AHS Hospital Corp.

Consolidated Financial Statements and Supplemental Information
December 31, 2022 and 2021

AHS Hospital Corp.
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December 31, 2022 and 2021

Report of Independent Auditors

To the Board of Trustees of Atlantic Health System

Opinion

We have audited the accompanying consolidated financial statements of AHS Hospital Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 US 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 consolidated financial statements.
In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Company'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating information as of and for the years ended December 31, 2022 and 2021 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

New York, New York
April 19, 2023

AHS Hospital Corp.
Consolidated Balance Sheets
December 31, 2022 and 2021

(in thousands)	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 680,644	$ 868,891
Assets limited as to use	117,073	61,552
Patient accounts receivable, net	327,370	305,147
Other current assets	179,842	167,291
Total current assets	1,304,929	1,402,881
Assets limited as to use, net of current portion	2,219,445	2,695,887
Long-term investments and other assets	421,320	278,427
Property, plant and equipment, net	1,305,439	1,334,767
Right of use assets, net	329,148	313,896
Total assets	$ 5,580,281	$ 6,025,858
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 67,886	$ 13,967
Current portion of lease liability	41,641	29,922
Current portion of CARES Act Medicare advancements	6,418	219,472
Accounts payable and accrued expenses	548,246	528,299
Estimated amounts due to third party payers	58,106	59,257
Total current liabilities	722,297	850,917
Accrued employee benefits and other, net of current portion	341,965	322,691
CARES Act Medicare advancements, net of current portion	-	4,589
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	1,354,518	1,324,071
Long-term lease liability, net of current portion	294,897	288,195
Total liabilities	2,713,677	2,790,463
Net assets		
Without donor restrictions controlled by the Hospital	2,658,068	3,014,703
Without donor restrictions attributable to noncontrolling interests	4,640	4,871
Without donor restrictions	2,662,708	3,019,574
With donor restrictions	203,896	215,821
Total net assets	2,866,604	3,235,395
Total liabilities and net assets	$ 5,580,281	$ 6,025,858

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

AHS Hospital Corp.
Consolidated Statements of Operations
Years Ended December 31, 2022 and 2021

(in thousands)	2022	2021
Revenues, gains and other support		
Net patient service revenue	$ 3,141,766	$ 3,020,388
Physician practice and other revenue	513,577	450,919
Legislative funding from CARES Act and FEMA	50,922	6,280
Net assets released from restrictions	16,729	17,292
Total revenues, gains and other support	3,722,994	3,494,879
Expenses		
Salaries	1,654,236	1,411,884
Supplies and other expenses	1,359,975	1,282,003
Employee benefits	317,054	301,367
Depreciation and amortization	171,334	168,683
Interest	47,667	44,006
Total operating expenses	3,550,266	3,207,943
Operating income	172,728	286,936
Change in net unrealized (losses) gains	(488,466)	82,989
Investment income, net	42,776	154,530
Nonoperating gain, net	10,942	10,390
(Deficiency) excess of revenues over expenses	(262,020)	534,845
Other changes in net assets without donor restrictions		
Noncontrolling interest	(231)	470
Equity transfers to related parties	(68,108)	-
Change in funded status of benefit plans	(52,875)	36,709
Net assets released from restrictions for capital purposes	22,018	11,153
Government grants used for capital purchases	4,350	2,131
(Decrease) increase in net assets without donor restrictions	$ (356,866)	$ 585,308

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

AHS Hospital Corp.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2022 and 2021

(in thousands)	2022	2021
Net assets without donor restrictions		
(Deficiency) excess of revenues over expenses	$ (262,020)	$ 534,845
Noncontrolling interest	(231)	470
Equity transfers to related parties	(68,108)	-
Change in funded status of benefit plans	(52,875)	36,709
Net assets released from restrictions for capital purposes	22,018	11,153
Government grants used for capital purchases	4,350	2,131
(Decrease) increase in net assets without donor restrictions	(356,866)	585,308
Net assets with donor restrictions		
Contributions	33,870	57,040
Investment income	981	1,127
Change in net unrealized gain	(8,029)	4,592
Net assets released from restrictions for operations	(16,729)	(17,292)
Net assets released from restrictions for capital purposes	(22,018)	(11,153)
(Decrease) increase in net assets with donor restrictions	(11,925)	34,314
(Decrease) increase in net assets	(368,791)	619,622
Net assets		
Beginning of year	3,235,395	2,615,773
End of year	$ 2,866,604	$ 3,235,395

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

AHS Hospital Corp.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

(in thousands)	2022	2021
Cash flows from operating activities		
Change in net assets	$ (368,791)	$ 619,622
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in funded status of benefit plans	52,875	(36,709)
Equity transfers to related parties	68,108	-
Depreciation and amortization	171,334	168,683
Loss on disposal of property, plant and equipment	71	-
Noncontrolling interest	(231)	470
Net realized and unrealized losses (gains) on investments	528,309	(102,440)
Change in value of swap agreements	1,571	(180)
Amortization of deferred financing costs and bond premiums	(2,352)	(2,352)
Amortization of right of use assets	35,003	28,539
Contributions restricted for capital purposes and permanent investments	(20,186)	(37,107)
Changes in assets and liabilities		
Increase in net patient accounts receivable	(22,223)	(35,013)
Increase in other assets	(24,390)	(31,108)
Decrease in CARES Act Medicare advancements	(217,643)	(117,105)
(Decrease) increase in accounts payable, accrued expenses, estimated amounts due to third party payers, accrued employee benefits and other liabilities	(47,439)	129,538
Net cash provided by operating activities	154,016	584,838
Cash flows from investing activities		
Purchases of investments	(1,197,944)	(973,158)
Proceeds from sales of investments	1,103,297	74,986
Repayment of loan to AHSIC	1,578	-
Loan issued to AHSIC	(43,003)	-
Loan issued to CentraState	(103,497)	-
Additions to property, plant and equipment	(189,073)	(220,606)
Net cash used in investing activities	(428,642)	(1,118,778)
Cash flows from financing activities		
Principal payments on long-term debt and line of credit	(13,282)	(61,154)
Proceeds from issuance of $450M Series 2021 Taxable Bonds	-	450,000
Cost of issuance of $450M Series 2021 Taxable Bonds	-	(2,589)
Proceeds from $100M Taxable Term Loan	100,000	-
Equity transfers to related parties	(20,883)	-
Contributions restricted for capital purposes and permanent investments	20,544	13,440
Net cash provided by financing activities	86,379	399,697
Decrease in cash, cash equivalents, and restricted cash	(188,247)	(134,243)
Cash, cash equivalents, and restricted cash		
Beginning of year	868,891	1,003,134
End of the year	$ 680,644	$ 868,891
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 47,944	$ 37,124
Decrease (increase) in accruals for acquisition of property, plant, and equipment	9,675	(3,501)
Right of use assets obtained in exchange for operating lease obligations	50,995	71,419
Non-cash equity transfers to related parties	47,225	-

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

(in thousands)

1. Organization

AHS Hospital Corp. and subsidiaries (the "Hospital") is a New Jersey not-for-profit entity comprised of five hospital facilities, the Morristown Medical Center ("Morristown Division" or "MMC"), the Overlook Medical Center ("Overlook Division" or "OMC"), the Newton Medical Center ("Newton Division" or "NMC"), the Chilton Medical Center ("Chilton Division" or "CMC"), and the Hackettstown Medical Center ("Hackettstown Division" or "HMC"). Atlantic Visiting Nurse ("AVN"), which provides comprehensive home health and hospice and palliative care services as well as adult day care services and various community health services, is also included within the Hospital. Each of the above operate as divisions within Hospital Corp. and not as separate corporations. Also, included in the Hospital is the Foundation for the Morristown Medical Center ("MMCF"), a wholly owned subsidiary and not-for-profit fundraising organization. The Hospital is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Hospital provides regional health care services including a broad range of adult, pediatric, obstetrical/gynecological, psychiatric, oncology, intensive care, cardiac care and newborn acute care services to patients from the counties of Morris, Essex, Passaic, Sussex, Bergen, Hunterdon, Union, Warren and Somerset in New Jersey, Pike County in Pennsylvania and southern Orange County in New York. The Hospital is also a regional health trauma center that provides tri-state coverage and provides numerous outpatient ambulatory services, rehabilitation and skilled care and emergency care.

Also included in the Hospital is Practice Associates Medical Group doing business as Atlantic Medical Group, P.A. ("AMG"), the captive physician practice serving all of the Hospital divisions. It is a nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code. Originally formed to provide billing and collection services for fees generated by physicians employed by the hospital divisions, AMG now serves as a physician-governed group practice entity with over 1,500 providers. AMG supports the Hospital by improving consistency, enhancing collaboration among those delivering care and optimizing care system operations.

MMCF solicits funds in its general appeal to primarily support the Morristown Division and the community as MMCF's Board may deem appropriate. The by-laws of MMCF were amended on November 19, 2015, to provide that funds received by MMCF after the date of the amendment may be used for the benefit of Atlantic Health System, Inc. (the "Parent") and the Hospital, including all subsidiaries, upon approval of the Executive Committee of the Board of MMCF.

In June 2019, Atlantic Rehabilitation Institute ("ARI") began operations under a joint venture between the Hospital and Kindred Healthcare. ARI is a two-story, 38-bed rehabilitation facility, located in Madison, NJ and provides patient-focused rehabilitation dedicated to the treatment and recovery of individuals through intensive specialized rehabilitation services for patients who have experienced a loss of function from an injury or illness. The Hospital contributed the existing rehabilitation business for a 55% ownership investment of $6,618. The Hospital consolidates the joint venture's operations and records an adjustment for the noncontrolling interest within other changes in net assets without donor restrictions on the consolidated statements of operations and separates Kindred's equity as noncontrolling interest within net assets without donor restrictions on the consolidated balance sheet.

The Hospital is a wholly controlled subsidiary of the Parent, a not-for-profit organization. The Parent wholly owns the following for-profit entities; Atlantic Health Management Corp., a for-profit

(in thousands)

holding company, which owns AHS Investment Corporation and Subsidiaries (“AHSIC”), AHS Insurance Company, Ltd. (the “Captive”), a for-profit insurance company licensed under the provisions of the Cayman Islands Insurance Law; AHS Health Network LLC, a for-profit established to provide a vehicle to report risk contracting under the requirements of the banking and insurance regulations; Primary Care Partners, LLC and Atlantic Health Partners, LLC, for-profit physician practice entities; and AHS ACO, LLC (“ACO”), Healthcare Quality Partners LLC (ceased operations at December 21, 2021), and Care Better ACO LLC, for-profit limited liability companies established for the purpose of participating in the Medicare Shared Savings Program under the Patient Protection and Affordable and Accountable Care Act of 2010 as well as participating in shared savings programs with certain commercial carriers. AHSIC holds real estate interests and manages health care businesses including magnetic resonance imaging, durable medical equipment and private duty home care services. The Captive’s principal activity is to provide for professional and commercial general liability insurance to the Parent and its subsidiaries beginning January 1, 2002. In addition, the Parent wholly owns the following not-for-profit entities: Atlantic Ambulance Corp., a not-for-profit company established to provide emergency and nonemergency medical transportation to the Parent and its subsidiaries; North Jersey Health Care Properties which owns commercial buildings; Prime Care, Inc. which provides various wellness, health education and other health services; and Newton Medical Center Foundation, Inc.(“NMCF”) and the Chilton Medical Center Foundation, Inc. (“CMCF”), both not-for-profit fund raising organizations for the benefit of their respective Hospital Divisions.

The Overlook Foundation (“OF”) and the Foundation for the Hackettstown Medical Center (“HMCF”) are not-for-profit fundraising organizations affiliated with the Overlook and Hackettstown Divisions, respectively, however, they are not controlled subsidiaries of the Parent or the Hospital.

In June 2013, the Parent signed an Operating Agreement with Hunterdon Healthcare System to form a jointly-owned health care alliance, Midjersey Health Alliance, LLC (“MHA”). The purpose of the organization is to form a regional healthcare alliance to improve and enhance the scope, quality and cost-effectiveness of health care services in Hunterdon, Somerset, Mercer and Warren counties while developing sound economic and financial solutions to health care issues affecting all patients, providers and healthcare organizations and moving toward clinical integration. Each system will retain its independence but will create clinical and economic efficiencies to reduce health care costs.

On October 21, 2020, the Parent and CentraState Healthcare System (“CentraState”), a nonprofit health system with a continuum of care operating one acute care hospital in Freehold, New Jersey in Monmouth County, reached a Definitive Agreement to expand their partnership to create a co-membership model for the Parent and CentraState. Effective January 1, 2022, the Parent and CentraState completed their newly expanded partnership, creating a unique model for health system co-ownership under which the Parent became the 51% majority corporate member in CentraState and CentraState joined the System’s network of care. The partnership is structured to deliver benefits to patients, physicians, and caregivers in CentraState’s communities by strengthening its integrated clinical services, physician network and infrastructure through capital investments. The transaction was accounted for by the Parent in accordance with ASC Topic 958-805, *Not-for-profit Entities: Business Combinations*. No consideration was exchanged to complete the partnership.

(in thousands)

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of its controlled subsidiaries MMCF and AMG. All significant intercompany balances and transactions are eliminated in consolidation.

New Authoritative Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. The previous standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. This ASU is effective for the Hospital for fiscal years beginning after December 15, 2022. The Hospital is currently evaluating the impact of the standard on the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to contractual discounts for patient service revenue, third party payer settlements, self-insurance liabilities, investment valuation and accrued employee benefits. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments with original maturities of three months or less from the date of acquisition. The Hospital elected to treat highly liquid short-term investments held within its assets limited as to use and long-term investments and other assets financial statement line items as investments, and therefore exclude them from cash and cash equivalents in the consolidated statements of cash flows.

At December 31, 2022 and 2021, the Hospital had cash balances in a financial institution that exceeded federal depository insurance limits. Management believes that the credit risk related to these deposits is minimal.

Assets Limited as to Use and Investments

Assets limited as to use principally consist of short-term investments including money market funds held by a trustee under the bond indenture agreement and funds set aside by the Board of Trustees over which the Board of Trustees retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current debt service payments of the Hospital have been classified as current in the consolidated balance sheets at December 31, 2022 and 2021.

(in thousands)

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss, including realized gains and losses on investments, interest and dividends, and unrealized gains and loss, is included within nonoperating activities within the consolidated statements of operations, unless the income or loss is restricted by donor or law.

Beneficial Interest in Perpetual Trusts

The Hospital has been designated the beneficiary under certain perpetual trusts. The Hospital recognizes contribution revenue at the time an irrevocable trust is created at the fair value of the trust's assets. The contribution revenue is classified as net assets with donor restrictions. The Hospital revalues its interest in the perpetual trusts annually and reports any gain or loss as change in net unrealized gain (loss) from net asset with donor restrictions in the consolidated statement of changes in net assets. The underlying investments held in trust are held primarily in equity securities with readily determinable fair value. Income earned on the trust assets is included within nonoperating gains, net in the consolidated statements of operations.

Other Current Assets

Included within other current assets in the consolidated balance sheets are receivables derived from physician practice revenue, amounts due from related parties, obligated Federal Emergency Management Agency ("FEMA") reimbursement of qualifying expenses, prepaid expenses, and inventory.

Inventories

Inventories, primarily supplies, are included in other current assets and are stated at the lower of cost or net realizable value using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. The Hospital provides for depreciation of land improvements, buildings and improvements, and equipment on a straight-line basis over the asset's estimated useful life. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are reversed from the accounts, and any gain or loss is recorded in operations. Repairs and maintenance expenditures are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the years ended December 31, 2022 and 2021, there were no events that would indicate an impairment of long-lived assets.

Gifts of long-lived assets such as property, plant and equipment are recorded at the fair value at the date of the gift and reported as an increase to net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions in the consolidated statements of changes in net assets. Absent explicit donor stipulations about

(in thousands)

how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Leases

The Hospital leases certain office and distribution facilities ("real estate"), as well as medical and other equipment, which are all accounted for under FASB ASC 842, *Leases*. The Hospital has made an accounting policy election to not apply recognition requirements of ASC 842 to short-term leases, which are those leases with a term of one year or less.

The Hospital considers various factors such as market conditions and the terms of any renewal options that may exist to determine whether to renew or replace a real estate lease. Real estate agreements, which expire at various dates through 2040, often include renewal options, either at fixed rents or subject to a fair value assessment at the time of exercise. Real estate renewal options are included in the measurement of right of use asset and lease liabilities when the exercise of such options is reasonably certain. Equipment renewal options are excluded from the lease term because they are not reasonably certain to be renewed due to rapid technology changes.

There is generally no readily determinable discount rate implicit in the Hospital's leases. Accordingly, the Hospital uses its incremental borrowing rate throughout the terms of the lease, unless there is a modification, at which time, the rate may be updated with a more current incremental borrowing rate.

For real estate leases, the Hospital's accounting policy election is to separate lease and nonlease components. The Hospital includes the following as lease components when determining its real estate lease payments: fixed rent, predetermined rent escalations, rent-free periods, and certain incentives for leasehold improvements. The Hospital recognizes rent expense on a straight-line basis over the related terms of such leases, beginning from when the Hospital takes possession of the asset. Variable rents resulting from adjustments to consumer price indices are recorded in the periods such amounts are adjusted and determined. Variable expenses are considered nonlease components and are expensed as incurred.

For equipment leases, the Hospital's accounting policy election is to not separate lease and nonlease components. Equipment lease agreements, including medical equipment, contain one fixed payment amount associated with the lease of the equipment, as well as maintenance, repairs, customer support, and training. Certain medical equipment leases also contain minimum purchases of consumables, which are considered in-substance fixed lease payments. The Hospital bundles its equipment lease payments. Lease expense is recognized on a straight-line basis over the related terms of such agreements.

Net Assets

Net assets without donor restrictions are derived from gifts that are not subject to explicit donor-imposed restrictions. Resources arising from the results of operations or assets set aside by the Board of Trustees are classified as without donor restrictions for external reporting purposes.

Net assets with donor restrictions are those funds whose use by the Hospital has been limited by donors to a specific time period and/or purpose. Once the restrictions are satisfied, or have been deemed to have been satisfied, those assets with donor restrictions are released from restrictions. Certain donor restrictions are perpetual in nature and the income from those funds is expendable to

(in thousands)

support various healthcare services or projects. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Management of the Hospital has interpreted the State of New Jersey's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the historic dollar value of donor-restricted endowment funds (absent explicit donor stipulations to the contrary). Historic dollar value is defined as the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment, (ii) each subsequent donation to the fund at the time it is made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. Based on this interpretation, the Hospital classifies as net assets with donor restrictions: (a) the original value of gifts donated to the restricted net assets, (b) the original value of subsequent gifts to the permanent endowment, (c) the net realizable value of future payments to restricted net assets in accordance with the donor's gift instrument (outstanding endowment pledges net of applicable discount), and (d) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in net assets with donor restrictions. The remaining portions of the donor-let restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.

(2) The purpose of the organization and the donor-restricted endowment fund.

(3) General economic conditions.

(4) The possible effect of inflation and deflation.

(5) The expected total return from income and the appreciation of investments.

(6) Other resources of the Hospital; and

(7) The investment policies of the Hospital.

The Hospital has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Hospital considered the long-term expected return on its endowment. This is consistent with the Hospital's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. This method also compensates for any volatile year-to-year fluctuation in investment returns.

Management further understands that expenditures from a donor-restricted fund is limited to the uses and purposes for which the endowment fund is established and the use of net appreciation, realized gains (with respect to all assets) and unrealized gains (with respect only to readily marketable assets) is limited to the extent that the fair value of a donor-restricted fund exceeds the historic dollar value of the fund (unless the applicable gift instrument indicates that net appreciation shall not be expended), to the extent that such expenditure is prudent, considering the long and short term needs of the Hospital in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments and general economic conditions. Under the

(in thousands)

policies established and approved by the Hospital's Finance and Investment Committee, donor-restricted endowment funds are invested in income-generating investment vehicles to generate appreciation and preserve capital.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated 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 reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

Net Patient Service Revenue and Patient Accounts Receivable
Net patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are net of appropriate discounts to give recognition to differences between the Hospital's charges and reimbursement rates from third party payers. The Hospital is reimbursed from third party payers under various methodologies based on the level of care provided. Certain net revenues received are subject to audit and retroactive adjustment for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The net amounts recorded, related to prior years and changes in estimates did not have a significant impact on the performance indicator for either of the years ended December 31, 2022 or 2021.

Revenue is recognized as performance obligations are satisfied. The Hospital determines performance obligations based on the nature of the services provided. The Hospital recognizes revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services. The Hospital measures performance obligations from admission to the point when there are no further services required for the patient, which is generally the time of discharge. The Hospital recognizes revenues for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when: (1) services are provided; and (2) when there is no expectation that the patient requires additional services.

Because the Hospital's patient service performance obligations related to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in FASB ASC 606, *Revenue from Contracts with Customers* and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Hospital determines the transaction price based on gross charges for services provided, reduced by the contractual adjustments provided to third party payers, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection

(in thousands)

experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The consolidated financial statement effects of using this practical expedient are not materially different from an individual contract approach.

In general, patients who are covered by third party payers are responsible for related co-pays, co-insurance and deductibles, which vary in amount. The Hospital also provides services to uninsured patients and offers uninsured patients a discount from standard charges. Then the Hospital estimates the transaction price for patients with co-pays, co-insurance and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under the Hospital's uninsured discount programs, the discount offered to certain uninsured patients is recognized as a contractual discount, which reduces net patient service revenue at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual discounts recorded, are further reduced to their net realizable value at the time they are recorded through implicit price concessions based on historical collection trends for self-pay accounts and other factors that affect the estimation process. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of the change.

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

Medicare
Inpatient acute care, behavioral care and rehabilitation services and most outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of the annual cost report by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited and finalized by the Medicare administrative contractor through December 31, 2019 for the Chilton and Hackettstown Divisions, 2018 for the Overlook and Newton Divisions and 2017 for the Morristown Division; however, the 2012 Medicare cost report for the Morristown Division remains open.

Medicaid
Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are paid based upon a cost reimbursement methodology and certain services are paid based on a Medicaid fee schedule. The Hospital is paid for reimbursable costs at a tentative rate with final settlement determined after submission of the annual cost report by the Hospital and audit thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited and finalized by the Medicaid fiscal intermediary through December 31, 2020 for the Morristown and Chilton Divisions; 2019 for the Overlook, Newton, and Hackettstown Divisions.

(in thousands)

Managed Care, Commercial and Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per day/case and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Noncompliance includes fines, penalties and exclusion from the Medicare and Medicaid programs. The Hospital has established a Corporate Compliance Program to monitor and maintain compliance with various regulations.

Physician Practice and Other Revenue

Included within physician practice and other revenue in the consolidated statements of operations are those amounts the Hospital derives from physician practice revenue, cafeteria sales, parking lot revenue, purchase discounts and various other miscellaneous receipts. Physician services are billed at professional rates tied to contracts for visits and procedures done in the physician office setting. The Hospital determines estimates for implicit price concessions, in accordance with ASC 606, *Revenue from Contracts with Customers*, based on its historical collection experience with every class of patients/payers, including run rates for denials, as well as instances where self-pay patients in process of being screened for Medicaid (which has lower reimbursement rates). During the year ended December 31, 2022, the impact of changes to the inputs used to determine the transaction price for physician practice and other revenue was considered immaterial to the current period. Physician practice revenues amounted to $484,523 and $419,155 for the years ended December 31, 2022 and 2021, respectively.

Physician practice revenue by payer for the years ended December 31, 2022 and 2021, respectively, is as follows:

	2022	2021
Medicare	23.8 %	24.2 %
Medicaid	0.3	0.6
Managed care and other third party payers	75.8	74.5
Self pay	0.1	0.7
	100.0 %	100.0 %

Performance Indicator

The consolidated statements of operations include (deficiency) excess of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from (deficiency) excess of revenues over expenses, consistent with industry practice, include noncontrolling interest, equity transfers to related parties, changes in funded status of benefit plans, net assets released from restrictions for capital purposes, and government grants used for capital purchases. The Hospital differentiates its operating activities through the use of income from operations as an intermediate measure of operations. For the purposes of display, investment income, net, changes in unrealized (losses) gains on investments, and other nonoperating items (which include changes in the value of swap agreements and other components of net periodic benefit costs), which the Hospital does not consider to be a component of its operating activities, are excluded from the income from operations in the consolidated statements of operations.

(in thousands)

Fair Value

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

The guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Hospital for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted market prices in active markets for identical assets or liabilities. Level 1 assets consist of common stock as they are traded in an active market with sufficient volume and frequency of transactions.

Level 2 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 for the asset or liability. Level 2 assets consist of money market funds and mutual funds that are nonexchange traded and valued based on net asset values (NAV) calculated by the funds' independent administrators which are calculated at least daily. These valuations are readily observable in the market place or are supported by observable levels at which transactions are executed in the marketplace. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and /or nontransferability, which are generally based on available market information. Redemptions from each of the funds can be made at least daily on the latest reported NAV.

Level 3 Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value. Level 3 assets consist of beneficial interests in perpetual trusts held by third parties, primarily invested in equities and fixed income securities.

For investments in alternative investments, fair value is measured based on unobservable inputs that cannot be corroborated by observable market data where the Hospital does not exert significant influence to cover the waterfall concern. The Hospital accounts for these investments within its long-term investment portfolio using the NAV as a practical expedient, and as such these investments are excluded from the fair value hierarchy.

(in thousands)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market Approach (M) - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost Approach (C) - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income Approach (I) - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions the market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. The Hospital utilized the best available information in measuring fair value (Notes 7 and 11).

3. Charity Care

The Hospital provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services ("DOHSS") without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished. The Hospital receives partial reimbursement for the uncompensated care it provides (Note 4). The estimated amount of charity care provided at cost under DOHSS guidelines during the years ended December 31, 2022 and 2021 amounted to approximately $110,164 and $108,909, respectively.

The estimated charity care cost is based on the calculation of a ratio of cost to gross charges, and then multiplying that ratio by the gross charges foregone for providing charity care (ie charity care discounts).

(in thousands)

4. Net Patient Service Revenue

The components of net patient service revenue for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Gross charges		
Inpatient	$ 8,035,189	$ 7,742,849
Outpatient	7,776,118	6,978,578
Total gross charges	15,811,307	14,721,427
Net additions (deductions) from gross charges		
Contractual discounts and implicit price concessions	(12,544,585)	(11,578,345)
Charity care discount	(136,862)	(133,044)
Charity care subsidy	11,546	9,990
Special mental health subsidy	360	360
	(12,669,541)	(11,701,039)
Net patient service revenue	$ 3,141,766	$ 3,020,388

The Hospital recorded $96,914 and $103,349 of implicit price concessions as a direct reduction of patient service revenues during the years ended December 31, 2022 and 2021, respectively.

The mix of patient service revenue, net of contractual discounts and implicit price concessions from patients and third party payers for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Medicare	24.4 %	23.9 %
Medicaid	0.8	1.1
Managed care and other third party payers	73.8	74.3
Self pay	0.6	0.4
Charity	0.4	0.3
	100.0 %	100.0 %

5. Federal Legislative Relief Funds

Congress has appropriated funds to reimburse eligible health care providers for healthcare expenses incurred and/or loss in revenue due to COVID-19. The Health Resources and Services Administration of the U.S. Department of Health and Human Services (“HHS”) is administering the distribution of the payments which are funded through the Coronavirus Aid, Relief and Economic Security (“CARES”) Act. The CARES Act provided the Hospital with financial relief under several programs including reimbursement for patient care provided to the uninsured (which was recorded in net patient service revenue during the years ended December 31, 2022 and 2021), the Provider Relief Fund and advances of Medicare payments from the Centers for Medicare and Medicaid Services.

(in thousands)

Provider Relief Funds are intended to reimburse eligible healthcare providers for expenses attributable to COVID-19 and lost revenues. The Hospital recognized $8,710 and $6,280 of funds received under the Provider Relief Fund as operating revenues, based on information contained in laws and regulations and information issued by HHS, for the years ended December 31, 2022 and 2021. HHS can and does retrospectively adjust grant distribution formulas and may adjust funding already received which may impact the amount the Hospital has recorded for the years ended December 31, 2022 and 2021 in future financial statement periods.

In April 2020, the Hospital received $341,166 in Medicare advances. The recoupment period for the Hospital's Medicare advances commenced one year after receipt of the advances (April 2021) and occur via offsets to Medicare payments. The offset commenced at 25% of Medicare payments for the first eleven months of the recoupment period, and then increased to 50% of Medicare payments for the next six months (starting March 2022). The Hospital has presented its total Medicare advances within current and noncurrent liabilities on the consolidated balance sheet as of December 31, 2022 and 2021, based on the timing of the expected residual recoupments through year 2023.

During 2022, the Hospital applied for and received approval for the reimbursement of qualifying expense under FEMA. For the year ended December 31, 2022, the Hospital recognized $42,212 of FEMA funds within operating revenue in the consolidated statement of operations. FEMA can and does retrospectively adjust grant distribution formulas and may adjust funding already received which may impact the amount the Hospital has recorded for the year ended December 31, 2022 in future financial statement periods.

6. Concentration of Credit Risk

The Hospital extends credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Accounts receivable net of contractual discounts and implicit price concessions from patients and third-party payers, as of December 31, 2022 and 2021, were as follows:

	2022	**2021**
Medicare	19.0 %	17.6 %
Medicaid	2.1	2.1
Managed care and other third party payers	68.8	71.4
Self pay	10.1	8.9
	100.0 %	100.0 %

(in thousands)

7. Assets Limited as to Use, Long-Term Investments and Other Assets

Assets limited as to use at December 31, 2022 and 2021 consist of the following:

	2022	2021
Board designated for capital and program costs		
Short-term investments including money market funds	$ 331,447	$ 337,532
Mutual funds	1,975,789	2,409,194
Alternative investments - equity	163	223
	2,307,399	2,746,949
Under bond indenture agreements		
Short-term investments including money market funds		
Interest account	21,301	4,022
Principal account	7,153	5,808
Debt service reserve fund	665	660
	29,119	10,490
Total assets whose use is limited	2,336,518	2,757,439
Less: Assets limited as to use and are required for current liabilities	117,073	61,552
Noncurrent assets limited as to use	$ 2,219,445	$ 2,695,887

Assets limited as to use under bond indenture agreements represent certain funds that are controlled by trustees for as long as any of the bonds remain outstanding. These funds, including interest income, are held by bank trustees who administer the trusts as required under the bond indenture agreements.

(in thousands)

Long-term investments and other assets, at December 31, 2022 and 2021, are as follows:

	2022	2021
Long-term investments		
Money market funds	$ 2,744	$ 2,741
Mutual funds	70,627	84,762
Alternative investments - equity	3,600	3,508
	76,971	91,011
Other assets		
CentraState intercompany loan	103,497	-
AHSIC intercompany loans	39,045	-
Professional and general liability insurance recoveries	102,337	84,140
Workers compensation liability insurance recoveries	4,500	6,300
Due from Overlook Foundation	49,263	56,110
Due from Newton Medical Center Foundation	3,093	2,120
Due from Chilton Medical Center Foundation	6,534	9,077
Due from the Foundation for Hackettstown Medical Center	2,308	2,211
Venture capital private equity funds	11,576	8,362
Equity method investments	6,749	6,773
Beneficial interest in trusts	2,042	6,208
Other	13,405	6,115
	344,349	187,416
Total long-term investments and other assets	$ 421,320	$ 278,427

On August 17, 2022, the Hospital entered into a secured loan agreement with CentraState in the amount of $103,497, whereby the proceeds were utilized by CentraState to pay off or legally defease all of its financed obligations as of that date. CentraState will pay interest to the Hospital monthly at a fixed rate of 3.21% with the full principal amount due to the Hospital on May 17, 2037. The loan is collateralized by the gross receipts of CentraState as well as its owned properties. In addition, certain financial covenants must be maintained by CentraState.

The Hospital accrues an estimate of the ultimate cost of claims under all insurance policies whether the policy is fully insured or a self-insurance policy, with any insurance recoverable under such policies recorded as a receivable. As of December 31, 2022 and 2021, the Hospital has recorded $102,337 and $84,140, respectively, in other long-term assets for professional and general liability insurance recoveries. A corresponding liability for the above is recorded within accrued employee benefits and other in the consolidated balance sheets (Note 12). The Hospital also recorded $4,500 and $6,300 for workers compensation liability insurance recoveries at December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Hospital recorded liabilities related to workers compensation claims totaling $21,700 and $26,686, respectively, within accounts payable and accrued expenses in the consolidated balance sheets.

Due from Overlook, Newton, Chilton and Hackettstown Medical Center Foundations relate to the amounts due from the Foundations for contributions received by the Foundations on behalf of the Overlook, Newton, Chilton and Hackettstown Divisions. The Foundations solicit funds in their general appeal to support the Hospital and for other health care purposes as the respective

(in thousands)

Foundation's individual Board of Trustees may deem appropriate. In the absence of donor restrictions, the Foundations' have discretionary control over the amounts to be distributed to the providers of health care services, the timing of such distributions, and the purposes for which such funds are used. The assets held at the affiliated foundations are comprised primarily of cash and cash equivalents, marketable equity securities and debt securities.

Investment income relating to long-term investments and assets limited as to use, excluding those held under bond indenture agreements and restricted funds, for the years ended December 31, 2022 and 2021 consist of the following:

	2022	2021
Interest and dividend income	$ 74,534	$ 140,657
Realized (losses) gains on sales of securities	(31,758)	13,873
Investment income, included in nonoperating gains, net	42,776	154,530
Change in net unrealized (losses) gains	(488,466)	82,989
Total investment return	$ (445,690)	$ 237,519

The fair value of the Hospital's financial assets that are measured on a recurring basis at December 31, 2022 and 2021 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value December 31, 2022	Valuation Technique[1]
Assets limited as to use					
Money market funds	$ -	$ 360,566	$ -	$ 360,566	M
Mutual funds		1,975,789		1,975,789	M
	$ -	$ 2,336,355	$ -	$ 2,336,355	
Investments measured at net asset value				163	
				$ 2,336,518	
Long-term investments					
Money market funds	$ 106	$ 2,638	$ -	$ 2,744	M
Mutual funds		70,627		70,627	M
	$ 106	$ 73,265	$ -	$ 73,371	
Investments measured at net asset value				3,600	
				$ 76,971	
Beneficial interests in perpetual and remainder trusts	$ -	$ -	$ 2,042	$ 2,042	M
Venture capital private equity funds	$ -	$ -	$ 11,576	$ 11,576	M

(in thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value December 31, 2021	Valuation Technique[1]
Assets limited as to use					
Money market funds	$ -	$ 348,022	$ -	$ 348,022	M
Mutual funds	-	2,409,194	-	2,409,194	M
	$ -	$ 2,757,216	$ -	$ 2,757,216	
Investments measured at net asset value				223	
				$ 2,757,439	
Long-term investments					
Money market funds	$ 106	$ 2,635	$ -	$ 2,741	M
Mutual funds	-	84,762	-	84,762	M
	$ 106	$ 87,397	$ -	$ 87,503	
Investments measured at net asset value				3,508	
				$ 91,011	
Beneficial interests in perpetual and remainder trusts	$ -	$ -	$ 6,208	$ 6,208	M
Venture capital private equity funds	$ -	$ -	$ 8,362	$ 8,362	M

There was no significant Level 3 investment activity for the years ended December 31, 2022 and 2021. There were no transfers between levels during the years ended December 31, 2022 and 2021.

8. Property, Plant and Equipment

Property, plant and equipment at December 31, 2022 and 2021 are as follows:

	2022	2021	Depreciable Life (in Years)
Land and land improvements	$ 74,772	$ 74,772	10–50
Buildings and improvements	1,791,697	1,705,784	10–50
Equipment and equipment deposits	1,636,258	1,551,988	3–25
Construction in progress	69,552	98,314	
	3,572,279	3,430,858	
Less: Accumulated depreciation	2,266,840	2,096,091	
Property, plant and equipment, net	$ 1,305,439	$ 1,334,767	

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was $171,334 and $168,683, respectively.

(in thousands)

9. Long-Term Debt

Long-term debt at December 31, 2022 and 2021 consists of the following:

	2022	2021
$100,000 JP Morgan Chase Taxable Term Loan maturing on May 31, 2037. Principal is payable quarterly as is interest at an annual interest rate of 3.21%. The loan is collateralized by the Hospital's gross receipts.	$ 98,333	$ -
$450,000 Series 2021 Taxable Bonds (Fixed Rate) maturing on July 1, 2051. Interest is payable each January 1 and July 1 at an annual interest rate of 2.78%. The bonds are collateralized by the Hospital's gross receipts.	450,000	450,000
$224,800 New Jersey Health Care Facilities Financing Authority ("NJHCFFA"), AHS Hospital Corporation, Series 2016 Refunding Bonds (Fixed Rate), in varying maturities through 2041 at annual interest rates varying between 3.00% and 5.00%. Interest is payable each January 1 and July 1 and principal is payable each July 1 commencing in 2017. As of December 31, 2022, the average interest rate on the bonds was 4.29%. The bonds are collateralized by the Hospital's gross receipts.	170,840	181,955
$425,000 Series 2015 Taxable Bonds (Fixed Rate) maturing on July 1, 2045. Interest is payable each January 1 and July 1 at an annual interest rate of 5.02%. The bonds are collateralized by the Hospital's gross receipts.	425,000	425,000
$50,000 Bank of America Taxable Term Loan maturing on December 1, 2023. Interest is payable monthly at an annual interest rate of 3.85%. The loan is collateralized by the Hospital's gross receipts under the Master Trust Indenture.	50,000	50,000
$177,110 NJHCFFA AHS Hospital Corporation, Series 2008A Revenue Bonds (Fixed Rate), in varying maturities through 2027 at annual interest rates varying between 4.88% and 5.13%. Interest is payable each January 1 and July 1 and principal is payable each July 1 commencing in 2009. As of December 31, 2022, the average interest rate on the bonds was 5.00%. The bonds are collateralized by the Hospital's gross receipts.	2,600	3,100
$177,110 NJHCFFA AHS Hospital Corporation, Series 2008B and 2008C Revenue Bonds (Variable Rate), in varying maturities commencing in 2027 through 2036 at annual interest rate of 3.08%. The interest on the bonds is payable monthly and principal will be payable each July 1. As of December, 31, 2022, the average interest rate on the bonds was 1.19%. The bonds are collateralized by the Hospital's gross receipts.	177,110	177,110
Total long-term debt	1,373,883	1,287,165
Unamortized bond premium	54,430	57,034
Deferred financing fees	(5,909)	(6,161)
	1,422,404	1,338,038
Less: Current portion of long-term debt	67,886	13,967
Long-term debt, net of unamortized bond premium, debt issuance costs, and current portion	$ 1,354,518	$ 1,324,071

(in thousands)

The Hospital is the sole member of the obligated group as defined in and established under the Master Trust Indenture. Neither the Parent nor any of its affiliates is liable to make any payment with respect to the bonds or any other obligations under the Master Indentures. Under the terms of the Master Trust Indenture, the Hospital is required to maintain certain deposits with a trustee, which are included with assets limited as to use in the consolidated balance sheets. The Master Trust Indenture also contain provisions whereby certain financial ratios are to be maintained and permit additional borrowings subject to the maintenance of specific financial ratios. The most restrictive covenant is for the Hospital to maintain a debt service coverage ratio in each year of at least 1.2 times the debt service requirement on all long-term debt in that year. The Hospital is compliant with its financial covenants at December 31, 2022 and 2021.

On May 31, 2022, the Hospital entered into a $100,000 taxable loan agreement with a commercial bank. The loan proceeds are to be used for general corporate purposes. Principal and interest, at a fixed rate of 3.21% on the outstanding balance, are due quarterly commencing September 1, 2022, with the remaining unpaid principal in the amount of approximately $50,833 due and payable on May 31, 2037. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants. Subsequently, the Hospital entered into a secured loan agreement with CentraState to enable CentraState to pay off or legally defease all if its financed obligations as of that date (Note 7).

On January 27, 2021, the Hospital issued $450,000 Series 2021 Fixed Rate Taxable Bonds, the proceeds of which will be used for eligible corporate purposes of the Hospital and its affiliates. In addition, a portion of the proceeds were used to pay the costs of issuance. The Hospital also utilized the proceeds of the bonds to repay $50,000 that was outstanding on its $200,000 revolving line of credit. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants.

On April 21, 2020, the Hospital entered into a $200,000 revolving credit agreement with a commercial bank to provide for additional liquidity due the uncertainties created by the COVID-19 pandemic. The line incurs interest at a rate of SOFR adjusted by 0.65% per annum on the amount drawn. Additionally, the line incurs a monthly fee of 0.10% on the unused portion of the line of credit. There were no amounts drawn on the line as of either December 31, 2022 or 2021, and the line is set to mature on April 19, 2023. The line of credit contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenant.

In October 2016, the Hospital issued $224,800 Series 2016 Fixed Rate Tax-exempt Revenue Bonds through the NJHCFFA. The proceeds were used to refund a portion of the principal of its outstanding Revenue Bonds issued through the NJHCFFA in the amount of $114,255 (Series 2008A) and $120,115 (Series 2011), and to pay all of the cost of issuance in the amount of $1,782. In addition, the NJHCFFA released $14,260 of the Hospital's debt service reserve fund in connection with the bond refunding to pay down a portion of the aforementioned outstanding principal on the Series' 2008A and 2011 bonds.

In May 2015, the Hospital issued $200,000 Series 2015 Fixed Rate Taxable Bonds, the proceeds of which are to be used for eligible corporate purposes of the Hospital and its affiliates. In addition, a portion of the proceeds were used to pay the costs of issuance. Effective August 2017, the Hospital executed a "tap" on the Series 2015 Fixed Rate Taxable Issuance for an additional $225,000. The Hospital received total proceeds of $268,023, which included a premium of

(in thousands)

$43,023. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants.

In December 2013, the Hospital entered into a $50,000 taxable loan agreement with a commercial bank. The majority of the proceeds were used to legally defease Chilton Division's NJHCFFA Series 2009 Revenue Bonds, which were assumed by the Hospital in2014, concurrent with the merger. The agreement contains provisions whereby certain financial ratios are to be maintained which mirror those of the Hospital's outstanding tax-exempt bond covenants.

In May 2008, the Hospital issued, through the NJHCFFA, $177,110 Series 2008A Revenue Bonds (Fixed Rate) and $177,110 Series 2008B and 2008C Revenue Bonds (Variable Rate), collectively referred to as the 2008 Bonds, to pay in full the Hospital's obligations under the interim method of financing enabling the Hospital to redeem all of its outstanding bond issues and terminate a portion of its related swaps for the Series 2003, 2004, 2006 and 2007 Revenue Bonds. The proceeds of the 2008 Bonds were also used to pay the costs of issuance of the 2008 Bonds. The Series 2006 and Series 2007 Revenue Bonds were issued in part to pay for the costs of certain capital projects of the Hospital and construction trustee funds were set up for disbursement for the payment of such costs. Amounts equal to the amounts on deposit in such construction funds were deposited with the trustee for the 2008 proceeds to complete those projects. In connection with the issuance of the Series 2016 Refunding Bonds noted above, $114,255 of the outstanding principal was refunded in October 2016.

The 2008 Variable Rate Bonds bear interest at weekly rates as determined by the remarketing agent. In the event that the purchase price of the corresponding Series of the Variable Bonds are not remarketed at the corresponding principal amount of such Series, the Variable Bonds are backed by a separate, irrevocable direct pay letters of credit by two banks, each expiring January 2026.

The future principal payments on long-term debt are as follows:

2023	$ 65,533
2024	16,133
2025	16,783
2026	188,243
2027	6,038
Thereafter	1,081,153
	$ 1,373,883

Interest Swaps
On April 9, 2008, the Hospital unwound and reissued two new barrier swaps: the 2008 Swap and the 2004 Swap.

The 2008 Swap was resissued in place of the 2006A Swap when the Series 2006A Revenue Bonds were redeemed. This was a noncash transaction. The original notional amount of the swap was $91,550 subject to reduction in the principal amortization of a portion of the Hospital's Series 2008 variable rate debt and will expire on July 1, 2036, with an annual fee of 0.51%. The notional amount of the swap at December 31, 2022 and 2021 was $87,400 and $89,500, respectively. Under the terms of the swap agreement, if the Securities Industry and Financial Markets Association ("SIFMA"), formerly known as the Bond Market Association, Municipal Swap Index, exceeds 4.05% for 90 days, the Hospital will pay a fixed rate of 4.00% in addition to the annual fee

(in thousands)

of 0.51%. The Hospital will then receive 68% of LIBOR and pay the counterparty 4.00%. Currently the swap is treated as an ineffective swap for accounting purposes until SIFMA exceeds 4.05% for 90 days, at that time the swap will be tested to determine if it qualifies as a cash flow hedge.

The 2004 Swap was reissued in place of the 2004 Swap when the Series 2003 and 2004 Revenue Bonds were redeemed. This was a noncash transaction and there were no changes to the terms of the swap. The notional amount of the swap was $97,525, subject to reduction in the principal amortization of a portion of the Hospital's Series 2008 variable rate debt and will expire on July 1, 2025, with an annual fee of 0.52%. The notional amount of the swap at December 31, 2022 and 2021 was $14,550 and $18,850, respectively. Under the terms of the swap agreement, if SIFMA exceeds 4.05% for 90 days, the Hospital will pay a fixed rate of 4.00% in addition to the annual fee of 0.52%. The Hospital will then receive 68% of LIBOR and pay the counterparty 4.00%. Currently the swap is treated as an ineffective swap for accounting purposes until SIFMA exceeds 4.05% for 90 days, at that time the swap will be tested to determine if it qualifies as a cash flow hedge.

The following table presents the swap liabilities, recorded in accrued employee benefits and other, net of current portion, as of December 31, 2022 and 2021:

	2022	2021
2008 interest rate swap	$ 7,240	$ 5,583
2004 interest rate swap	125	211

The following table sets forth the effect of the interest rate swap agreements on the consolidated statements of operations for the years ended December 31, 2022 and 2021:

	Amount of (Loss) Gain Recognized in the Performance Indicator	
	2022	**2021**
Derivative in nonhedging relationship		
Nonoperating (loss) gains, net		
2008 interest rate swap	$ (1,657)	$ 67
2004 interest rate swap	86	113

In accordance with the above swap agreements, the Hospital is required to fund a cash collateral account if the market value of the combined swaps exceeds the trigger amount of $12,000. As of December 31, 2022 and 2021, the combined market value of the swaps was below the trigger and as such, no collateral was required by the counterparty.

(in thousands)

10. Leases

Lease expense recognized within supplies and other expenses in the consolidated statements of operations for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Fixed operating lease expense	$ 40,585	$ 42,306
Short-term lease expense	5,922	7,425
Sublease income	(3,435)	(3,078)
Net lease expense	$ 43,072	$ 46,653

The weighted average lease terms and discount rates for the Hospital's operating leases for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Weighted average remaining lease term (in years)		
Real estate leases	10.6	11.5
Equipment leases	2.5	2.7
Weighted average discount rate for operating leases	2.78%	3.79%

The following table provides supplemental cash flow information related to the Hospital's operating leases for the years ended December 31, 2022 and 2021:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities operating cash flows for operating leases	$ 49,473	$ 47,143
Right of use assets obtained in exchange for operating lease liabilities	46,701	71,419

The following table reconciles the undiscounted cash flows expected to be paid in each of the next five years and thereafter to the operating lease liability recorded on the consolidated balance sheet for operating leases existing as of December 31, 2022:

2023	$ 52,964
2024	46,248
2025	41,930
2026	34,378
2027	33,010
Thereafter	171,810
Total minimum lease commitments	380,340
Less: Imputed interest	(43,802)
Present value of lease liabilities	336,538
Less: Current portion of lease liabilities	(41,641)
Long-term lease liabilities	$ 294,897

(in thousands)

Minimum lease commitments after 2027 include $15,594 associated with renewal options that are reasonably certain to be exercised. Refer also to Note 13 for lease arrangements with related parties, which are included above.

11. Pension and Other Postretirement Benefit Plans

The Hospital maintains a defined benefit cash balance pension plan ("Cash Balance Plan") covering substantially all full-time employees, as well as various supplemental retirement plans, which provide pension benefits to certain key executives. Effective January 1, 2014, the Cash Balance Plan was frozen to new employees hired after December 31, 2013.

The Chilton Division had a noncontributory defined benefit retirement plan ("Chilton Plan") covering substantially all of its full-time employees. Effective June 20, 2012, the Chilton Plan was frozen to all future benefits while preserving all benefits that had accrued as of June 30, 2012. Chilton Division was required to fund the Chilton Plan for benefit obligations. As of December 31, 2014, the Chilton Plan merged its assets and liabilities with the Cash Balance Plan. The Hospital's funding policy provides that payments to the Cash Balance Plan shall at least be equal to the minimum funding requirement of the Employee Retirement Income Security Act of 1974 ("ERISA") plus additional amounts, which may be approved by the Hospital from time to time.

The Hospital sponsors three defined benefit postretirement plans at the Morristown and Overlook Divisions and formerly owned General Hospital Center at Passaic (the "General"). A description of the individual site plans are as follows:

- The Morristown Division plan pays the cost of providing medical and life insurance postretirement benefits to employees and qualifying dependents (spouse or child) of the Hospital who retire under the retirement plan and meet the specified age and service requirements. Contributions were introduced beginning in 2003 for all current and future retirees.

- The Overlook Division plan provides postretirement medical benefits to eligible employees and their qualifying dependents (spouse or child). The benefits for services provided outside the Hospital are subject to deductibles and co-payments. There is no charge for services provided in the Hospital except for prescription drugs, which are charged at cost. In addition, the Hospital provides postretirement life insurance coverage for employees hired prior to July 2, 1995.

- The General plan provides for life insurance and medical benefits for certain employees retired as of July 1996, at which time the plan was amended to exclude all active employees who had not retired as of that date.

Both the Morristown Division and Overlook Division postretirement plans were amended in May 1996 to exclude new employees from participation.

(in thousands)

The following tables provide a reconciliation of the changes in the plans' benefit obligation and fair value of assets for the years ended December 31, 2022 and 2021, a statement of the funded status of the plans and, the amounts recognized in the consolidated balance sheets as of December 31, 2022 and 2021.

	Pension Benefits		Other Postretirement Benefits	
	2022	**2021**	**2022**	**2021**
Accumulated benefit obligation	$ 836,167	$ 955,706	$ 131,023	$ 161,095
Change in benefit obligation				
Benefit obligation at beginning of year	$ 980,414	$ 978,755	$ 161,095	$ 149,979
Service cost	37,296	39,126	564	690
Interest cost	29,269	27,642	5,924	5,048
Plan participants' contributions	-	-	686	738
Actuarial (gain) loss	(126,702)	(4,575)	(30,439)	11,514
Plan amendments	2,855	-	-	-
Settlements	-	(4,682)	-	-
Benefits paid	(63,693)	(55,852)	(6,807)	(6,874)
Benefit obligation at end of year	859,439	980,414	131,023	161,095
Change in plan assets				
Fair value of plan assets at beginning of year	950,120	877,583	99,415	92,724
Actual return on plan assets	(143,639)	74,253	(15,325)	12,404
Medicare Part D subsidy	-	-	267	220
Employer contributions	61,876	58,818	154	203
Settlements	-	(4,682)	-	-
Plan participants' contributions	-	-	686	738
Benefits paid	(63,693)	(55,852)	(6,807)	(6,874)
Fair value of plan assets at end of year	804,664	950,120	78,390	99,415
Funded status	$ (54,775)	$ (30,294)	$ (52,633)	$ (61,680)
Amounts recognized in the consolidated balance sheets consist of				
Current liabilities	$ (3,507)	$ (1,944)	$ (1,150)	$ (903)
Long-term liabilities	(51,268)	(28,350)	(51,483)	(60,777)
Accrued employee benefit liability	$ (54,775)	$ (30,294)	$ (52,633)	$ (61,680)
Amounts recognized in net assets without donor restrictions consist of				
Actuarial net loss	$ 263,117	$ 197,295	$ 11,573	$ 24,161
Prior service cost	2,049	2,408	-	-
	$ 265,166	$ 199,703	$ 11,573	$ 24,161

The Cash Balance Plan discount rate increased 250 basis points in the current year and increased by 18 basis points in the prior year, resulting in an approximate $218,300 and $17,400 gain in 2022 and 2021, respectively.

(in thousands)

The following tables provide the components of the net periodic pension and other postretirement benefit costs and the total amount recognized in net periodic benefit cost and changes in net assets without donor restrictions for the years ended December 31, 2022 and 2021:

	Pension Benefits		Other Postretirement Benefits	
	2022	**2021**	**2022**	**2021**
Net periodic benefit cost				
Service cost	$ 37,296	$ 39,126	$ 564	$ 690
Interest cost	29,269	27,642	5,924	5,048
Expected return on plan assets	(61,071)	(56,521)	(5,984)	(6,307)
Settlement charge	5,202	2,488	-	-
Actuarial loss	9,838	13,499	3,437	3,451
Amortization of prior service cost	359	359	-	-
Net periodic benefit cost	20,893	26,593	3,941	2,882
Amounts recognized in changes in net assets without donor restrictions				
Net loss (gain)	68,169	(35,805)	(12,588)	1,943
Recognition due to settlement	(5,202)	(2,488)	-	-
Plan amendments	2,855	-	-	-
Prior service cost	(359)	(359)	-	-
	65,463	(38,652)	(12,588)	1,943
Total recognized in net periodic benefit cost and change in net assets without donor restrictions	$ 86,356	$ (12,059)	$ (8,647)	$ 4,825

The Hospital recorded the nonservice (income) cost components of the net periodic benefit costs for its pension and postretirement benefit plans of ($13,027) and ($10,342) within nonoperating gains, net in the consolidated statements of operations for the years ended December 31, 2022 and 2021, respectively.

Assumptions used in determining the benefit obligations and net periodic benefit cost are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2022	**2021**	**2022**	**2021**
Benefit obligations				
Discount rate	5.62 %	3.12 %	5.77 %	3.45 %
Rate of compensation increase	3.00	3.00	3.00	3.00
Net periodic benefit cost				
Discount rate	3.12 %	2.94 %	3.45 %	3.10 %
Expected return on plan assets	6.50	6.50	6.20	7.00
Rate of compensation increase	3.00	3.00	3.00	3.00

The postretirement plans assumed an annual rate of increase in the per capita cost of covered health care benefits of 7.75% and 7.00% for the years ended December 31, 2022 and 2021, respectively. The rate was assumed to decrease gradually to 4.04% for 2075 and remain at that level thereafter.

The Cash Balance Plan's weighted average interest crediting rate assumption is 4.22% and 4.00% for all account balances for 2022 and 2021, respectively.

(in thousands)

Expected Benefit Payments
The benefits expected to be paid in each year from 2023 to 2032 are:

	Pension Benefits	Other Postretirement Benefits: Without Medicare Subsidy	Other Postretirement Benefits: With Medicare Subsidy
2023	$ 92,464	$ 7,795	$ 7,451
2024	56,954	7,466	7,089
2025	60,934	7,959	7,552
2026	66,257	8,414	7,975
2027	66,565	8,850	8,383
2028-2032	371,869	49,293	46,607

The aggregate benefits expected to be paid are based on the same assumptions used to measure the benefit obligation at December 31, 2022 and include estimated future employee service.

Plan Assets
The Hospital considers multiple factors in establishing its multi-year expected return on plan assets assumption. These include but are not limited to: its current asset allocation policy and target ranges by asset class; asset valuations; historical and projected rates of return by asset class; historical and projected correlations among asset classes; the opportunity to exceed passive index returns via active management through a combination of manager selection and alternative weightings among and within asset classes and the Hospital's historical performance experience.

The Hospital's investment objective is to achieve the highest reasonable total return after considering (i) plan liabilities, (ii) funding status and projected cash flows, (iii) projected market returns, valuations and correlations for various asset classes, and (iv) the Hospital's ability and willingness to incur market risk. The Hospital actively manages plan assets in order to add incremental returns by manager selection and asset allocation (increasing/decreasing allocations within allowable ranges based on current and projected valuations).

The Plans' weighted average asset allocations are as follows:

	Percentage of Plan Assets					
	Pension Benefits			Other Postretirement Benefits		
Asset Category	Target Allocation	2022	2021	Target Allocation	2022	2021
Equity securities	35–85%	51 %	58 %	55–80%	76 %	87 %
Debt securities	20–50%	41	33	10–30%	20	7
Other	0–25%	8	9	0–10%	4	6
		100 %	100 %		100 %	100 %

(in thousands)

The following tables summarize the Cash Balance Plan's financial instruments, which are measured at fair value on a recurring basis by caption and by level within the valuation hierarchy as of December 31, 2022 and 2021:

2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value December 31, 2022	Valuation Technique[1]
Plan assets					
Money market funds	$ -	$ 62,749	$ -	$ 62,749	M
Mutual funds	-	739,188	-	739,188	M
	$ -	$ 801,937	$ -	801,937	
Investments measured at net asset value				2,727	
				$ 804,664	

2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value December 31, 2021	Valuation Technique[1]
Plan assets					
Money market funds	$ -	$ 89,323	$ -	$ 89,323	M
Mutual funds	-	857,356	-	857,356	M
	$ -	$ 946,679	$ -	946,679	
Investments measured at net asset value				3,441	
				$ 950,120	

(1) The three valuation techniques are market approach (M), cost approach (C), and income approach (I), as discussed in Note 2.

The Overlook Division and General Division postretirement plans are unfunded. The Overlook Division plan has an aggregate benefit obligation of $6,507 and $9,145 at December 31, 2022 and 2021, respectively. The General Division plan has an aggregate benefit obligation of $693 and $769 at December 31, 2022 and 2021, respectively.

The following tables summarize the Morristown Division's postretirement plan's financial instruments, which are measured at fair value on a recurring basis by caption and by level within the valuation hierarchy as of December 31, 2022 and 2021:

2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value December 31, 2022	Valuation Technique[1]
Postretirement plan assets					
Money market funds	$ -	$ 3,471	$ -	$ 3,471	M
Mutual funds	-	74,919	-	74,919	M
	$ -	$ 78,390	$ -	$ 78,390	

(in thousands)

2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value December 31, 2021	Valuation Technique[1]
Postretirement plan assets					
Money market funds	$ -	$ 5,677	$ -	$ 5,677	M
Mutual funds	-	93,738	-	93,738	M
	$ -	$ 99,415	$ -	$ 99,415	

(1) The three valuation techniques are market approach (M), cost approach (C), and income approach (I), as discussed at Note 2.

Expected Contributions

Based on the funded status of the Cash Balance Plan as of December 31, 2022, the Hospital expects to contribute $60,000 during fiscal year 2023. This will be evaluated on a quarterly basis. There are no required contributions to be made to the Hospital's other defined benefit pension or postretirement plans.

12. Professional and General Liability Self Insurance

The Morristown, Overlook, Newton, Chilton (effective June 1, 2016) and Hackettstown (effective April 1, 2016) Divisions and the Mountainside Division (up through the date of the sale of the Mountainside Division in May 2007) are covered by the Parent for general and professional liability through the Captive.

Under this plan, for the time period January 1, 2002 to December 31, 2002 primary insurance coverage was provided for the Hospital and its employees at $5,000 per occurrence and $12,000 annual aggregate. For the time period January 1, 2003 to February 1, 2004 primary insurance coverage was provided at $7,000 per occurrence and $21,700 annual aggregate. For the time period February 1, 2004 to March 1, 2008 primary insurance coverage was provided at $10,000 for each and every occurrence. Subsequent to March 1, 2008, the per occurrence loss limits are $2,000 for each medical incident in respect of insured individuals, except for OBGYN medical professionals where are provided with $3,000 for each medical incident, $2,000 each general liability loss, and $250 per incident with a $25,000 aggregate limit in respect of all other covered entities where charitable immunity in accordance with the provisions of the New Jersey statutory cap applies. The coverage for all other covered entities is limited to $10,000 without aggregate where these provisions do not apply. These policies were written on a claims-made basis. In addition to these claims-made coverages, the Hospital has obtained tail coverages from the Captive.

Prior to September 1, 2004, claims relating to before January 1, 2002, were covered by the Parent under a self-insurance plan. Under this plan, primary insurance coverage is provided at $5,000 per occurrence and $12,000 annual aggregate. Insurance in excess of primary coverage has been purchased from commercial insurance carriers which provide general and professional liability coverage of $60,000 per occurrence and annual aggregate for professional liability and $60,000 per occurrence and annual aggregate for general liability. Effective September 1, 2004, the Parent's self-insurance assets and liabilities were transferred to the Captive. In conjunction with

(in thousands)

this transfer the Hospital obtained two, three-year renewable bank letters of credit for a total of $10,000 to support the Parent's payable. The Captive is the beneficiary of the letters of credit and can only draw down on the letter of credit, after the Captive's other assets are exhausted. As of December 31, 2022 and 2021, no amounts are outstanding under the letters of credit.

As of December 31, 2022 and 2021, the undiscounted claims liability recognized by the Captive has been actuarially determined to approximate $107,868 and $86,571, respectively. The Captive has recorded approximately $132,171 and $160,857 at December 31, 2022 and 2021, of investments held at the Captive for general and professional liability coverage, respectively.

The Hospital has recorded the claims liability recognized by the Captive, net of amounts related to affiliated Parent entities, in the amount of $102,337 and $84,287 in accrued employee benefits and other long-term liabilities and a corresponding long-term other asset for the amount recoverable from the Captive (Note 7) as of December 31, 2022 and 2021, respectively.

The Hospital is subject to claims in the ordinary course of its business. Management and its legal counsel do not believe these claims will be in excess of the recorded liability.

13. Related Party Transactions

Due from affiliates, net, as of December 31, 2022 and 2021, consists of the following and are recorded in other current assets, long-term investments and other assets, and accrued employee benefits and other, net of current portion in the consolidated balance sheets:

	2022	2021
Other current assets		
Due from Parent	$ 28,097	$ 30,542
Due from CentraState	3,081	-
Due from Atlantic Ambulance	61,144	44,474
Due from AHSIC	15,395	5,525
Due from affiliated foundations	917	529
Due from Accountable Care Organizations	2,895	1,541
Due from Primary Care Partners	114	165
Due from Atlantic Health Partners	507	327
Due from North Jersey Healthcare Properties, Inc.	195	195
	112,345	83,298
Less: Allowance for doubtful accounts	(31,232)	(25,874)
	81,113	57,424
Long-term investments and other assets (Note 7)		
CentraState intercompany loan	103,497	-
AHSIC intercompany loans	39,045	-
Due from affiliated foundations	61,198	69,519
	203,740	69,519
Accrued employee benefits and other, net of current portion		
Due to AHSIC	(2,193)	(2,488)
Due from related parties, net	$ 282,660	$ 124,455

(in thousands)

The Hospital is reimbursed by the above related parties for operating costs paid by the Hospital on their behalf. These costs include but are not limited to payroll and employee benefits, office charges and supplies and other expenses of the related party as warranted. In addition, the due from affiliated foundations include amounts donated to the affiliated foundations for the benefit of the Hospital. The amounts are held by the affiliated foundations until the purpose and/or time restriction has been met.

As of December 31, 2022 and December 31, 2021, the Hospital owes $2,193 and $2,488 to AHSIC for leasehold improvements, respectively. In addition, the Hospital, as lessee, contracts for operating leases with AHSIC. The description of leases and payments under the leases are as follows for the years ended December 31, 2022 and 2021:

	2022	**2021**
Medical office buildings, apartments, houses and office space for hospital employees	$ 6,792	$ 7,662

As of December 31, 2022, the future minimum commitments under these leases are as follows:

2023	$ 6,856
2024	6,921
2025	6,989
2026	6,953
2027	6,511
Thereafter	61,594
Total minimum lease commitments	95,824
Less: Imputed interest	(23,166)
Present value of lease liabilities	72,658
Less: Current portion of lease liabilities	(3,994)
Long-term lease liabilities	$ 68,664

Minimum lease commitments with related parties after 2027 include $15,594 associated with renewal options that are reasonably certain to be exercised.

14. Commitments and Contingencies

At December 31, 2022 and 2021, information technology contracts of $7,126 and $8,546, respectively, and construction contracts and purchases of equipment of $102,550 and $15,547, respectively, exist for on-going capital projects at the various Hospital divisions.

The Hospital is subject to complaints, subpoenas, claims and litigation which have risen in the normal course of business. In addition, the Hospital is subject to reviews and investigation by various federal and state government agencies to assure compliance with applicable laws, some of which are subject to different interpretations. While the outcome of such matters cannot be determined based upon information available at this time, management, based on advice from legal counsel, believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Hospital.

(in thousands)

15. Functional Expenses

The consolidated financial statements report certain expense categories that are attributable to both health care services and general and administrative functions. Therefore, the natural expenses require allocation on a reasonable basis, that is consistently applied, across functional expense category. Salaries are allocated based on a percent-to-total of program salaries and general and administrative salaries to the applicable total expense categories. Costs not directly attributable to a function, including depreciation, amortization and interest, are allocated to a function based on the same allocation rates as salaries.

Total expenses related to providing both health care services and general and administrative functions for the years ended December 31, 2022 and 2021 are as follows:

	2022		
	Program Services	General and Administrative	Total
Salaries	$ 1,391,951	$ 262,285	$ 1,654,236
Supplies and other expenses	1,144,346	215,629	1,359,975
Employee benefits	266,784	50,270	317,054
Depreciation and amortization	144,168	27,166	171,334
Interest	40,109	7,558	47,667
Total expenses	2,987,358	562,908	3,550,266
Other components of net periodic benefit costs	(13,027)	-	(13,027)
	$ 2,974,331	$ 562,908	$ 3,537,239

	2021		
	Program Services	General and Administrative	Total
Salaries	$ 1,184,978	$ 226,906	$ 1,411,884
Supplies and other expenses	1,075,971	206,032	1,282,003
Employee benefits	252,934	48,433	301,367
Depreciation and amortization	141,574	27,109	168,683
Interest	36,934	7,072	44,006
Total expenses	2,692,391	515,552	3,207,943
Other components of net periodic benefit costs	(10,342)	-	(10,342)
	$ 2,682,049	$ 515,552	$ 3,197,601

(in thousands)

16. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

	December 31, 2022	December 31, 2021
Research	$ 8,406	$ 7,272
Construction projects	70,825	62,997
Purchase of plant and equipment	7,539	13,304
Scholarships and education	4,515	6,043
Program services	60,776	71,505
Net assets with donor restrictions for specified purposes	152,061	161,121
Permanent endowment funds	51,835	54,700
Net assets with donor restrictions for permanent endowment	51,835	54,700
	$ 203,896	$ 215,821

The original gift amounts of permanent endowment investments funds are $40,364 and $38,763 as of December 31, 2022 and 2021, respectively.

During 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of purchasing capital equipment in the amounts of $22,018 and $11,153, respectively, and other noncapital purposes in the amounts of $16,729 and $17,292, respectively.

17. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year of the balance sheet date consist of the following:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 680,644	$ 868,891
Patient accounts receivable, net	327,370	305,147
Other current assets	62,810	42,842
	1,070,824	1,216,880
Liquidity resources		
Available line of credit	200,000	200,000
	$ 1,270,824	$ 1,416,880

As part of the liquidity management strategy, the Hospital structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the Hospital's liquidity management plan, cash in excess of daily requirements are invested in money market funds and mutual funds.

(in thousands)

The Hospital has current assets limited to use for debt service and thus are not reflected above. Additionally, the Hospital has board designated assets, more fully described in Note 7, which are not available for general expenditure within the next year and are also not reflected in the amounts above. However, board designated amounts could be made available, if necessary, with board approval.

The Hospital also maintains letters of credit as discussed in Note 9.

18. Subsequent Events

Subsequent events have been evaluated through April 19, 2023, which is the date the consolidated financial statements were issued.

Consolidating Supplemental Information

AHS Hospital Corp.
Consolidating Statement of Operations
Year Ended December 31, 2022

	MMC	OMC	NMC	CMC	HMC	AVN	Total AHS Hospital Corp.
Revenues, gains and other support							
Net patient service revenue	$ 1,699,149	$ 820,856	$ 189,331	$ 253,542	$ 119,590	$ 59,298	$ 3,141,766
Physician practice and other revenue	318,369	137,725	21,244	28,899	5,870	1,470	513,577
Legislative funding from CARES Act and FEMA	27,600	13,203	3,372	3,946	2,059	742	50,922
Net assets released from restrictions	11,585	4,498	234	412	-	-	16,729
Total revenues, gains and other support	2,056,703	976,282	214,181	286,799	127,519	61,510	3,722,994
Expenses							
Salaries	866,218	435,876	112,540	138,286	57,561	43,755	1,654,236
Supplies and other expenses	773,323	357,314	75,925	99,192	46,553	7,668	1,359,975
Employee benefits	162,102	82,242	23,706	27,528	11,915	9,561	317,054
Depreciation and amortization	99,054	41,982	11,123	12,722	5,744	709	171,334
Interest	25,141	12,464	2,467	4,389	3,206	-	47,667
Total operating expenses	1,925,838	929,878	225,761	282,117	124,979	61,693	3,550,266
Operating income (loss)	130,865	46,404	(11,580)	4,682	2,540	(183)	172,728
Change in net unrealized gains (losses)	(266,305)	(126,475)	(29,572)	(38,700)	(18,168)	(9,246)	(488,466)
Investment income, net	23,320	11,076	2,590	3,389	1,591	810	42,776
Nonoperating gains, net	5,966	2,833	662	867	407	207	10,942
Deficiency of revenues over expenses	$ (106,154)	$ (66,162)	$ (37,900)	$ (29,762)	$ (13,630)	$ (8,412)	$ (262,020)

The accompanying note is an integral part of the consolidating supplemental schedules.

AHS Hospital Corp.
Consolidating Statement of Operations
Year Ended December 31, 2021

	MMC	OMC	NMC	CMC	HMC	AVN	Total AHS Hospital Corp.
Revenues, gains and other support							
Net patient service revenue	$ 1,631,067	$ 787,186	$ 192,202	$ 236,567	$ 109,061	$ 64,305	$ 3,020,388
Physician practice and other revenue	287,723	115,294	18,152	25,644	2,887	1,219	450,919
Legislative funding from CARES Act and FEMA	3,906	1,683	264	383	44	-	6,280
Net assets released from restrictions	11,992	3,312	1,563	403	-	22	17,292
Total revenues, gains and other support	1,934,688	907,475	212,181	262,997	111,992	65,546	3,494,879
Expenses							
Salaries	739,830	367,310	99,648	117,740	46,297	41,059	1,411,884
Supplies and other expenses	735,097	329,414	78,009	88,213	41,631	9,639	1,282,003
Employee benefits	154,322	78,159	22,524	26,110	10,743	9,509	301,367
Depreciation and amortization	97,049	41,847	10,969	12,568	5,592	658	168,683
Interest	21,948	11,967	2,569	4,513	3,009	-	44,006
Total operating expenses	1,748,246	828,697	213,719	249,144	107,272	60,865	3,207,943
Operating income (loss)	186,442	78,778	(1,538)	13,853	4,720	4,681	286,936
Change in net unrealized gains	45,186	21,457	5,245	6,402	2,936	1,763	82,989
Investment income, net	84,138	39,954	3,284	9,766	5,466	11,922	154,530
Nonoperating gains, net	5,657	2,686	221	657	368	802	10,390
Excess of revenues over expenses	$ 321,424	$ 142,875	$ 7,211	$ 30,678	$ 13,490	$ 19,167	$ 534,845

The accompanying note is an integral part of the consolidating supplemental schedules.

1. Basis of Presentation – Consolidating Supplemental Information

The accompanying consolidating supplemental schedules ("Supplemental Schedules") for the years ended December 31, 2022 and 2021 presented on pages 40-41 are prepared to satisfy reporting requirements for acute care hospitals operating in the State of New Jersey under regulation N.J.A.C. 8.96-1.1 et seq and are derived from the underlying accounting and other records used to prepare the consolidated financial statements of the Hospital. Each of the individual columns of the Supplemental Schedules includes the operations of the five individual acute care hospital facilities within the Hospital which operate as divisions and not as separate corporations (the "Divisions") as further disclosed within Note 1 to the Hospital's consolidated financial statements. In addition to the five hospital Divisions, is AVN, as also disclosed in Note 1 of the Hospital's consolidated financial statements.

Included within the Hospital's MMC hospital division column in the Supplemental Schedules is its wholly owned subsidiary and not-for-profit fundraising organization, MMCF (as disclosed in Note 1). Accordingly, for operational purposes, management incorporates the operations of MMCF to be part of the MMC hospital division.

Within each Division presented on the Supplemental Schedules are allocations of certain operating expenses and nonoperating revenues, relating to the Hospital corporate division, which allow for elimination amounts to be excluded from the consolidating schedules, and are generally based on the budgeted monthly salary and non-salary expenses. Employee benefits expense is allocated based on actual salary expenditures incurred on a monthly basis, interest expense is based on the actual projects at the respective Division, which were or are being funded through long-term debt facilities, and the changes in net unrealized gains, net and nonoperating gains, net are allocated based on the actual annual total operating revenue for each Division. Also allocated to each Division are the results of operations of AMG, the physician practice plan serving all of the Hospital. AMG results of operations are allocated across the Divisions based primarily on the geographic location of the physician practices in relation to each Division.

Other than as described above, the Supplemental Schedules are prepared in accordance with accounting policies described in the accompanying notes to the consolidated financial statements. This Supplemental Schedules are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America as a result of the exclusion of all required disclosures and the Supplemental Schedules only have activity reported through the performance indicator ((deficiency) excess of revenues over expenses), and excludes other changes in net assets without donor restrictions. The Supplemental Schedules are presented for purposes of additional analysis of the results of operations and is not a required part of the consolidated financial statements.