Affiliates

Consolidated Balance Sheets
(Dollars in Thousands)

	December 31	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 84,701	\$ 140,055
Assets limited to use, current portion	8,510	6,449
Patient accounts receivable, net	116,515	106,787
Inventories and other current assets	74,607	58,616
Total current assets	<u>284,333</u>	<u>311,907</u>
Investments	1,180,095	963,545
Property and equipment, net	507,852	504,823
Operating lease assets	13,305	14,520
Other assets, net	52,307	45,171
Total assets	<u>\$ 2,037,892</u>	<u>\$ 1,839,966</u>
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 3,647	\$ 220,119
Accounts payable	21,257	15,256
Estimated third-party payor settlements, current portion	75,716	26,631
Accrued expenses and other	168,368	155,449
Operating lease liabilities, current portion	4,040	4,244
Total current liabilities	<u>273,028</u>	<u>421,699</u>
Long-term debt, net of current portion	245,490	8,065
Operating lease liabilities, less current portion	9,988	10,859
Estimated third-party payor settlements, less current portion	5,657	77,912
Accrued pension liability	33,627	89,990
Other liabilities	90,286	84,324
Total liabilities	<u>658,076</u>	<u>692,849</u>
Net assets:		
Net assets without donor restrictions	1,363,163	1,128,800
Net assets with donor restrictions	10,077	9,253
Non-controlling interest	6,576	9,064
Total net assets	<u>1,379,816</u>	<u>1,147,117</u>
Total liabilities and net assets	<u>\$ 2,037,892</u>	<u>\$ 1,839,966</u>

See accompanying notes.

AtlantiCare Health System, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	Year Ended December 31, 2021	Six-Month Period Ended December 31, 2020
Net assets without donor restrictions		
Revenue:		
Net patient service revenue	\$ 961,911	\$ 460,257
Other revenue	70,935	41,230
Total revenue	<u>1,032,846</u>	<u>501,487</u>
Expenses:		
Salaries and benefits	615,412	283,590
Supplies and other	229,003	115,471
Purchased services	108,841	49,942
Interest expense	3,949	1,861
Depreciation and amortization	53,198	27,739
Total expenses	<u>1,010,403</u>	<u>478,603</u>
Income from operations	22,443	22,884
Non-operating gains and losses:		
Investment gain, net	141,171	152,964
Expected return on plan assets and other components of net pension and other postretirement costs	20,343	4,280
Loss on extinguishment of debt	-	(10,788)
Other non-operating gains and losses, net	-	(8,170)
Total non-operating gains, net	<u>161,514</u>	<u>138,286</u>
Excess of revenue over expenses	183,957	161,170

Continued on next page.

AtlantiCare Health System, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets (continued)
(Dollars in Thousands)

	Year Ended December 31, 2021	Six-Month Period Ended December 31, 2020
Net assets without donor restrictions (continued)		
Excess of revenue over expenses <i>(from previous page)</i>	\$ 183,957	\$ 161,170
Other changes in net assets without donor restrictions:		
Pension liability adjustments	49,895	106,216
Net asset transfers and net assets released from restriction for capital purchases, net	33	(54,919)
Contributions received for capital purchases	888	-
Income attributable to non-controlling interest	(410)	(6,159)
Increase in net assets without donor restrictions	234,363	206,308
Net assets with donor restrictions		
Donor contributions	2,565	949
Investment earnings, net	165	(3)
Net assets released from restrictions and other transfers, net	(1,906)	(657)
Increase in net assets with donor restrictions	824	289
Increase in AtlantiCare Health System, Inc. net assets	235,187	206,597
Non-controlling interest		
Contributions and other changes in non-controlling interest	(2,488)	1,181
Increase in net assets, including non-controlling interest	232,699	207,778
Net assets at beginning of period	1,147,117	939,339
Net assets at end of period	\$ 1,379,816	\$ 1,147,117

See accompanying notes.

AtlantiCare Health System, Inc. and Affiliates

Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year Ended December 31, 2021	Six-Month Period Ended December 31, 2020
Operating activities		
Increase in net assets	\$ 232,699	\$ 207,778
Change in net assets attributable to non-controlling interest	2,488	(1,181)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	53,198	27,739
Net change in unrealized gains and losses	(87,360)	(107,084)
Net realized gains and losses on sale of investments	(52,570)	(45,372)
Restricted contributions	(2,565)	(949)
Net change in operating assets and liabilities:		
Patient accounts receivable, net	(9,728)	(23,085)
Inventories and other	(25,980)	(9,105)
Accounts payable	6,001	(6,304)
Estimated third-party payor settlements, net	(23,170)	4,050
Accrued pension liability	(56,363)	(101,731)
Accrued expenses and other liabilities	16,525	15,633
Net cash provided by (used in) operating activities	53,175	(39,611)
Investing activities		
Purchases of property and equipment, net	(52,444)	(19,938)
Proceeds from sale of investments, net	(78,681)	7,128
Net cash used in investing activities	(131,125)	(12,810)
Financing activities		
Proceeds from debt issuance	242,087	217,602
Repayments of long-term debt	(220,148)	(214,638)
Payment of deferred financing costs	(1,908)	-
Proceeds from restricted contributions	2,565	949
Net cash provided by financing activities	22,596	3,913
Decrease in cash and cash equivalents and restricted cash and cash equivalents	(55,354)	(48,508)
Cash and cash equivalents and restricted cash and cash equivalents, beginning of period	140,055	188,563
Cash and cash equivalents and restricted cash and cash equivalents, end of period	\$ 84,701	\$ 140,055
Supplemental disclosure of non-cash investing and financing activities		
Assets acquired under finance lease obligations	\$ 472	\$ -

See accompanying notes.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements

(Dollars in Thousands unless otherwise noted)

Year Ended December 31, 2021 and
Six-Month Period Ended December 31, 2020

1. Organization

AtlantiCare Health System, Inc. (AtlantiCare) is the sole member of AtlantiCare Regional Health Services, AtlantiCare Foundation (Foundation), and AtlantiCare Health Engagement (Health Engagement). Effective July 23, 2020, AtlantiCare changed its fiscal year end from June 30 to December 31.

Through October 31, 2020, Geisinger Health (Geisinger) was the sole corporate member of AtlantiCare. On March 27, 2020, Geisinger and AtlantiCare entered into a restructuring agreement (the Restructuring Agreement). Under the terms of the Restructuring Agreement which became effective November 1, 2020 upon the completion of regulatory approvals and satisfaction of certain other conditions, Geisinger no longer serves as the sole corporate member of AtlantiCare, AtlantiCare and all affiliates cease to be Geisinger affiliates, and AtlantiCare and Geisinger will no longer appoint members to either respective boards. The Restructuring Agreement required the segregation of all assets and liabilities of AtlantiCare and Geisinger upon closing. Subsequent to November 1, 2020, Geisinger and AtlantiCare have continued to cooperate to facilitate ongoing reporting and audit responsibilities related to the periods prior to realignment and will collaborate on certain agreed upon joint projects and initiatives.

AtlantiCare Regional Health Services is the sole member of AtlantiCare Regional Medical Center (the Medical Center), AtlantiCare Behavioral Health (ABH), and AtlantiCare Health Services (Health Services). The Medical Center is a 593 licensed bed, regional health care provider with hospital divisions in Atlantic City, New Jersey (City Campus) and Pomona, New Jersey (Mainland Campus). ABH is a provider of outpatient mental health, substance abuse/addiction recovery services and family care services to residents of southeastern New Jersey. Health Services operates a number of health and clinical support programs including an outpatient lab, a medically integrated fitness center, and leasing surgical and medical office suites.

Health Services and the Medical Center maintain a controlling interest in AtlantiCare Surgery Center, LLC (Surgery Center), which operates freestanding ambulatory surgical centers in Atlantic County, New Jersey. The Surgery Center's financial information is included within these consolidated financial statements.

AtlantiCare also has a wholly-owned captive insurance company, English Creek Assurance, Ltd. (EC Assurance) and a for profit accountable care organization, AtlantiCare Health Solutions (Health Solutions).

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

1. Organization (continued)

AtlantiCare Physician Group, P.A., (Physician Group) is a multispecialty physician group controlled by AtlantiCare through appointment of the nominee shareholder. The Foundation is a charitable fundraising organization.

2. COVID-19 Pandemic

The Coronavirus Disease 2019 (COVID-19) (the Pandemic) has materially adversely affected the state and national economies and, accordingly, negatively impacted AtlantiCare's operations and financial results. Decreases in volumes, gubernatorially mandated elimination of non-emergent services and disruption in healthcare delivery generally have had an adverse effect on revenues. Disruption in supply chain, increased costs, including for pharmaceuticals and personal protective equipment, and disruptions and increased costs in staffing also impacted operations. Regulatory matters, including the impact on payments, if any, continue to evolve. In addition, there has been significant volatility in the global financial markets attributed to concerns about the Pandemic. AtlantiCare's volumes and operations were impacted to varying degrees throughout 2020 and 2021.

The Pandemic has led to legislation and regulatory changes specifically impacting the healthcare industry. In March and April of 2020, in response to the disruption caused by the Pandemic, the Centers for Medicare and Medicaid Services (CMS) announced a number of temporary regulatory waivers and new rules applicable to the healthcare industry. CMS published two interim final rules with comment periods, clarifying rules for hospitals to furnish inpatient services under-arrangement with other providers and when hospitals can furnish outpatient services in the patient's home or other expansion site, establishing processes for hospital outpatient departments to seek exceptions from lower payments when temporarily relocating due to the COVID-19 public health emergency. The rules also expanded physician supervision flexibilities for inpatient or outpatient hospital services, expanded services that may be furnished through telehealth, and increased the types of practitioners eligible to furnish services through telehealth. The rules also expanded coverage of ambulance transportation services to additional sites. CMS also issued national "blanket" Section 1135 waivers for certain hospital conditions of participation, provider-based rules, and the physician self-referral law. These waivers enabled, among other outcomes, the rapid expansion of hospital services provided on and off campus in the clinical and nonclinical space, including through partnerships with other entities; other facility types, such as ambulatory surgical centers, to become hospitals governed by more flexible conditions of participation,

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

2. COVID-19 Pandemic (continued)

streamlined enrollment, and cost reporting requirements. It is not possible to predict the short-term and long-term effects of these, and other waivers and rule changes in response to the Pandemic, on the healthcare industry and AtlantiCare specifically.

In response to the Pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The CARES Act provided for more than \$2 trillion in economic relief impacting all sectors of the economy, including the healthcare industry. Of the relief funding authorized by the CARES Act, \$175 billion in funding was allocated to healthcare providers to help compensate for incremental expenses incurred or revenue losses attributable to the COVID-19 crisis under the Provider Relief Fund grant program. The American Rescue Plan Act of 2021 (ARPA), among other provisions, included \$8.5 billion of additional funding for certain healthcare providers. The U.S. Department of Health and Human Services (HHS) has established terms and conditions related to the use of these funds.

Distributions from the Provider Relief Fund will not require repayment so long as funds are used for stipulated purposes. To keep funds already received, providers must agree not to seek collection of out-of-pocket payments from COVID-19 patients and certify to a number of detailed terms and conditions.

HHS has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs), most recently in September 2021, regarding the Provider Relief Fund distributions. Additionally, on December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. The CAA appropriated additional funding for COVID-19 response and relief through the Provider Relief Fund and provided several changes to the administration of the Provider Relief Fund. The CAA clarified the methods available to calculate lost revenues and indicated that for any payment, including both general and targeted distributions, received by an eligible health care provider that is a subsidiary of a parent organization, the parent organization may allocate all or any portion of the distribution among any other eligible subsidiaries. Distributions from the Provider Relief Fund are available for specified service periods through December 31, 2022 with various required data submissions (data regarding activity for Provider Relief Fund receipts through June 30, 2020 and the use of such funds through June 30, 2021 was submitted to HHS on November 18, 2021; data for funds received from July 1, 2020 to December 31, 2020 and the use of such funds through December 31, 2021 was submitted to HHS on March 28, 2022).

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

2. COVID-19 Pandemic (continued)

Through December 31, 2021, AtlantiCare received approximately \$60.4 million of Provider Relief Fund grants, including ARPA funds, and recognized revenue of \$3.0 million and \$19.5 million within other revenue for the year ended December 31, 2021 and the six-month period ended December 31, 2020, respectively. The recognized revenue has been determined based on applicable accounting guidance, Post-Payment Notices of Reporting Requirements, and FAQs that AtlantiCare has interpreted to be applicable to the accompanying consolidated financial statements.

Other relief provided for acute care hospitals in the CARES Act includes the temporary elimination of the 2% reduction to Medicare payments through sequestration, a temporary 20% increase to the inpatient Prospective Payment System DRG weight for patients diagnosed with COVID-19 during the public health emergency, and an expansion of the CMS accelerated payment program. AtlantiCare received approximately \$86.0 million in CMS advance payments in 2020. On October 1, 2020, the terms of the CMS accelerated payment program were revised such that the recovery of advances commenced in April 2021 (25% of submitted claims will be withheld for 11 months) and extend through October 2022 (50% of submitted claims will be withheld for the following six months), with any remaining balance due at that time and subject to interest. Accordingly, the unrecovered advances of \$57.5 million at December 31, 2021 under this program are reported within current liabilities.

In May 2021, AtlantiCare submitted its first application for reimbursement of qualifying expenses under the Federal Emergency Management Agency Disaster Relief Fund (FEMA), and received \$6.4 million for expenses incurred during calendar year 2020, which is reported within other revenue. AtlantiCare expects to submit subsequent FEMA applications for expenses incurred throughout the pandemic. AtlantiCare is also evaluating its eligibility to receive an employee retention credit under the CARES Act, which is a credit against the employer portion of Social Security taxes for certain wages between March 13, 2020 and December 31, 2020. The CAA, ARPA and subsequent legislation extended the employee retention credit through September 30, 2021, while also modifying the provisions of the credit.

Due to the evolving nature of the COVID-19 pandemic, the ultimate impact to AtlantiCare's operating results, including costs that may be incurred in the future, the level of utilization of the hospital's services, the resulting impact on net patient service revenue reported in the future, and the impact to its financial condition is presently unknown.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates. Significant estimates include implicit and explicit price concessions for revenue transactions, estimated third-party payor settlements, and medical professional liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and savings and short-term funds, with an initial maturity of three months or less. Cash equivalents held in investment custody account portfolios are reported as investments.

Patient Accounts Receivable, Net

Patient accounts receivable for which AtlantiCare receives payment under cost reimbursement, prospective payment formulae, or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payors, which are generally less than the established billing rates of AtlantiCare (see Note 4).

Investments and Investment Income

Investments in marketable securities are measured at fair value. Interest income, dividends, and realized and unrealized gains and losses, net of investment-related expenses, on investments without donor restrictions are reported as investment gain, net within the consolidated statements of operations and changes in net assets.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

Restricted interest income, dividends, and realized and unrealized gains and losses on trusts held as donor restricted endowment funds are recorded as investment earnings, net within changes in net assets with donor restrictions in the consolidated statements of operations and changes in net assets.

Alternative investment private equity funds are reported based upon the underlying net asset value (NAV) of the fund or partnership. Adjustment from NAV is required when the investment is expected to be sold at a value other than NAV. Financial information used by AtlantiCare to evaluate its alternative investments is provided by the investment manager or general partner and includes fair value valuations of underlying holdings and other financial instruments held by the investee and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits for certain investee companies does not coincide with AtlantiCare's annual financial statement reporting.

Market risk exists to the extent that the values of AtlantiCare's investment portfolio assets fluctuate as a result of changes in market prices. Changes in market prices can arise from factors specific to individual securities or their respective issuers or factors affecting all securities traded in a particular market. Relevant factors for the investment portfolio are both volatility and liquidity of specific securities and markets for the investments. Professional investment managers and established investment guidelines are utilized to ensure that the portfolio is diversified and exposure to market risk is managed. Due to the level of risk associated with investments and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in market valuations in the near term could materially affect account balances and the amounts reported in the consolidated financial statements.

Investments in Joint Ventures

AtlantiCare has invested in joint ventures primarily for the purpose of promoting health and fulfilling health and wellness needs in the communities it serves. Generally, AtlantiCare consolidates the financial statements of those joint ventures in which it maintains a controlling interest or ownership above 50 percent. When ownership is 50 percent or less and AtlantiCare exercises significant influence over the investee's operating and financial policies, the equity method of accounting is applied. Under the equity method of accounting, the investment is

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

recorded at cost and adjusted for a portion of the changes in the investee's equity. Investments in equity method joint ventures are reported in other assets, net in the accompanying consolidated balance sheets.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. Inventories are used in the provision of patient care and are not held for sale.

Property and Equipment, Net

Property and equipment and construction in progress are recorded at the lower of cost or fair value, if impaired. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of their useful life or the term of the related lease and renewal periods using the straight-line method. Repairs and maintenance are expensed as incurred. Assets acquired under finance leases and software licenses are amortized over the shorter of their useful life or the term of the lease or license agreement using the straight-line method. The cost of assets and the related accumulated depreciation are removed from the consolidated balance sheets upon retirement or disposition and any gain or loss is reported in supplies and other expenses in the consolidated statements of operations and changes in net assets.

Deferred Financing Costs

Financing costs are included as a deduction to long-term debt in the accompanying consolidated balance sheets and are amortized using the effective interest method over the term that the related debt is expected to be outstanding.

AtlantiCare recognizes an impairment loss if the carrying amount of a long-lived asset is not recoverable from its future undiscounted cash flows and measures any impairment loss as the difference between the carrying amount and the fair value of the asset.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

Contribution and Grant Revenue, and Pledges Receivable

AtlantiCare receives grant funding from several grantors, including Federal, State, and local government agencies, and private grantors. Only allowable expenses stipulated in the contracts are charged to the grant. Financial reports are submitted in a timely manner when required.

Unconditional donor promises to give cash, marketable securities, and other assets are reported at fair value and discounted to present value at the date the promise is received to the extent the contribution is estimated to be collectible. Pledges receivable are reported in other assets, net in the consolidated balance sheets. Conditional donor promises to give and indications of intentions to give are not recognized until all donor-imposed conditions are met. Contributions received with donor restrictions that limit the use of the donated assets are reported within net assets with donor restrictions in the consolidated statements of operations and changes in net assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restriction. Donor contributions restricted for the purchase of property and equipment are released from restriction when the asset is placed in service.

AtlantiCare has elected to report restricted contributions and grants whose restrictions are met in the same reporting period as when received as revenue without donor restrictions in the consolidated statements of operations and changes in net assets.

AtlantiCare recognizes governmental grants where commensurate value is not exchanged as contributions when conditions and restrictions are satisfied and reports such amounts within other revenue (see Note 16).

Net Asset Classification

Net assets without donor restrictions are not externally restricted for identified purposes by donors or grantors. Resources arising from the results of operations or assets set aside by AtlantiCare's Board are not considered to be donor restricted.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions include net assets whose use is subject to donor-imposed restrictions to support operations or for capital purchases that will be met either by the actions of AtlantiCare or the passage of time and net assets that have been restricted by donors to be maintained by AtlantiCare, or a designated trustee, in perpetuity.

Net assets restricted to be maintained in perpetuity are recorded at the original fair value of gifts donated to AtlantiCare through endowments. AtlantiCare follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as it relates to its permanent endowment contributions and net assets, as enacted by the State of New Jersey. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with AtlantiCare's investment policy. AtlantiCare expends the income distributed from endowments on an annual basis in a manner consistent with donor stipulations.

Excess of Revenue Over Expenses

The excess of revenue over expenses (the performance indicator) includes all revenue, expenses, and non-operating gains and losses for the reporting period classified as net assets without donor restrictions. Net asset transfers, net assets released from restriction for capital purchases, pension liability adjustments, and income attributable from non-controlling interest are reported outside the performance indicator.

Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported within income from operations. Investment gain, net and certain transactions which are peripheral or of an infrequent nature are excluded from income from operations. Other non-operating gains and losses, net in 2020 includes impairment of goodwill and other miscellaneous items.

Income Taxes

The majority of the consolidated entities of AtlantiCare are exempt from Federal income tax on related income under Section 501(c)(3) of the Internal Revenue Code. These entities are also exempt from state and local taxes. EC Assurance is a captive insurance company domiciled in Bermuda and Health Solutions is a taxable for profit company. The provision for income taxes is not significant to AtlantiCare's consolidated financial statements.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

Related-Party Transactions

The entities comprising AtlantiCare provide various inter-entity services to their affiliated entities and the AtlantiCare parent company. The services consist of certain administrative, financial planning, information systems and telecommunications, general accounting, and other services. Charges for such services are based on the approximate cost to provide the services and are allocated between the entities based on an agreed-upon methodology. Such inter-entity charges and balances eliminate in consolidation. Related-party transactions include net assets transfers and other activity with Geisinger through October 31, 2020.

Reclassifications

Certain reclassifications have been made to the 2020 amounts previously reported or disclosed in order to conform to the current year presentation.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The main objective of ASU 2016-13 and related ASU updates is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in ASU 2016-13 are effective for AtlantiCare for fiscal years beginning after December 15, 2022. AtlantiCare is in the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

The FASB has amended certain guidance related to various disclosures in ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) – Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* (ASU 2018-14). The guidance in ASU 2018-14 requires all sponsors of defined benefit plans to provide certain new disclosures: the weighted-average interest crediting rate for cash balance plans and

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

other plans with promised interest crediting rates and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. Among other changes, ASU 2018-14 eliminates the required disclosure for all sponsors of defined benefit plans to disclose the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year. ASU 2018-14 is effective for AtlantiCare for fiscal years ending after December 15, 2021. AtlantiCare adopted ASU 2018-14 in 2021 with no material impact to its consolidated financial statements (see Note 11).

4. Net Patient Service Revenue

Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which AtlantiCare expects to be entitled in exchange for providing healthcare services. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include provisions for variable consideration (reductions to revenue) for retroactive revenue adjustments, including adjustments due to the settlement of ongoing and future audits, reviews, and investigations.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by AtlantiCare. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and completed. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. AtlantiCare believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation. AtlantiCare measures the performance obligation from the start of services to the point when it has completed services for that patient, which is generally at the time of discharge or the completion of an outpatient service. This span of services is considered to be a single performance obligation. Unsatisfied or partially unsatisfied performance obligations primarily relate to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients).

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

AtlantiCare records net patient service revenue based on standard charges for services provided, reduced by explicit contractual adjustments provided to third-party payors and implicit price concessions provided to patients as reductions from established billing rates. AtlantiCare determines its estimates of explicit and implicit price concessions based on contractual terms and historical data, which considers experience, market conditions, and other factors utilizing a portfolio approach consisting of major payor classes.

Explicit and implicit price concessions to net patient service revenue are recorded at the time the performance obligations are satisfied. Substantially all changes to these concessions, as a result of subsequent reassessment, are recognized in the period the change is identified as adjustments to net patient service revenue. Amounts recognized due to changes in estimates of explicit and implicit price concessions for the year ended December 31, 2021 and the six-month period ended December 31, 2020 were not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's or payor's ability to pay, if material, are recorded as bad debt expense. No bad debt expense was recorded for the year ended December 31, 2021 and the six-month period ended December 31, 2020, related to net patient service revenue.

Net patient service revenue by major payor source for the year ended December 31, 2021 and six-month period ended December 31, 2020, based on primary insurance designation, is as follows:

	Year Ended December 31, 2021	Six-Month Period December 31, 2020
Medicare (including Medicare managed care)	\$ 315,005	\$ 150,771
Medicaid (including Medicaid managed care)	168,164	72,910
Commercial carriers	471,191	229,166
Self-pay	7,551	7,410
	\$ 961,911	\$ 460,257

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the self-pay category above.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

Net patient service revenue for the year ended December 31, 2021 and the six-month period ended December 31, 2020, by line of business is as follows:

	Year Ended December 31, 2021	Six-Month Period December 31, 2020
Hospital and ambulatory facilities	\$ 795,400	\$ 377,687
Physician services	166,511	82,570
	<u>\$ 961,911</u>	<u>\$ 460,257</u>

At December 31, 2021 and 2020, net accounts receivable is comprised of the following components:

	December 31 2021	December 31 2020
Patient receivables, net	\$ 108,932	\$ 99,789
Contract assets, net	7,583	6,998
	<u>\$ 116,515</u>	<u>\$ 106,787</u>

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for which AtlantiCare may not have the right to bill.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

Third-Party Payment Programs

AtlantiCare has agreements with third-party payors that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Hospitals are paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. AtlantiCare is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary.

Other Third-Party Payors: AtlantiCare has entered into payment agreements with certain commercial insurance carriers and managed care organizations. The basis for payment to AtlantiCare under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

Amounts received from Medicare and Medicaid are subject to review and final determination by program intermediaries or their agents through cost reports submitted by AtlantiCare. Tentative settlements of cost reports have been completed through December 31, 2020. Provisions have been made in the accompanying consolidated financial statements for anticipated adjustments that are estimable and are reported as estimated third-party payor settlements on the accompanying consolidated balance sheets.

Cost report settlements and other adjustments with third-party payors are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and AtlantiCare's historical settlement activity (for example, repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the year ended December 31, 2021 and the six-month period ended December 31, 2020, there was no material net change from AtlantiCare's revisions to prior year settlement estimates which impacted net patient service revenue. There is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained.

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on AtlantiCare.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Periodically, in the ordinary course of business, situations arise requiring additional scrutiny by management to ensure that no instances of non-compliance with laws and regulations exist. If an instance of non-compliance is identified, governing bodies are alerted and efforts are made to estimate contingencies. If these contingencies are probable and estimable, they are recorded as liabilities in the consolidated balance sheets. AtlantiCare is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

AtlantiCare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third party payors as of December 31, 2021 and 2020 was as follows:

	December 31	
	2021	2020
Medicare (including Medicare managed care)	35%	35%
Medicaid (including Medicaid managed care)	16	15
Blue Cross	19	19
Self-pay	9	9
Other Commercial carriers	21	22
	100%	100%

Charity Care and Other Funding

AtlantiCare provides services to all patients regardless of ability to pay. In accordance with AtlantiCare's policy, a patient is classified as a charity patient based on income eligibility criteria. AtlantiCare also provides free care to certain other patients that are determined to be in need. The charges for charity care provided by AtlantiCare are entirely offset by the related implicit price concessions and therefore, are not recognized as net patient service revenue.

Additionally, AtlantiCare sponsors other charitable programs that provide substantial benefit to the broader community. Such programs include services to the needy and elderly population requiring special support, various clinical outreach programs, and health education and promotion.

The cost of charity service provided was approximately \$15.1 million and \$8.4 million for the year ended December 31, 2021 and the six-month period ended December 31, 2020, respectively. The cost of charity care is derived from both estimated and actual data. The cost of charity includes the direct and indirect cost of providing such services and is estimated utilizing the providers' ratio of cost to standard charges, which is then multiplied by the uncompensated charges associated with providing care to charity patients.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

In addition to charity care, services are provided under the Medicaid program to financially needy patients. The payments received under this program are less than the cost of providing the services.

The New Jersey Health Care Subsidy Funds were established for various purposes, including the distribution of charity care payments to hospitals statewide. In addition to charity care payments related to calendar year 2021 received during the year, in December 2021 the State paid advance payments related to the first six months of calendar year 2022 totaling \$6.7 million. AtlantiCare received \$17.4 million and \$5.8 million in charity care subsidies during the year ended December 31, 2021 and the six-month period ended December 31, 2020, respectively, of which \$6.7 million is recorded as a deferred liability at December 31, 2021.

Subsidy funds are also paid under the Delivery System Reform Incentive Payment Pool (DSRIP) for certain performance improvement activities. The DSRIP program concluded June 30, 2020 and the State implemented a transitional program effective July 1, 2020 through June 30, 2022. Payments received totaled \$5.4 million and \$2.6 million for the year ended December 31, 2021 and the six-month period ended December 31, 2020, respectively. Additional payments of \$6.4 million were received for the year ended December 31, 2021 related to the transitional program.

During 2021, AtlantiCare received additional Medicaid funding under the New Jersey County Option Hospital Fee Pilot Program. This program is administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health Services and began in 2021 in certain counties in New Jersey. The program requires that participating hospitals pay quarterly assessed fees based on estimated non-Medicare discharge data within the county, and such payments are then pooled with federal Medicaid matching funds and redistributed to the participating hospitals as State Directed Payments. The State Directed Payments are subject to annual settlement based on actual Medicaid utilization data and other factors. The program was in effect for AtlantiCare's third and fourth quarters of 2021 and resulted in fees paid by AtlantiCare of \$10.9 million. AtlantiCare recorded \$28.4 million in net patient service revenue for this program in 2021.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands unless otherwise noted)

5. Investments

AtlantiCare's investments, which include assets whose use is limited by the Board of Trustees and external parties and those restricted by donors, consist of the following at December 31, 2021 and 2020:

	December 31	
	2021	2020
Cash equivalents	\$ 14,825	\$ 42,042
Equity funds	734,162	685,767
Marketable equity securities	352	293
Corporate obligations	69,602	9,979
Fixed income funds	335,000	206,097
U.S. government and agency obligations	20,854	13,871
Alternative investments	13,810	11,945
	1,188,605	969,994
Less current portion	8,510	6,449
Non-current portion	\$ 1,180,095	\$ 963,545

Investment gain, net consists of the following:

	Year Ended December 31, 2021	Six-Month Period Ended December 31, 2020
Interest and dividend income	\$ 1,241	\$ 508
Net realized gains and losses on sale of investments	52,570	45,372
Net change in unrealized gains and losses	87,360	107,084
	\$ 141,171	\$ 152,964

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

6. Property and Equipment

Property and equipment consist of the following at December 31, 2021 and 2020:

	Estimated Useful Lives	December 31 2021	December 31 2020
Land		\$ 42,550	\$ 42,279
Land improvements	(3–30 years)	13,759	14,055
Buildings and building improvements	(3–50 years)	500,009	485,948
Equipment	(3–20 years)	144,701	125,252
Computer hardware	(3–5 years)	36,639	34,099
Computer software	(3–5 years)	46,956	44,131
		784,614	745,764
Accumulated depreciation and amortization		(304,819)	(254,460)
		479,795	491,304
Construction in progress		28,057	13,519
		\$ 507,852	\$ 504,823

Depreciation expense related to property and equipment for the year ended December 31, 2021 and the six-month period ended December 31, 2020 was \$53.2 million and \$27.7 million, respectively.

7. Joint Ventures

AtlantiCare's investment in unconsolidated joint ventures, included in other assets, net in the accompanying consolidated balance sheets, totaled \$5.6 million and \$5.4 million at December 31, 2021 and 2020, respectively. Distributions from these joint ventures totaled \$0.8 million and \$0.2 million for the year ended December 31, 2021 and the six-month period ended December 31, 2020, respectively.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands unless otherwise noted)

8. Long-Term Debt

Long-term debt consists of the following at December 31, 2021 and 2020:

	December 31	
	2021	2020
Bridge loan, variable interest rate and fully repaid in 2021	\$ —	\$ 217,602
AtlantiCare Health System Obligated Group Issue, Series 2021, consisting of \$117,370 serial bonds maturing through July 1, 2041 with interest rates ranging from 2.0% to 5.0%; \$99,625 term bonds maturing July 1, 2046 and July 1, 2051 with interest rates ranging from 2.375% to 3.0%	216,995	—
Other long-term debt	8,036	10,582
Finance lease obligations, with interest rate of 6.6% and payments through 2024	450	—
	225,481	228,184
Less: current portion	(3,647)	(220,119)
Less: unamortized deferred financing costs	(1,906)	—
Add: unamortized premium	25,562	—
	\$ 245,490	\$ 8,065

In September 2021, the New Jersey Health Care Facilities Financing Authority issued \$217.0 million Revenue Bonds. AtlantiCare Health System Obligated Group Issue, Series 2021 (the Series 2021 Bonds) with interest payments due semiannually on January 1st and July 1st. Total proceeds from the issuance, including an original issue premium of \$25.8 million, were \$242.6 million.

The proceeds of the Series 2021 Bonds were used to refinance the bridge loan which was used to repay previously issued debt through the Geisinger Authority upon AtlantiCare's disassociation from Geisinger, reimburse the Medical Center for certain capital expenditures, and pay the costs to issue the Bonds.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

8. Long-Term Debt (continued)

In connection with the Series 2021 Bonds, a Master Trust Indenture (MTI) was executed. Under the terms of the MTI, the parent company (AtlantiCare Health System) and the Medical Center are the current members of the Obligated Group for the Series 2021 Bonds, and have each granted the Master Trustee a first lien on and security interest in their gross revenues. In addition to the Obligated Group, under the MTI Health Services and Physician Group are Designated Affiliates, which are not jointly and severally obligated with respect to the Series 2021 Bonds and have not pledged their gross revenues, but could be required to pay, loan or otherwise transfer such amounts as necessary to pay amounts due under the Series 2021 Bonds.

Under the terms of the MTI and other agreements related to the Series 2021 Bonds, the Obligated Group and Designated Affiliates, as a combined group, are required to maintain certain financial ratios and be in compliance with other restrictive covenants as described in the respective agreements. At December 31, 2021, the Obligated Group and Designated Affiliates were in compliance with such financial covenants.

Scheduled maturities of long-term debt for the next five years ending December 31 and thereafter are as follows:

2022	\$	3,647
2023		4,531
2024		4,737
2025		4,819
2026		5,061
Thereafter		<u>202,686</u>
	\$	<u>225,481</u>

Net interest paid was \$3.9 million and \$1.9 million for the year ended December 31, 2021 and six-month period ended December 31, 2020, respectively.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

9. Leases

AtlantiCare determines if an arrangement is or contains a lease at contract inception and recognizes an asset and a lease liability at the lease commencement date. Contract terms determine whether a lease will be accounted for as an operating or finance lease.

For operating leases with initial terms greater than a year, the lease liability is measured at the present value of the unpaid lease payments. The right-of-use (ROU) asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense is recognized on a straight-line basis over the lease term. AtlantiCare does not recognize ROU assets and lease liabilities for short-term leases that have a term of 12 months or less.

AtlantiCare uses the initial lease term to determine the ROU asset and the lease liability at the commencement date and for the amortization period of the ROU asset. AtlantiCare monitors inputs that require reassessment including the lease term. If needed, an adjustment is made to the ROU asset's carrying amount unless doing so would reduce the carrying amount of the ROU asset to less than zero. In that case, the adjustment amount would be recorded in profit or loss.

Several key estimates and judgments are used to determine the ROU assets and operating lease liabilities including the discount rate used to discount the unpaid lease payments to present value, lease term and lease payments. AtlantiCare uses its incremental borrowing rate for purposes of discounting its leases. The incremental borrowing rate is the rate of interest AtlantiCare would have to pay to borrow an amount equal to the lease payments under similar terms and conditions.

AtlantiCare leases medical office buildings and land primarily under operating leases. The remaining lease term of all leases ranges from 3–51 years.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands unless otherwise noted)

9. Leases (continued)

The following schedules summarize information related to the lease assets and liabilities as of and for the year ended December 31, 2021 and the six-month period ended December 31, 2020:

	December 31	
	2021	2020
Lease cost:		
Finance lease cost:		
Amortization of right-of-use asset	\$ 14	\$ –
Interest on lease liabilities	4	–
Operating lease cost	6,668	3,090
Short-term lease cost	90	78
Total lease cost	<u>\$ 6,776</u>	<u>\$ 3,168</u>
Right-of-use assets and liabilities:		
Right-of-use assets – finance leases	\$ 458	\$ –
Lease liability – finance leases	450	–
Right-of-use assets – operating leases	13,305	14,520
Lease liability – operating leases	14,028	15,103
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for financing leases	\$ 4	\$ –
Operating cash flow for operating leases	5,329	2,595
Financing cash flow for financing leases	22	–
Right of use assets obtained in exchange for new financing lease liabilities	\$ 472	\$ –
Right of use assets obtained in exchange for new operating lease liabilities	3,463	2,218
Weighted average remaining lease term – finance leases	2.9	–
Weighted average remaining lease term – operating leases	4.7	5.2
Weighted average discount rate – finance leases	6.6%	–
Weighted average discount rate – operating leases	4.6%	4.7%

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

9. Leases (continued)

For finance leases, ROU assets are recorded in property and equipment and lease liabilities are recorded in long-term debt in the accompanying consolidated balance sheets. For operating leases, ROU assets are recorded in operating lease assets and lease liabilities are recorded in operating lease liability, current and non-current, in the accompanying consolidated balance sheets.

The following table reconciles the undiscounted lease payments to the lease liabilities recorded on the accompanying consolidated balance sheet at December 31, 2021:

	Financing Leases	Operating Leases
2022	\$ 173	\$ 4,576
2023	173	3,524
2024	146	2,733
2025	–	2,121
2026	–	1,042
Thereafter	–	1,700
Total undiscounted future lease payments	492	15,696
Less present value discount	(42)	(1,668)
Discounted future lease payments	\$ 450	\$ 14,028
Less current portion	(148)	(4,040)
Long-term portion	\$ 302	\$ 9,988

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

10. Liquidity and Availability of Resources

Liquid financial resources are utilized by AtlantiCare to meet short-term, one year or less, expenditure needs. AtlantiCare's investment strategy is to maintain liquid resources sufficient to meet short-term needs and invest the excess. AtlantiCare's long-term investments without donor restrictions, except for private equity funds, are intended for long-term uses but are available for short-term needs. The following summarizes AtlantiCare's financial assets and liquidity resources available within one year to meet the needs of AtlantiCare as of December 31, 2021 and 2020:

	December 31	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 84,701	\$ 140,055
Patient accounts receivable	116,515	106,787
Investments	1,188,605	969,994
Total financial assets	1,389,821	1,216,836
Less investments not available to be used for general expenditures within one year:		
Externally designated	10,077	9,253
Private equity funds	13,810	11,945
	\$ 1,365,934	\$ 1,195,638

11. Pension and Other Postretirement Benefit Plans

AtlantiCare sponsors a noncontributory defined benefit pension plan (the Pension Plan) covering approximately 2,500 Active Employees, Retirees and Deferred Vested Participants. The benefits are based on an employee's final average compensation. An amendment to the Pension Plan closed it to all employees who are hired or rehired on or after January 1, 2010. These employees are participants in a defined contribution pension plan that provides a 3% of pay contribution that is made to a separate account maintained on their behalf.

Additionally, certain retired employees of the Medical Center who met the requirements to become vested under the terms of the Pension Plan and were over 55 years of age at the time of their retirement were provided health and life insurance benefits (Other Benefits Plan). Effective January 1, 1993, the Medical Center revised the eligibility requirements and maximum benefits for employees retiring after 1993. The Medical Center discontinued providing retirement health

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands unless otherwise noted)

11. Pension and Other Postretirement Benefit Plans (continued)

benefits for employees retiring after December 31, 1995. Effective February 29, 2008, a voluntary employees' beneficiary association (VEBA) was established with a contribution of \$9,900 to prefund the cost of certain employee benefits, including retiree health care benefits.

The funded status of the Pension Plan and Other Benefits Plan as recognized on AtlantiCare's consolidated balance sheets at December 31, 2021 and 2020 and changes in funded status for the year ended December 31, 2021 and the six-month period ended December 31, 2020 are as follows:

	December 31, 2021		December 31, 2020	
	Pension Plan	Other Benefits	Pension Plan	Other Benefits
Change in benefit obligation				
Benefit obligation at beginning of period	\$ 560,235	\$ 10,173	\$ 604,457	\$ 10,878
Service cost	20,907	218	12,358	124
Interest cost	14,957	271	7,137	129
Benefits paid	(3,202)	(340)	(20,277)	(152)
Retiree contributions	–	30	–	35
Settlements	(44,459)	–	–	–
Actuarial gain	(29,911)	(894)	(43,440)	(841)
Benefit obligation at end of period	<u>518,527</u>	<u>9,458</u>	<u>560,235</u>	<u>10,173</u>
Change in plan assets				
Fair value of plan assets at beginning of period	470,245	16,441	412,736	14,625
Actual return on plan assets	52,878	1,783	71,490	1,989
Employer contributions	9,438	–	6,296	–
Settlements	(44,459)	–	–	–
Benefits paid	(3,202)	(279)	(20,277)	(173)
Fair value of plan assets at end of period	<u>484,900</u>	<u>17,945</u>	<u>470,245</u>	<u>16,441</u>
Funded status at end of period	<u>\$ (33,627)</u>	<u>\$ 8,487</u>	<u>\$ (89,990)</u>	<u>\$ 6,268</u>

The settlements recorded in 2021 primarily relate to greater lump sum payments as a result of increased retirements and terminations.

The actuarial gains in 2021 and 2020 primarily relate to investment gains and changes in the discount rate assumption at December 31, 2021 and 2020.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands unless otherwise noted)

11. Pension and Other Post Retirement Plans (continued)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the Pension Plan at December 31, 2021 and 2020 are as follows:

	December 31	
	2021	2020
Projected benefit obligation	\$ 518,527	\$ 560,235
Accumulated benefit obligation	443,317	469,540
Fair value of plan assets	484,900	470,245

The unrecognized actuarial gain and prior service cost for the Pension Plan included in other changes in net assets without donor restrictions at December 31, 2021 and 2020 is \$59.5 million and \$10.5 million, respectively, including changes of \$49 million and \$106 million related to 2021 and 2020, respectively.

The following table provides the components of net periodic pension cost for the Pension Plan:

	Year Ended	Six-Month
	December 31,	Period
	2021	December 31,
		2020
Service cost	\$ 20,907	\$ 12,358
Interest cost	14,957	7,137
Expected return on plan assets	(28,902)	(12,780)
Recognized actuarial loss and administrative expenses	(4,976)	1,819
Net periodic pension cost	<u>\$ 1,986</u>	<u>\$ 8,534</u>

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

11. Pension and Other Post Retirement Plans (continued)

The following assumptions were used in determining the benefit obligations and net periodic pension costs for the Pension Plan and Other Benefits plan:

	December 31	
	2021	2020
Discount rate:		
Net periodic pension cost	2.80%	2.45%
Benefit obligations	3.05	2.80
Expected long-term return on plan assets	6.40	6.40

Current target investment allocations are as follows:

Equity funds	50–70%
Fixed income funds	30–50
Cash and cash equivalents	0–10

During the year ended December 31, 2021 and the six-month period ended December 31, 2020, AtlantiCare contributed \$9.4 million and \$6.3 million, respectively, to the Pension Plan. AtlantiCare intends to contribute approximately \$4.0 million to the Pension Plan in 2022.

The following is a schedule by year of estimated future benefit payments as of December 31:

2022	\$ 33,327
2023	34,655
2024	35,814
2025	35,709
2026	36,868
2027-2031	176,931

Defined Contribution Pension Plans

A defined contribution plan is maintained for all employees hired after January 1, 2010. AtlantiCare incurred \$ 9,160 and \$5,081 of expense related to the defined contribution plan during the year ended December 31, 2021 and the six-month period ended December 31, 2020, respectively.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

12. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is comprised of three levels based on inputs that market participants would use in valuing the asset or liability based on market data obtained from sources independent of AtlantiCare as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.

Level 3: Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. AtlantiCare's investment strategy is to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). AtlantiCare considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to AtlantiCare's perceived risk of that instrument.

Financial instruments are disclosed within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. AtlantiCare's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. Fair value using Level 3 inputs is generally determined by using pricing models or discounted cash flow methods, which all require significant management judgment or estimation.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

12. Fair Value Measurements (continued)

The basis for fair value measurement and NAV for AtlantiCare's financial instruments are established below:

Cash Equivalents

Cash equivalents include short-term investments and fixed income investments with initial maturities of less than three months. Cash equivalents are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of cash equivalents are held in money market accounts.

Equity Funds

Equity funds consist of commingled trust funds and mutual funds that are valued based upon quoted market prices in active markets obtained from exchange or dealer markets for identical assets. Equity funds are categorized as Level 2 with no valuation adjustments applied.

Marketable Equity Securities

Marketable equity securities consist of individual securities that are generally valued based upon quoted market prices in active markets obtained from exchange or dealer markets and are accordingly categorized as Level 1 with no valuation adjustments applied.

Corporate Obligations

Corporate obligations consist of individual securities that are valued based upon quoted market prices or dealer or broker quotations which may include model-based valuation techniques and are categorized as Level 2.

Fixed Income Funds

Fixed income funds consist of commingled trust funds and mutual funds, which are valued based upon quoted market prices in active markets obtained from exchange or dealer markets for identical assets and categorized as Level 2.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

12. Fair Value Measurements (continued)

U.S. Government and Agency Obligations

U.S. government and agency obligations consist of individual securities and are valued based on quoted market prices or dealer/broker quotations. Direct obligations of the U.S. government are categorized as Level 1 and agency obligations are categorized as Level 2.

Alternative Investments

Alternative investments include private equity investment interests.

Private equity investments are in the form of limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparable, or some other method. These limited partnership investments are valued at NAV and are not categorized in the fair value hierarchy.

Assets Held in Trust

Assets held in trust represent AtlantiCare's beneficial interest in perpetual and other trusts that are maintained and administered by independent trustees and are valued based on the fair value of the underlying assets held in trust. Trusts that are perpetual, whereby the original corpus cannot be expended, and trusts that have donor-imposed restrictions are reported as net assets with donor restrictions. Distributions from trusts are recorded as investment gain, net in net assets without donor restrictions, or as investment earnings, net in net assets with donor restrictions if their use is restricted by the donor. Assets held in trust are included in other assets, net, in the accompanying consolidated balance sheets. These assets are categorized as Level 3.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

12. Fair Value Measurements (continued)

The following table sets forth AtlantiCare's financial assets at December 31, 2021 and 2020, by level within the fair value hierarchy and NAV:

	Level 1	Level 2	Level 3	NAV	Total
December 31, 2021					
Cash equivalents	\$ 99,526	\$ –	\$ –	\$ –	\$ 99,526
Equity funds	–	734,162	–	–	734,162
Marketable equity securities	352	–	–	–	352
Corporate obligations	–	69,602	–	–	69,602
Fixed income funds	–	335,000	–	–	335,000
U.S. government and agency obligations	8,761	12,093	–	–	20,854
Alternative investments	–	–	–	13,810	13,810
Assets held in trust	–	–	807	–	807
	\$ 108,639	\$ 1,150,857	\$ 807	\$ 13,810	\$ 1,274,113
December 31, 2020					
Cash equivalents	\$ 182,097	\$ –	\$ –	\$ –	\$ 182,097
Equity funds	–	685,767	–	–	685,767
Marketable equity securities	293	–	–	–	293
Corporate obligations	–	9,979	–	–	9,979
Fixed income funds	–	206,097	–	–	206,097
U.S. government and agency obligations	5,492	8,379	–	–	13,871
Alternative investments	–	–	–	11,945	11,945
Assets held in trust	–	–	693	–	693
	\$ 187,882	\$ 910,222	\$ 693	\$ 11,945	\$ 1,110,742

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

12. Fair Value Measurements (continued)

The following table sets forth the composition of plan assets for the Pension Plan and Other Benefits Plan, by level and actual asset allocations at December 31, 2021 and 2020:

	Level 1	Level 2	Level 3	NAV	Total	Allocation
December 31, 2021						
Equity funds	\$ 289,884	\$ –	\$ –	\$ –	\$ 289,884	58%
Fixed income funds	202,567	–	–	–	202,567	40
Private equity	–	–	–	8,333	8,333	1
Cash and cash equivalents	2,061	–	–	–	2,061	1
	\$ 494,512	\$ –	\$ –	\$ 8,333	\$ 502,845	100%
December 31, 2020						
Equity funds	\$ 296,035	\$ –	\$ –	\$ –	\$ 296,035	61%
Fixed income funds	168,188	–	–	–	168,188	35
Private equity	–	–	–	7,205	7,205	1
Cash and cash equivalents	15,258	–	–	–	15,258	3
	\$ 479,481	\$ –	\$ –	\$ 7,205	\$ 486,686	100%

The following is a summary of alternative investments recorded at NAV, the restrictions on AtlantiCare's ability to redeem such investments at the measurement date and any unfunded capital commitments as of December 31, 2021:

Description of Investment	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private equity ^(a)	\$ 22,143	N/A	Quarterly/Annual	90 days to 29 months

^(a) Private equity investments include limited partnership investments in funds pursuing strategies in corporate buyouts, venture capital, and other investments.

There were no transfers among levels or significant changes in Level 3 investments.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	December 31	
	2021	2020
Time and purpose restrictions:		
Support operations	\$ 5,869	\$ 6,054
Purchase of equipment	1,743	899
	7,612	6,953
Amounts held in perpetuity – endowments and trusts	2,465	2,300
	\$ 10,077	\$ 9,253

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose to support operations and capital purchases in the amount of \$1.9 million and \$0.7 million for the year ended December 31, 2021 and the six-month period ended December 31, 2020, respectively.

The composition of and changes in endowment net assets, excluding trusts, is as follows:

	December 31	
	2021	2020
Endowment net assets at beginning of period	\$ 1,607	\$ 1,568
Net investment earnings	58	39
Contributions received	–	2
Annual appropriations	(7)	(2)
Endowment net assets at end of period	\$ 1,658	\$ 1,607

14. Non-controlling Interest

Non-controlling interest represents the proportionate share of Surgery Center not controlled by AtlantiCare. The net income of this venture is allocated to the non-controlling interest holders based on their percentage of ownership. Total non-controlling interest was \$6.6 million and \$9.1 million as of December 31, 2021 and 2020, respectively.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

15. Hospital and Provider Professional Liability Claims Coverage

In the ordinary course of business, various claimants have asserted professional and general liability claims against AtlantiCare. These claims are in various stages of processing or, in certain instances, are in litigation. In addition, there are known incidents, and unknown incidents, that may result in the assertion of additional claims. AtlantiCare has accrued its best estimate of both asserted and unasserted claims based on actuarially determined amounts.

AtlantiCare insures hospital and provider professional liability and general liability claims coverage through a captive insurance program with EC Assurance. The limits of the professional liability coverage follows:

Coverage	Per Claim Limit*	Annual Aggregate Limit
	<i>(In Millions)</i>	
Institutional professional	\$ 6.0	\$ –
General liability	1.0	2.0
Physician professional	6.0	–

* Effective November 1, 2016, per claim limits are shared by hospital and physicians and captive policy aggregate limits are not recognized by excess coverage.

The total net loss accruals were \$47.1 million and \$46.2 million at December 31, 2021 and 2020, respectively. The loss accruals, which were discounted at a rate of approximately 4% for December 31, 2021 and 2020, include estimates of known and incurred but not reported losses based on annual actuarial studies and are reported in accrued expenses and other liabilities in the consolidated balance sheets. Amounts expected to be paid in the next 12 months are reported as a current liability in accrued expenses and other in the consolidated balance sheets.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands unless otherwise noted)

16. Other Revenue

Other revenue consists of the following:

	Year Ended December 31, 2021	Six-Month Period December 31, 2020
Provider Relief Fund grant	\$ 2,957	\$ 19,481
Other grant revenue	18,446	6,572
FEMA Disaster Relief Fund	6,389	–
457B investment return	2,301	3,896
Rental income	4,278	2,027
Tuition	3,173	1,464
Shared Savings and accountable care organization gains	15,395	1,161
Net assets released from restrictions for operations	1,873	657
Other	16,123	5,972
	<u>\$ 70,935</u>	<u>\$ 41,230</u>

17. Functional Expenses

Expenses attributed to each program or supporting function of AtlantiCare are reported in the following table. Expenses attributable to more than one program require allocation, which is consistently applied and based upon reasonable statistics such as revenue, expenses or full-time equivalents. Indirect costs incurred for the benefit of multiple programs are classified as management and general expenses.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

17. Functional Expenses (continued)

Expenses by function and natural classification are as follows:

Year ended December 31, 2021:

	Program Services			Management & General	Total
	Clinical Enterprise	Other	Total		
Salaries and benefits	\$ 436,628	\$ 62,605	\$ 499,233	\$ 116,179	\$ 615,412
Supplies and other	195,045	26,059	221,104	7,899	229,003
Purchased services	57,826	41,765	99,591	9,250	108,841
Interest expense	779	281	1,060	2,889	3,949
Depreciation and amortization	48,513	4,646	53,159	39	53,198
Other non-service periodic pension costs	–	–	–	(20,343)	(20,343)
Total expenses	\$ 738,791	\$ 135,356	\$ 874,147	\$ 115,913	\$ 990,060

Six-month period ended December 31, 2020:

	Program Services			Management & General	Total
	Clinical Enterprise	Other	Total		
Salaries and benefits	\$ 199,910	\$ 30,011	\$ 229,921	\$ 53,669	\$ 283,590
Supplies and other	95,422	14,981	110,403	5,068	115,471
Purchased services	28,039	18,139	46,178	3,764	49,942
Interest expense	1,195	223	1,418	443	1,861
Depreciation and amortization	25,508	2,211	27,719	20	27,739
Other non-service periodic pension costs	(4,280)	–	(4,280)	–	(4,280)
Total expenses	\$ 345,794	\$ 65,565	\$ 411,359	\$ 62,964	\$ 474,323

18. Subsequent Events

Subsequent events have been evaluated through May 23, 2022, which is the date the accompanying consolidated financial statements were issued. Except as disclosed in Note 2, no subsequent events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

Supplementary Information – Consolidating Financial Information

AtlantiCare Health System, Inc. and Affiliates
Consolidating Balance Sheet
(Dollars In Thousands)
December 31, 2021

	AtlantiCare Regional Health Services			(DA)	(OG)			AtlantiCare	AtlantiCare	AtlantiCare		Total	Total OG + DA
	(OG)		(DA)	(DA)	(OG)	English Creek	AtlantiCare	AtlantiCare	AtlantiCare	AtlantiCare	Eliminations	Consolidated	
	AtlantiCare	AtlantiCare	AtlantiCare	AtlantiCare	AtlantiCare	Assurance, Ltd.	Foundation	Surgery	Health	Health			
	Regional	Behavioral	Health	Physician	Health			Center, LLC	Engagement	Solutions			
	Medical Center	Health	Services	Group, P.A.	System, Inc.								
Assets													
Current assets:													
Cash and cash equivalents	\$ 36,071	\$ 4,167	\$ 8,742	\$ 7,755	\$ 2,024	\$ 6,843	\$ 847	\$ 6,652	\$ 1,247	\$ 10,353	\$ -	\$ 84,701	\$ 54,592
Assets limited as to use, current portion	8,234	-	276	-	-	-	-	-	-	-	-	8,510	8,510
Patient accounts receivable, net	102,137	935	1,953	13,535	-	-	-	3,264	-	-	(5,309)	116,515	112,316
Due from affiliates	22,861	(1,560)	(1,989)	(6,012)	(343)	-	(1,428)	(4,001)	3,869	(11,397)	-	-	14,517
Inventories and other current assets	51,720	1,176	5,695	3,034	8,134	8,680	567	351	-	1,394	(6,144)	74,607	68,583
Total current assets	221,023	4,718	14,677	18,312	9,815	15,523	(14)	6,266	5,116	350	(11,453)	284,333	258,518
Investments	1,027,519	-	20,054	-	39,986	77,609	7,319	-	7,608	-	-	1,180,095	1,087,559
Property and equipment, net	332,923	3,678	131,289	19,854	246	-	-	27,140	18	-	(7,296)	507,852	477,016
Operating lease assets	1,618	1,140	518	8,092	1,337	-	-	2,919	-	-	(2,319)	13,305	11,565
Other assets, net	84,324	-	29,469	-	361	-	831	1,397	-	-	(64,075)	52,307	114,154
Total assets	\$ 1,667,407	\$ 9,536	\$ 196,007	\$ 46,258	\$ 51,745	\$ 93,132	\$ 8,136	\$ 37,722	\$ 12,742	\$ 350	\$ (85,143)	\$ 2,037,892	\$ 1,948,812
Liabilities and net assets													
Current liabilities:													
Current portion of long-term debt	\$ -	\$ -	\$ 3,299	\$ -	\$ -	\$ -	\$ -	\$ 1,199	\$ -	\$ -	\$ (851)	\$ 3,647	\$ 3,299
Accounts payable	20,026	3	182	180	78	175	19	594	-	-	-	21,257	20,466
Estimated third-party payor settlements, current portion	75,716	-	-	-	-	-	-	-	-	-	-	75,716	75,716
Accrued expenses and other	106,312	3,805	20,803	25,085	10,567	6,182	141	4,836	1,102	186	(10,651)	168,368	157,458
Operating lease liability, current portion	609	345	228	1,938	759	-	-	172	-	-	(11)	4,040	3,534
Total current liabilities	202,663	4,153	24,512	27,203	11,404	6,357	160	6,801	1,102	186	(11,513)	273,028	260,473
Long-term debt, net of current portion	240,651	-	2,406	-	-	-	-	15,485	-	-	(13,052)	245,490	243,057
Operating lease liabilities, less current portion	1,226	786	298	6,485	733	-	-	3,225	-	-	(2,765)	9,988	1,446
Estimated third-party payor settlements, less current portion	5,657	-	-	-	-	-	-	-	-	-	-	5,657	5,657
Accrued pension liability	33,627	-	-	-	-	-	-	-	-	-	-	33,627	33,627
Other liabilities	85,054	16	5,177	63	1,822	40,157	-	-	211	-	(42,214)	90,286	92,116
Total liabilities	568,878	4,955	32,393	33,751	13,959	46,514	160	25,511	1,313	186	(69,544)	658,076	636,376
Net assets:													
Net assets without donor restrictions	1,093,192	4,343	163,614	12,507	37,786	46,618	3,474	12,211	11,429	164	(22,175)	1,363,163	1,307,099
Net assets with donor restrictions	5,337	238	-	-	-	-	4,502	-	-	-	-	10,077	5,337
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	6,576	6,576	-
Total net assets	1,098,529	4,581	163,614	12,507	37,786	46,618	7,976	12,211	11,429	164	(15,599)	1,379,816	1,312,436
Total liabilities and net assets	\$ 1,667,407	\$ 9,536	\$ 196,007	\$ 46,258	\$ 51,745	\$ 93,132	\$ 8,136	\$ 37,722	\$ 12,742	\$ 350	\$ (85,143)	\$ 2,037,892	\$ 1,948,812

(OG) - Entity is a member of the Obligated Group, as described in certain documents related to the New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2021, AtlantiCare Health System Obligated Group Issue (Series 2021 Bonds). Refer to Note 8 to the financial statements.

(DA) - Entity is a Designated Affiliate, as described in certain documents related to the Series 2021 Bonds. Refer to Note 8 to the financial statements.

Note: The column "Total OG + DA" represents the combination of the Obligated Group and Designated Affiliates, net of eliminations of inter-entity balances and activities. Refer to Note 8 to the financial statements.

AtlantiCare Health System, Inc. and Affiliates
Consolidating Statement of Operations and Changes in Net Assets
(Dollars In Thousands)
Year Ended December 31, 2021

	AtlantiCare Regional Health Services														
	(OG)		(DA)	(DA)	(OG)										
	AtlantiCare Regional Medical Center	AtlantiCare Behavioral Health	AtlantiCare Health Services	AtlantiCare Physician Group, P.A.	AtlantiCare Health System, Inc.	English Creek Assurance, Ltd.	AtlantiCare Foundation	AtlantiCare Surgery Center, LLC	AtlantiCare Health Engagement	AtlantiCare Health Solutions	Eliminations	Total Consolidated	Total OG + DA		
Net assets without donor restrictions															
Revenue:															
Net patient service revenue	\$ 758,468	\$ 10,576	\$ 18,498	\$ 135,125	\$ –	\$ –	\$ –	\$ 39,567	\$ –	\$ –	\$ (323)	\$ 961,911	\$ 912,091		
Other revenue	29,009	11,061	20,721	75,596	82,022	8,038	2,450	109	8,981	14,060	(181,112)	70,935	58,185		
Total revenue	787,477	21,637	39,219	210,721	82,022	8,038	2,450	39,676	8,981	14,060	(181,435)	1,032,846	970,276		
Expenses:															
Salaries and benefits	352,371	13,905	16,896	175,532	36,292	–	1,024	13,887	5,505	–	–	615,412	581,091		
Supplies and other	301,483	6,122	11,864	40,115	12,652	6,946	1,510	14,059	1,209	14,060	(181,017)	229,003	216,951		
Purchased services	48,902	926	7,756	14,310	33,051	172	834	2,346	544	–	–	108,841	104,019		
Interest expense	3,619	–	142	–	–	–	–	606	–	–	(418)	3,949	3,761		
Depreciation and amortization	44,385	239	2,544	2,854	27	–	–	3,132	17	–	–	53,198	49,810		
Total expenses	750,760	21,192	39,202	232,811	82,022	7,118	3,368	34,030	7,275	14,060	(181,435)	1,010,403	955,632		
Income (loss) from operations	36,717	445	17	(22,090)	–	920	(918)	5,646	1,706	–	–	22,443	14,644		
Non-operating gains and losses:															
Investment in subsidiary	626	–	2,130	–	–	–	–	–	–	–	(2,756)	–	2,756		
Investment gain, net	126,269	–	2,629	–	5,271	5,053	945	–	1,000	4	–	141,171	134,169		
Expected return on plan assets and other components of net pension and other postretirement costs	20,343	–	–	–	–	–	–	–	–	–	–	20,343	20,343		
Total non-operating gains and losses, net	147,238	–	4,759	–	5,271	5,053	945	–	1,000	4	(2,756)	161,514	157,268		
Excess (deficiency) of revenue over expenses	183,955	445	4,776	(22,090)	5,271	5,973	27	5,646	2,706	4	(2,756)	183,957	171,912		
Other changes in net assets without donor restrictions:															
Pension liability adjustments	49,895	–	–	–	–	–	–	–	–	–	–	49,895	49,895		
Net assets released from restriction for capital purchases	11	22	–	–	–	–	–	–	–	–	–	33	11		
Contributions received for capital purchases	783	–	–	105	–	–	–	–	–	–	–	888	888		
Transfers (to) from affiliates, net	(40,343)	1,262	14,381	24,700	–	–	–	(4,083)	–	–	4,083	–	(1,262)		
Income attributable to non-controlling interest	–	–	997	–	–	–	–	(1,407)	–	–	–	(410)	997		
Increase (decrease) in net assets without donor restrictions	194,301	1,729	20,154	2,715	5,271	5,973	27	156	2,706	4	1,327	234,363	222,441		
Net assets with donor restrictions															
Donor contributions	–	–	–	–	–	–	2,565	–	–	–	–	2,565	–		
Investment earnings, net	165	–	–	–	–	–	–	–	–	–	–	165	165		
Net assets released from restrictions, net	(44)	(22)	–	–	–	–	(1,840)	–	–	–	–	(1,906)	(44)		
Increase (decrease) in net assets with donor restrictions	121	(22)	–	–	–	–	725	–	–	–	–	824	121		
Increase (decrease) in AtlantiCare Health System, Inc. net assets	194,422	1,707	20,154	2,715	5,271	5,973	752	156	2,706	4	1,327	235,187	222,562		
Non-controlling interest															
Contributions and other changes in non-controlling interest	–	–	–	–	–	–	–	(2,846)	–	–	358	(2,488)	–		
Increase (decrease) in net assets, including non-controlling interest	194,422	1,707	20,154	2,715	5,271	5,973	752	(2,690)	2,706	4	1,685	232,699	222,562		
Net assets at beginning of period	904,107	2,874	143,460	9,792	32,515	40,645	7,224	14,901	8,723	160	(17,284)	1,147,117	1,089,874		
Net assets at end of period	1,098,529	4,581	163,614	12,507	37,786	46,618	7,976	12,211	11,429	164	(15,599)	1,379,816	1,312,436		

(OG) - Entity is a member of the Obligated Group, as described in certain documents related to the New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2021, AtlantiCare Health System Obligated Group Issue (Series 2021 Bonds). Refer to Note 8 to the financial statements.

(DA) - Entity is a Designated Affiliate, as described in certain documents related to the Series 2021 Bonds. Refer to Note 8 to the financial statements.

Note: The column "Total OG + DA" represents the combination of the Obligated Group and Designated Affiliates, net of eliminations of inter-entity balances and activities. Refer to Note 8 to the financial statements.

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