### CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Saint Peter's Healthcare System, Inc. Years Ended December 31, 2024 and 2023 With Report of Independent Auditors



# Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2024 and 2023

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#### Report of Independent Auditors

The Board of Governors Saint Peter's Healthcare System, Inc.

#### **Opinion**

We have audited the consolidated financial statements of Saint Peter's Healthcare System, Inc. (the System), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of, and additional audit procedures performed by, the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the System at December 31, 2024 and 2023, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Risk Assurance Company of Saint Peter's University Hospital (RAC), a wholly owned subsidiary, whose statements reflect total assets of \$26,491,000 and \$35,320,000, as of December 31, 2024 and 2023, respectively. Those statements were audited by other auditors in accordance with International Standards on Auditing, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for RAC, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by, the other auditors.

#### **Basis for Opinion**

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



#### Responsibilities of Management for the Financial Statements

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether
  due to fraud or error, and design and perform audit procedures responsive to those risks.
   Such procedures include examining, on a test basis, evidence regarding the amounts and
  disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

#### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2024 and consolidating statement of operations and changes in net assets for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits, the procedures performed as described above and the report of other auditors, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Ernst + Young LLP

April 30, 2025

### Consolidated Balance Sheets

(In Thousands)

	December 31 2024 2023			
Assets		2024		2023
Current assets:				
Cash and cash equivalents	\$	41,189	\$	45,966
Short-term investments	Ψ	36,931	Ψ	35,342
Patient accounts receivable, net		54,022		56,874
Assets whose use is limited, current portion		226,259		204,210
Supplies		6,890		7,231
Estimated third-party payor settlements, current portion		21,902		20,079
Other current assets		30,503		26,006
Total current assets	·	417,696		395,708
Assets whose use is limited, less current portion		27,820		35,735
Property, plant, equipment, and construction, net		187,433		169,543
Estimated third-party payor settlements, less current portion		1,538		1,897
Operating lease assets		3,745		8,224
Investments in joint ventures and other assets		4,866		5,643
21. Commons in John Common and Common access	\$	643,098	\$	616,750
Current liabilities: Long-term debt, current portion Accounts payable Accrued expenses and other liabilities Accrued interest Operating lease liability, current portion Estimated third-party payor settlements, current portion Total current liabilities  Long-term debt, less current portion Operating lease liability, less current portion Estimated third-party payor settlements, less current portion	<b>\$</b>	8,708 34,761 48,289 2,292 1,289 9,681 105,020 91,167 2,455 704	\$	8,150 35,743 48,795 2,454 2,329 14,025 111,496 95,150 5,895 556
Accrued pension liability		38,902		60,439
Other liabilities		28,791		29,083
Total liabilities		267,039		302,619
Commitments and contingencies		201,037		302,017
Net assets:				
Net assets without donor restrictions		363,061		301,122
Net assets with donor restrictions		12,998		13,009
Total net assets		376,059		314,131
	\$	643,098	\$	616,750

See accompanying notes.

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

	Year Ended December 31			
		2024		2023
Revenue, gains, and other support:				
Net patient service revenue	\$	601,964	\$	558,266
Other operating revenue		49,723		33,944
Net assets released from restriction		2,641		1,466
Total revenue, gains, and other support		654,328		593,676
Expenses:				
Salaries and wages		300,275		274,936
Variable agency labor		2,974		15,125
Resident and physician fees		12,776		11,629
Employee benefits		70,313		57,984
Supplies and other		182,627		163,503
Governmental taxes, fees, and assessments		22,522		19,618
Interest		5,198		5,541
Depreciation and amortization		25,162		26,344
Total expenses		621,847		574,680
Income from operations		32,481		18,996
Equity in net earnings of joint ventures and other income		727		793
Loss on sale of property, plant, and equipment		_		(118)
Net change in unrealized gains and losses on equity investments		3,970		14,996
Non-operating net periodic pension cost		(2,192)		(4,260)
Excess of revenue over expenses		34,986		30,407
Net change in unrealized gains and losses on fixed income				
investments		385		5,703
Change in pension liability to be recognized in future periods		15,677		4,968
Contributions for equipment and other		10,891		19,953
Increase in net assets without donor restrictions		61,939		61,031

Continued on next page.

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

	Year Ended Dec 2024			cember 31 2023	
Increase in net assets without donor restrictions	\$	61,939	\$	61,031	
Net assets with donor restrictions:				• 0 • •	
Restricted gifts and contributions and related items, net		2,630		2,856	
Net assets released from restriction		(2,641)		(1,466)	
(Decrease) increase in net assets with donor restrictions		(11)		1,390	
Increase in net assets		61,928		62,421	
Net assets at beginning of year		314,131		251,710	
Net assets at end of year	\$	376,059	\$	314,131	

See accompanying notes.

## Consolidated Statements of Cash Flows (In Thousands)

		nber 31 2023		
Operating activities				
Increase in net assets	\$	61,928	\$	62,421
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation and amortization		25,162		26,344
Net change in unrealized gains and losses on investments		(4,355)		(20,699)
Equity in net earnings of joint ventures		(727)		(793)
Contributions for equipment and other		(10,891)		(19,953)
Loss on sale of equipment		` _		118
Changes in operating assets and liabilities:				
Patient accounts receivable, net		2,852		2
Supplies and other assets		(3,358)		(2,941)
Accounts payable, accrued expenses, and other liabilities		(1,942)		6,412
Estimated third-party payor settlements, net		(5,660)		(7,093)
Accrued pension liability		(21,537)		(9,671)
Net cash provided by operating activities		41,472		34,147
Investing activities		11,172		31,117
Cash received from joint ventures		704		972
Purchases of short-term investments and assets whose use is limited		(162,208)		(133,236)
Proceeds from sales of short-term investments and assets whose use is limited		150,649		129,274
Purchases of property, plant, equipment, and construction		(38,210)		(29,626)
Net cash used in investing activities		(49,065)		(32,616)
Financing activities				
Proceeds from issuance of long-term debt		_		516
Principal payments on long-term debt and finance lease obligations		(8,266)		(9,915)
Contributions for equipment and other		10,891		19,953
Net cash provided by financing activities		2,625		10,554
Net (decrease) increase in cash and cash equivalents and restricted cash and restricted cash equivalents  Cash and cash equivalents and restricted cash and restricted cash equivalents,		(4,968)		12,085
beginning of year		48,862		36,777
Cash and cash equivalents and restricted cash and restricted cash equivalents,		10,002		50,777
end of year	\$	43,894	\$	48,862
Reconciliation of cash and cash equivalents and restricted cash and restricted cash equivalents at end of year to the balance sheets				
Cash and cash equivalents	\$	41,189	\$	45,966
Restricted cash and cash equivalents – designated by donors		372		399
Restricted cash and cash equivalents – under bond indenture		2,333		2,497
Total cash and cash equivalents and restricted cash and restricted cash equivalents	\$	43,894	\$	48,862
Supplemental disclosure of cash flow information				
Cash paid for interest	\$	5,360	\$	4,058
Assets acquired under finance lease obligations	\$	4,575	\$	_
1		-,		

See accompanying notes.

### Notes to Consolidated Financial Statements (Dollars in Thousands)

December 31, 2024

#### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

Saint Peter's Healthcare System, Inc. (the System) is a nonprofit corporation. The Roman Catholic Diocese of Metuchen (the Diocese) is the sponsor of the System and, as provided in the System's bylaws, certain powers are reserved to the Bishop of the Diocese. The System's accompanying consolidated financial statements include the following entities: Saint Peter's University Hospital (the Hospital), an acute care 478 licensed bed teaching hospital located in New Brunswick, New Jersey; Saint Peter's Health & Management Services Corporation (Management Services); Saint Peter's Foundation (the Foundation); Saint Peter's Properties Corporation (Properties); Risk Assurance Company of Saint Peter's University Hospital (RAC); Saint Peter's Solar Energy Solutions, Inc. (Solar Energy Solutions); Saint Peter's Healthcare System Physician Associates, P.C. (Physician Associates PC); and Saint Peter's Specialty Physicians, P.C. (Specialty Physicians).

All intercompany balances and transactions have been eliminated in consolidation. Although these entities have been consolidated for financial statement reporting purposes, there may be limitations on the use of an entity's funds by another member of the group resulting from the charitable nature of some of the entities or other factors.

Other unconsolidated entities, for which the System records its interest or investment, include CARES Surgicenter, LLC (CARES); Redeemer Health; and New Brunswick CK Leasing, LLC (Cyber Knife joint venture). The System terminated its participation in Redeemer Health and the Cyber Knife joint venture during 2024 and 2023, respectively. The System accounts for its investments in CARES on the equity method of accounting (see Note 5) because the System does not control the operations of the investee.

In June 2024, the System and Atlantic Health System (Atlantic) signed a Definitive Agreement to expand their strategic partnership, whereby Atlantic would become the sole corporate member of the System. Approvals at both the State and Federal level are needed to complete the transaction.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

In September 2020, the System, the Hospital, and RWJ Barnabas Health (RWJBH) entered into a Member Substitution and Merger Agreement (the Agreement), under which RWJBH would become the sole corporate member of the System and the Hospital. In June 2022, the Federal Trade Commission voted to block the transaction and the System and RWJBH mutually agreed to terminate the agreement. The Agreement specifies that RWJBH will reimburse the System for up to \$25 million in capital expenditures regardless of outcome of the transaction. Reimbursements of \$3,416 and \$14,420 received during 2024 and 2023, respectively, were recognized within contributions for equipment and other in the accompanying consolidated statements of operations and changes in net assets.

#### **Significant Accounting Policies**

A summary of the significant accounting policies follows:

*Use of Estimates*: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, such as estimates for collections on accounts receivable for services to patients, estimated settlements with third-party payors, medical malpractice insurance liabilities and pension benefit liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents: The System considers all highly liquid investments with a maturity of three months or less at date of purchase, including cash and cash equivalents classified as assets whose use it limited designated for bond purposes and restricted by donors, to be cash equivalents. Other amounts held in assets whose use is limited and short-term investment portfolios are excluded from cash and cash equivalents. The carrying amount of cash and cash equivalents reported on the consolidated balance sheets approximates fair value. The System does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

Receivables for Patient Care: Patient accounts receivable for which the System receives payment under cost reimbursement, prospective payment formulae, or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payors, which are generally less than the established billing rates of the System (see Note 3).

Short-Term Investments and Assets Whose Use is Limited: Investments that are readily marketable and that are not classified as assets whose use is limited are considered short-term investments and are classified as current assets. Assets whose use is limited represent assets whose use is restricted for specific purposes through internal designation, by donors or under terms of bond indenture agreements or trust agreements, as well as investments held by RAC (see Note 4). Assets whose use is limited investments consist of marketable securities and alternative investments.

Marketable securities are recorded at fair value as determined by reference to quoted market prices. Alternative investments consist of interests in fund of funds investments structured as limited partnerships and commingled funds.

Alternative investment interests are reported based upon net asset values derived from the application of the equity method of accounting.

Short-term investments and assets whose use is limited are classified as other than trading securities. Unrealized gains and losses on fixed income securities, except for those unrealized losses which are deemed to be other than temporary impairments, are excluded from the excess of revenue over expenses on the accompanying consolidated statements of operations and changes in net assets. Unrealized gains and losses on equity investments are reported as a non-operating activity. Other investment income and realized gains and losses on assets without donor restrictions are recorded in other operating revenue. Investment income derived from investments related to assets with donor restrictions is also recorded as other operating revenue unless the income or gain or loss is restricted by donor or law. Investment return is reported net of investment expenses.

*Supplies*: Supplies are carried at the lower of cost or net realizable value determined using the first-in, first-out method, or market method. Supplies are used in the provision of patient care and are not held for sale.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

*Deferred Financing Costs*: Deferred financing costs were incurred to obtain financing for various construction and renovation projects. Amortization of these costs is provided using the effective interest method extending over the remaining term of the applicable indebtedness.

Property, Plant, Equipment, and Construction: Property, plant, equipment, and construction that were purchased by the System are carried at cost. Assets acquired under finance leases are recorded at the present value of the lease payments at the inception of the lease. Donated assets are recorded at fair market value at the date of donation. Annual provisions for depreciation and amortization of property, plant, and equipment are computed using the straight-line method over the lesser of the estimated useful lives of the assets or the term of the related lease for equipment held under finance lease obligations.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed of: The System reviews long-lived assets 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 future net cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Classification of Net Assets: The System separately accounts for and reports net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are not externally restricted for identified purposes by donors or grantors. Resources arising from the results of operations or assets set aside by the System's Board are not considered to be donor restricted.

Net assets with donor restrictions are those whose use by the System has been limited by donors to a specific time frame or purpose or have been restricted by donors as permanent endowments to be maintained in perpetuity.

When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restriction.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

The System follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as it relates to its permanent endowment contributions and net assets, as enacted by the State of New Jersey in 2009. The System annually expends the income distributed from the related assets according to donor stipulations.

The System recognizes governmental grants where commensurate value is not exchanged as contributions when conditions and restrictions are satisfied and reports such amounts within other revenue (see Note 15).

Beneficial Interest in Remainderman Trust: The Foundation received a contribution under a remainderman trust. The Foundation recognized contribution revenue related to the remainderman trust based on the fair value of its beneficial interest in the trust as the Foundation became aware of the gift and received information supporting the valuation of the related assets. The Foundation does not receive the trust assets until the death of the beneficiary.

Subsequent changes in the fair value of the trust are recognized within the change in net assets with donor restrictions.

Excess of Revenue Over Expenses: The consolidated statements of operations and changes in net assets include excess of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the excess of revenue over expenses include the net change in unrealized gains and losses on fixed income investments, unless the unrealized losses are related to credit losses, contributions for equipment and other, and the change in pension liability to be recognized in future periods. Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported within income from operations.

Income Taxes: The System parent entity, the Hospital, Management Services, Physician Associates PC, and the Foundation are exempt from Federal income tax on related function income under Sections 501(a) and 501(c)(3) of the Internal Revenue Code (the Code), while Properties is exempt under Section 501(c)(2) of the Code, and also are exempt from New Jersey and local income taxes pursuant to the corresponding state exemption provisions. RAC is not subject to taxes on income or gains under the Cayman Islands tax concessions law except for a tax on dividends on domestic equities.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

Solar Energy Solutions and Specialty Physicians are for-profit entities and, as such, are subject to federal, state, and local income taxes. The provision for income taxes is not material to the System's consolidated financial statements.

Related-Party Transactions: The entities comprising the System provide various inter-entity services to their affiliated entities and the System parent company. The services consist of certain financial planning, information systems and telecommunications, general accounting, and other services. Charges for such services are based on the approximate cost to provide the services and are allocated between the entities based on an agreed-upon method which reflects the approximate level of usage by each entity. Such inter-entity charges and all intercompany balances between the entities comprising the System eliminate in consolidation.

#### 2. Charity Care and Community Benefits

In accordance with its mission and philosophy, the System commits substantial resources to sponsor a broad range of services to both the indigent as well as the broader community.

The System provides care to patients who meet certain criteria defined by the New Jersey Department of Health (DOH) without charge or at amounts less than established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The System's records identify and monitor the level of charity care it provides and include the amount of charges forgone for services and supplies furnished. DOH allows retroactive application for charity care up to two years from the date of service.

For patients who were determined by the System to have the ability to pay but did not, the expected uncollected amounts are classified as an implicit price concession which reduces net patient service revenue (\$19,381 and \$26,828 in 2024 and 2023, respectively). Distinguishing between charity care and implicit price concessions is difficult, in part because services are often rendered prior to the System's full evaluation of the patient's ability to pay.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 2. Charity Care and Community Benefits (continued)

Community benefits provided to the indigent include the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. This type of community benefit includes the costs of: traditional charity care; unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs; services such as free clinics and meal programs for which a patient is not billed or for which a nominal fee has been assessed; and cash and in-kind donations of equipment, supplies, or staff time volunteered on behalf of the community.

Community benefits provided to the broader community include the costs of providing services to other populations who may not qualify as indigent but may need special services and support. This type of community benefit includes the costs of: services such as health promotion and education, health clinics, and screenings, all of which are not billed or can be operated only on a deficit basis; unpaid portions of training health professionals such as medical residents, nursing students, and students in allied health professions; and the unpaid portions of testing medical equipment and controlled studies of therapeutic protocols.

A summary of the estimated cost of community benefits provided to both the indigent and the broader community and related funding follows:

	Year Ended December 31		
	2024		2023
Community benefits provided to the indigent:			_
Charity care provided	\$ 24,869	\$	22,824
Unpaid cost of public programs, Medicaid (inclusive of managed			
Medicaid activity), and other indigent care programs	66,415		65,264
Community benefits provided to the broader community:			
Non-billed services for the community	7,443		6,340
Education and research provided for the community	10,587		8,253
Estimated cost of community benefits	 109,314		102,681
Less: Funding recognized ( <i>Note 3</i> ):			
New Jersey Charity Care subsidy	14,833		21,659
State-funded Graduate Medical Education programs	6,984		7,073
New Jersey County Option Hospital Fee Program, net	31,631		28,487
Medicaid Outpatient Hospital Supplemental State-Directed Payment			
Program	 7,799		
Estimated cost of community benefits, net of funding	\$ 48,067	\$	45,462

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 2. Charity Care and Community Benefits (continued)

The costs of charity care and other community benefit activities are derived from both estimated and actual data. The estimated cost of charity care includes the direct and indirect cost of providing such services and is estimated utilizing the Hospital's ratio of cost to standard charges, which is then multiplied by the uncompensated charges associated with providing care to charity patients.

The estimated cost of community benefits was 18.0% and 18.2% of total Hospital operating expenses in 2024 and 2023, respectively, before consideration of charity care subsidies and other support (see Note 3).

The System receives payments from the New Jersey Health Care Subsidy Funds for charity care, and such amounts totaled approximately \$14,833 and \$21,659 for the years ended December 31, 2024 and 2023, respectively. Recognized funding for the New Jersey County Option Hospital Fee Program is net of the county tax assessed and paid by the System which was \$18,008 and \$15,411 in 2024 and 2023, respectively.

Commencing July 1, 2024, the New Jersey Department of Human Services-Division of Medical Assistance and Health Services (DMAHS) redirected the Charity Care Subsidy towards a new Medicaid Outpatient Hospital Supplemental State-Directed Payment Program. Under the new program, hospitals receive quarterly payments through Medicaid managed care organizations. The System recorded \$7,799 within net patient service revenue under this program in 2024.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 3. Net Patient Service Revenue

Accounts Receivable and Net Patient Service Revenue

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

The System uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on historical collection trends and other analyses, the System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The System's initial estimate of the transaction price for services provided to patients is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the System's standard charges. The System determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the System's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the System determines the transaction price associated with services on the basis of charges reduced by implicit price concessions.

Implicit price concessions included in the estimate of the transaction price are based on the System's historical collection experience for applicable patient portfolios. Under the System's policy for self-pay patients, a patient who has no insurance and is ineligible for any government assistance program has his or her bill reduced to the amount which would be billed to a commercially insured patient.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 3. Net Patient Service Revenue (continued)

Generally, the System bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the System's outpatient and ambulatory care centers. The System measures the performance obligation from admission into the Hospital or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient service.

Substantially all of its performance obligations relate to contracts with a duration of less than one year. The unsatisfied or partially unsatisfied performance obligations primarily relate to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the System's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2024 and 2023, changes in the System's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior periods were not significant. Portfolio collection estimates are updated quarterly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2024 and 2023 was not significant.

The System has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, lines of business and timing of when revenue is recognized. Tables providing details of these factors are presented below.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 3. Net Patient Service Revenue (continued)

Net patient service revenue by major payor source for the years ended December 31, 2024 and 2023, based on primary insurance designation, is as follows:

	 2024	2023
Medicare	\$ 113,326	\$ 103,395
Medicaid and other state funded programs	180,111	169,296
Managed care organizations and commercial carriers	305,895	282,795
Self-pay	2,632	2,780
	\$ 601,964	\$ 558,266

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within their respective categories above.

Net patient service revenue for the years ended December 31, 2024 and 2023, by line of business, is as follows:

	 2024	2023
Hospital Physician services	\$ 557,170 44,794	\$ 516,909 41,357
	\$ 601,964	\$ 558,266

At December 31, 2024 and 2023, patient accounts receivable is comprised of the following components:

	 2024	2023
Patient receivables Contract assets	\$ 49,334 4,688	\$ 50,458 6,416
	\$ 54,022	\$ 56,874

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

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 3. Net Patient Service Revenue (continued)

Third-Party Payment Programs

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

*Medicare:* Hospitals are paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data. Medicare cost reports of the System have been audited and settled for years through 2019 as of December 31, 2024.

*Medicaid:* Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. The System is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. Medicaid cost reports of the System for years through 2021 have been audited and settled as of December 31, 2024.

The System receives additional Medicaid funding under the New Jersey County Option Hospital Fee Program. This program is administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health Services and began in 2021 in certain counties in New Jersey. The program requires that participating hospitals pay quarterly assessed taxes based on estimated Medicaid utilization data within the county, and such payments are then pooled with federal Medicaid matching funds and redistributed to the participating hospitals as State Directed Payments. The State Directed Payments are subject to annual settlement based actual Medicaid utilization data and other factors. The program resulted in taxes of \$18,008 and \$15,411 paid by the System in 2024 and 2023, respectively (included within governmental taxes, fees, and assessments) and Medicaid State Directed Payments revenue of \$49,639 and \$43,898 in 2024 and 2023, respectively (included within net patient service revenue).

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

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 3. Net Patient Service Revenue (continued)

Medicare and Medicaid cost reports, which serve as the basis for final settlement with these programs, were audited by the applicable fiscal intermediary and settled through years noted above, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlements. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed, and additional information is obtained.

Settlements with third-party payors for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the System's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the years ended December 31, 2024 and 2023, the System's revisions to prior year settlement estimates impacting net patient service revenue was not material.

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the System. Additionally, certain payors' payment rates for various years have been appealed by the System for cost report years 2007 through 2022. If the appeals are successful, additional income applicable to those years could be realized.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 3. Net Patient Service Revenue (continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the System. The System is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance in all material respects with applicable laws and regulations. In addition, certain contracts the System has with commercial payors also provide for retroactive audit and review of claims.

#### State and Other Funding

The following state and other funding amounts have been included in the System's net patient service revenue:

	Year Ended December 31			
		2024		2023
State:				
Quality Improvement Program payments	\$	3,333	\$	4,054
Charity Care (Note 2)		14,833		21,659
Graduate Medical Education programs		6,984		7,073
Medicaid Outpatient Hospital Supplemental State-				
Directed Payment Program (Note 2)		7,799		_
Federal:				
New Jersey County Option Hospital Fee Program				
( <i>Note 3</i> )		49,639		43,898
Graduate Medical Education		6,131		5,012
	\$	88,719	\$	81,696

In addition to direct Graduate Medical Education funding received from the federal and state Medicare and Medicaid programs, the System also receives a portion of its Medicare rate for indirect medical education costs.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 3. Net Patient Service Revenue (continued)

To support continued population health improvement across New Jersey, DOH developed and implemented a hospital performance initiative called the Quality Improvement Program (QIP). Funds are paid under QIP for certain performance improvement activities. Payments received totaled \$3,333 and \$4,054 for the year ended December 31, 2024 and 2023, respectively.

#### 4. Liquidity and Assets Whose Use is Limited

Liquidity and Availability

The System has a working capital surplus of \$312,676 and \$284,212 as of December 31, 2024 and 2023, respectively. The System's average days of cash on hand as of December 31, 2024 and 2023 was 188.3 and 191.4, respectively (based on normalized expenditures).

Financial assets available for general expenditure within one year of December 31, 2024 and 2023 consist of the following:

	 2024	2023
Cash and cash equivalents	\$ 41,189	\$ 45,966
Short-term investments	36,931	35,342
Patient accounts receivable, net	54,022	56,874
Physician services receivable, net	3,427	3,959
Assets whose use is limited which are available		
for general expenditures:		
Board designated	214,715	192,541
Donor restricted – health care programs	 4,984	5,745
	\$ 355,268	\$ 340,427

The System has certain board designated and donor-restricted assets which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the table above. The System has other financial assets for donor-restricted purposes, held under bond indenture and for the professional and general liability captive insurance program which are not readily available for general expenditures.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 4. Liquidity and Assets Whose Use is Limited (continued)

As part of the System's liquidity management plan, cash in excess of daily requirements is invested in short-term money market funds and short-term investments. The money market funds at December 31, 2024 and 2023 totaled \$38,428 and \$44,548, respectively. The System holds investments of \$36,931 and \$35,342 as of December 31, 2024 and 2023, respectively, in short-term fixed income investments that are liquid and consist of highly rated short-term corporate and governmental securities.

Additionally, the System maintained lines of credit totaling \$15,000 in 2024 and 2023 as described in Note 7. As of December 31, 2024 and 2023, there was no balance outstanding on the lines of credit.

As of December 31, 2024 and 2023, the System was in compliance with all financial covenants under outstanding debt obligations.

Assets Whose Use Is Limited

Assets whose use is limited, primarily at fair value, are maintained for the following purposes:

	December 31			
		2024		2023
Assets held as designated by the Board of Trustees				
of the Hospital	\$	214,715	\$	192,541
Assets held as designated by donors		14,076		13,691
Assets held under bond indenture		2,333		2,497
Assets held by RAC (Note 10)		22,955		31,216
Total assets whose use is limited	· · · · · · · · · · · · · · · · · · ·	254,079		239,945
Less current portion		226,259		204,210
Non-current portion	\$	27,820	\$	35,735

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 4. Liquidity and Assets Whose Use is Limited (continued)

Assets held by a trustee under bond indenture agreements are maintained for the following purposes (see Note 7):

	December 31			
		2024	2023	
Debt service interest fund	\$	2,303 \$	2,458	
Debt service principal fund		30	39	
	\$	2,333 \$	2,497	

Investment income, included in other operating revenue, consists of the following:

	Ye	ar Ended 2024	Dec	2023
Interest and dividend income Realized gains and losses, net	\$	9,787 6,339	\$	6,647 (2,743)
Total investment income reported in other operating revenue ( <i>Note 15</i> )	\$	16,126	\$	3,904

The System's gross unrealized losses and fair value of individual fixed income securities, which have been in a continuous unrealized loss position less than 12 months or greater than 12 months at December 31, 2024 and 2023 are not significant. At December 31, 2024 and 2023, management considered the nature and number of investments in an unrealized loss position, the cause, the severity and duration of their impairment and other relevant information available and believes that there is no expected credit losses on investments held.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 5. Other Assets

Included within investments in joint ventures and other assets on the accompanying consolidated balance sheets is the System's joint venture investment in CARES which is an equity method investment (approximately \$1,655 and \$1,611 at December 31, 2024 and 2023, respectively). CARES leases and operates an ambulatory surgery center located in a building owned by the Hospital. In 2024 and 2023, the System collected distributions from the CARES joint venture of approximately \$684 and \$812, respectively, and recorded total equity method earnings of \$728 and \$793, respectively.

The following is a condensed summary of financial information of CARES:

	Decem	ber	31
	 2024		2023
Total assets	\$ 6,442	\$	7,045
Total liabilities	 970		1,749
Total equity	\$ 5,472	\$	5,296

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 6. Property, Plant, Equipment, and Construction

Property, plant, equipment, and construction consist of the following:

	December 31			31
		2024		2023
Land	\$	15,253	\$	10,483
Buildings, building service equipment, and improvements		396,377		373,395
Fixed equipment		9,071		9,071
Major movable equipment		161,381		217,457
		582,082		610,406
Less accumulated depreciation and amortization		404,612		446,507
		177,470		163,899
Construction-in-progress		9,963		5,644
	\$	187,433	\$	169,543

Depreciation expense was \$24,895 and \$26,058 in 2024 and 2023, respectively. Useful lives of depreciable assets range from 3 to 40 years.

During 2024 and 2023, the System wrote off approximately \$66,790 and \$65,782 of fully depreciated assets, respectively.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 7. Long-Term Debt and Lines of Credit

Long-term debt consists of the following:

	December 31		
	2024	2023	
New Jersey Health Care Facilities Financing Authority			
(NJHCFFA) Series 2022A Revenue and Refunding			
Bonds, which bear interest at 5.00% due in varying			
maturities through July 1, 2037 (a)	\$ 91,685 \$	98,165	
Other loans (b)	3,321	4,866	
Mortgages payable with interest between 4.75% and			
6.67% payable in monthly installments of principal and			
interest through November 30, 2033	2,089	2,218	
Finance lease obligations, with an interest rate of 6.16%			
and payments through 2029 (c)	4,487	23	
	 101,582	105,272	
Less unamortized original issue discount	822	949	
Less unamortized deferred financing costs	885	1,023	
Less current portion	8,708	8,150	
	\$ 91,167 \$	95,150	

The System maintains an Obligated Group for purposes of issuing debt instruments under a Master Trust Indenture (the Indenture). Under the terms of the Indenture, all obligations thereunder are joint and several obligations of the members and are collateralized by a pledge of the revenue of the Obligated Group. As of December 31, 2024 and 2023, the Hospital is the only member of the Obligated Group.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 7. Long-Term Debt and Lines of Credit (continued)

Under the terms of the Indenture and other agreements with the NJHCFFA, the Obligated Group is required to maintain certain financial ratios and be in compliance with other covenants as described in the respective agreements. At December 31, 2024 and 2023, the Obligated Group was in compliance with such financial covenants.

- (a) In October 2022, Obligated Group closed on the Series 2022A Revenue and Refunding Bonds (the Series 2022A Bonds) in the amount of \$105,925 issued by the NJHCFFA on behalf of the Obligated Group. The proceeds of the Series 2022A Bonds were used for (i) the reimbursement of costs of the acquisition of certain real property; (ii) the refunding of all of the outstanding Series 2011 Revenue and Refunding Bonds and the Series 2007 Revenue Bonds; and (iii) the payment of the costs of issuance of the Series 2022A Bonds.
- (b) At December 31, 2024 and 2023, the System has a loan to a utility company totaling \$421 and \$1,078, respectively, related to amounts borrowed for the installation of solar panels by Solar Energy Solutions. The loan is being repaid by tax credits that are purchased by the utility company. The tax credits are created when solar energy is produced.

The System participated in an energy resilient project through the New Jersey Economic Development Authority (EDA) using grant funding received from the U.S. Department of Housing and Urban Development, combined with a loan from the EDA of \$2,531 paid over 20 years at a 2% interest rate. The loan was initially approved by the EDA in 2017; the loan repayment amount has been revised based on application of grant funding. The project was also funded by a \$1,057 loan payable over 10 years to a utility company at zero interest.

The System has other loans with financial institutions maturing in 2025 with interest rates ranging from approximately 3.50% to 5.80% to finance the construction of interventional radiology and catheterization suites and the replacement of the System's power plant totaling \$415 and \$1,094 at December 31, 2024 and 2023, respectively.

(c) In 2024, the Hospital entered into a finance lease with a local bank for a linear accelerator for \$4,575. The lease has a 5 year term at an interest rate of 6.16%.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 7. Long-Term Debt and Lines of Credit (continued)

The System has a single line of credit in the amount of \$15,000. The line of credit has a draw period of one year and carries interest at the bank's prime plus 2%, only if amounts are drawn. As of December 31, 2024 and 2023, there was no balance outstanding on the lines of credit. The line of credit is set to expire in September 2025.

Scheduled principal payments on long-term debt and finance lease obligations, net of interest, for the next five years and thereafter are as follows:

	Sei	ries 2022A Bonds	I	Mortgage/ Other Loans		Finance Lease bligations		Total
2025	¢	6.760	Ф	1 212	¢	726	¢	0.700
	\$	6,760	\$	1,212	\$	736	\$	8,708
2026		7,060		367		855		8,282
2027		7,365		378		907		8,650
2028		7,690		389		963		9,042
2029		8,010		348		1,026		9,384
Thereafter		54,800		2,716		-		57,516
	\$	91,685	\$	5,410	\$	4,487	\$	101,582

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 8. Retirement Plans

The System sponsors a non-contributory defined benefit retirement plan (the Plan) covering all eligible employees of affiliated organizations of the System. Plan benefits are based on years of service and employee compensation as defined in the plan document. Effective July 1, 2010, the Plan was effectively frozen for new participation. Effective December 31, 2012, the Plan was fully frozen to new participation and benefit accruals, except for certain employees over age 65.

The System maintained a defined contribution plan for employees hired as of and subsequent to July 1, 2010. In 2019, the System froze the existing defined contribution plan and instituted a new 401(k) retirement plan effective April 2019. The System contributes 2% of the employee's pay for all plan participants with an employee match contribution up to 3%. The System funds the 401(k) plan on a current basis. Such expense totaled \$11,170 and \$10,621 in 2024 and 2023, respectively.

The System recognizes on its consolidated balance sheets an asset for the Plan's overfunded status or a liability for the Plan's underfunded status, measures the Plan's assets and obligations that determine its funded status as of the end of the System's fiscal year, and recognizes changes in the funded status of the Plan in changes in net assets without donor restrictions in the year in which the changes occur. Amounts that are recognized as a component of changes in net assets without donor restrictions will be subsequently recognized as net periodic pension cost in future periods.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 8. Retirement Plans (continued)

The underfunded status of the Plan as recognized on the System's consolidated balance sheets is as follows:

	December 31			
		2024		2023
Change in benefit obligation:				_
Benefit obligation at beginning of year	\$	277,628	\$	279,400
Interest cost		14,355		15,284
Benefits paid		(26,879)		(27,554)
Actuarial (gain) loss		(11,033)		10,498
Benefit obligation at end of year		254,071		277,628
Change in plan assets:				
Fair value of plan assets at beginning of year		217,189		209,290
Actual return on plan assets		16,825		26,724
Employer contributions		8,820		9,180
Benefits paid		(26,879)		(27,554)
Administrative expenses and other		(786)		(451)
Fair value of plan assets at end of year		215,169		217,189
Accrued pension liability	\$	(38,902)	\$	(60,439)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets are as follows:

	December 31			
		2024		2023
Projected benefit obligation Accumulated benefit obligation	\$	254,071 254,071	\$	277,628 277,628
Fair value of plan assets		215,169		217,189

The actuarial (gains) losses of \$(11,033) and \$10,498 in 2024 and 2023, respectively, primarily relate to changes in the discount rate assumption at December 31, 2024 and 2023.

The Hospital purchased annuity contracts from insurance companies for select groups of retirees and beneficiaries for approximately \$13,377 and \$13,798 in 2024 and 2023, respectively. The size of the transactions fell below the settlement threshold, and therefore no settlement accounting is reflected in the accompanying consolidated financial statements.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 8. Retirement Plans (continued)

The unrecognized actuarial loss included in other changes in net assets without donor restrictions at December 31, 2024 and 2023 is \$62,267 and \$77,944, respectively. The change in the pension liability to be recognized in future periods as reported on the accompanying consolidated statements of operations and changes in net assets totaled \$15,677 in 2024 and represents the change in these amounts from December 31, 2024 to 2023.

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

	Year Ended December 31			
		2024		2023
Interest cost	\$	14,355	\$	15,284
Expected return on plan assets		(14,339)		(13,413)
Recognized actuarial loss and administrative expenses		2,943		2,608
Net periodic pension cost	\$	2,959	\$	4,479

Administrative expenses totaled \$767 and \$219 in 2024 and 2023, respectively, and are reported within employee benefits expense; the remaining amounts above are reported as non-operating net periodic pension cost.

The following assumptions were used in determining the benefit obligations and net periodic pension costs:

	December 31		
	2024	2023	
Weighted average assumptions used to determine benefit obligations at December 31:  Discount rate	5.77%	5.24%	
Weighted average assumptions used to determine net periodic benefit cost for the year ended December 31: Discount rate Expected long-term rate of return on plan assets	5.24 6.70	5.59 6.50	

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 8. Retirement Plans (continued)

To develop the expected long-term rate of return on assets assumption, the System considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 6.70% and 6.50% expected long-term rate of return on assets assumption for the years ended December 31, 2024 and 2023, respectively.

The Plan's investment policy is designed to achieve return on assets to match or exceed the actuarial required rate of return. The asset allocation guidelines are based on assets that are return seeking or liability hedging where equities and alternatives are part of return seeking, while debt is part of liability hedging. Permissible ranges by asset category are listed below.

	Range
Return seeking	0% – 75%
Liability hedging	30% - 100%
Cash	0% - 25%

The Plan's asset allocations by asset category are as follows:

	December 31		
	2024	2023	
Equities	31%	51%	
Debt	65	39	
Alternatives	4	10	
	100%	100%	

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### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 8. Retirement Plans (continued)

Assets invested in the Plan are carried at fair value. Marketable debt and equity securities with readily determinable values are carried at fair value as determined based on independent published sources. Alternative investments (non-traditional, not readily marketable holdings) include hedge funds. Alternative investment interests generally are structured such that the Plan holds a limited partnership interest or an interest in an investment management company. The Plan's ownership structure does not provide for control over the related investees and the Plan's financial risk is limited to the carrying amount reported for each investee. Fair value for alternative investments is determined by the Plan for each investment using net asset value as a practical expedient, as permitted by generally accepted accounting principles, rather than using another valuation method to independently estimate fair value.

Refer to Note 12 for the composition at fair value of the defined benefit pension plan assets at December 31, 2024 and 2023.

The System received a favorable ruling from the IRS dated August 14, 2013, to operate the Plan as a church plan, which exempts the System from the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and its funding requirements.

The accrued pension liability reported in the accompanying consolidated financial statements of \$38,902 and \$60,439 at December 31, 2024 and 2023, respectively, is actuarially determined in accordance with the accounting requirements for reporting in the financial statements of the plan sponsor, which differs from the determination of the accumulated plan benefits as reported in the Plan's financial statements.

During 2024 and 2023, the System contributed \$8,820 and \$9,180 to the Plan, respectively. The System plans to contribute \$9,000 to the Plan in 2025.

The following benefit payments under the Plan are expected to be paid:

2025	\$ 15,786
2026	16,551
2027	17,200
2028	17,798
2029	18,317
2030–2034	95,025

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 9. Leases and Other Commitments and Contingencies

#### Leases

The System leases certain property and equipment under finance and operating leases. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than a year, the System records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The System's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments.

Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the System is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the System uses a risk-free discount rate determined using a period comparable with that of the lease term. The System does not account for the non-lease components together with the related lease components when determining the right-of-use assets and liabilities, except for medical equipment.

The System does not record leases with an initial term of less than a year as right-of-use assets and liabilities.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### **9.** Leases and Other Commitments and Contingencies (continued)

The following schedules summarize information related to the lease assets and liabilities as of and for the year ended December 31, 2024 and 2023:

Lease cost:           Finance lease cost:         \$ 315 \$ 479           Amortization of right-of-use asset         \$ 125 \$ 4           Operating lease cost         2,444 2,590           Short-term lease cost         4,388 2,663           Variable lease cost         254 477           Sublease income         (33) (80)           Total lease cost         \$ 7,493 \$ 6,133           Right-of-use assets and liabilities:         \$ 1,189 \$ 198           Right-of-use assets - finance leases         \$ 1,189 \$ 198           Lease liability - finance leases         4,487 23           Right-of-use assets - operating leases         3,745 8,224           Lease liability - operating leases         3,744 8,224           Other information:         Cash paid for amounts included in the measurement of lease liabilities:         \$ 2           Operating cash flows from finance leases         \$ 125 \$ 4           Operating cash flows from operating leases         \$ 2,495 2,606           Financing cash flows from finance leases         111 411           Right-of-use assets obtained in exchange for new finance lease         4,575           Right-of-use assets obtained in exchange for new operating lease         -           Iiabilities         -         -			2024		2023		
Amortization of right-of-use asset         \$ 315  \$ 479           Interest on lease liabilities         125  \$ 4           Operating lease cost         2,444  \$ 2,590           Short-term lease cost         4,388  \$ 2,663           Variable lease cost         254  \$ 477           Sublease income         (33)  \$ (80)           Total lease cost         \$ 7,493  \$ 6,133           Right-of-use assets and liabilities:         \$ 1,189  \$ 198           Lease liability – finance leases         \$ 1,189  \$ 198           Lease liability – finance leases         4,487  \$ 23           Right-of-use assets – operating leases         3,745  \$ 8,224           Lease liability – operating leases         3,744  \$ 8,224           Other information:         Cash paid for amounts included in the measurement of lease liabilities:         Operating cash flows from finance leases         \$ 125  \$ 4           Operating cash flows from operating leases         2,495  \$ 2,606         2,606           Financing cash flows from finance leases         111  \$ 411           Right-of-use assets obtained in exchange for new finance lease         4,575  \$ -           Right-of-use assets obtained in exchange for new operating lease         4,575  \$ -	Lease cost:						
Interest on lease liabilities         125         4           Operating lease cost         2,444         2,590           Short-term lease cost         4,388         2,663           Variable lease cost         254         477           Sublease income         (33)         (80)           Total lease cost         \$ 7,493         \$ 6,133           Right-of-use assets and liabilities:         \$ 1,189         \$ 198           Lease liability – finance leases         4,487         23           Right-of-use assets – operating leases         3,745         8,224           Lease liability – operating leases         3,744         8,224           Other information:         Cash paid for amounts included in the measurement of lease liabilities:         Operating cash flows from finance leases         \$ 125         \$ 4           Operating cash flows from operating leases         2,495         2,606         Financing cash flows from finance leases         111         411           Right-of-use assets obtained in exchange for new operating lease         4,575         -           Right-of-use assets obtained in exchange for new operating lease         4,575         -	Finance lease cost:						
Operating lease cost         2,444         2,590           Short-term lease cost         4,388         2,663           Variable lease cost         254         477           Sublease income         (33)         (80)           Total lease cost         \$ 7,493         \$ 6,133           Right-of-use assets and liabilities:         \$ 1,189         \$ 198           Lease liability – finance leases         4,487         23           Right-of-use assets – operating leases         3,745         8,224           Lease liability – operating leases         3,744         8,224           Other information:         \$ 125         \$ 4           Cash paid for amounts included in the measurement of lease liabilities:         \$ 125         \$ 4           Operating cash flows from finance leases         2,495         2,606           Financing cash flows from finance leases         111         411           Right-of-use assets obtained in exchange for new finance lease         4,575         -           Right-of-use assets obtained in exchange for new operating lease         4,575         -	Amortization of right-of-use asset	\$	315	\$	479		
Short-term lease cost Variable lease cost Variable lease cost Variable lease cost Variable lease cost Sublease income Total lease cost  Right-of-use assets and liabilities: Right-of-use assets and liabilities: Right-of-use assets – finance leases Lease liability – finance leases Variable leases Variable leases Variable lease variable	Interest on lease liabilities		125		4		
Variable lease cost Sublease income  Total lease cost  Right-of-use assets and liabilities: Right-of-use assets - finance leases Lease liability - finance leases Lease liability - operating leases Lease liability - operating leases  Cash paid for amounts included in the measurement of lease liabilities:  Operating cash flows from finance leases  Operating cash flows from operating leases  Financing cash flows from finance leases  Right-of-use assets obtained in exchange for new finance lease liabilities  Right-of-use assets obtained in exchange for new operating lease  A,575  Ary 497  A477  (80)  A77  A477  (83)  (80)  A477  A487  A477  A47  A477  A47  A477  A47  A477  A47  A477  A47  A47	Operating lease cost		2,444		2,590		
Sublease income Total lease cost  Right-of-use assets and liabilities: Right-of-use assets – finance leases Right-of-use assets – operating leases Lease liability – operating leases Lease liability – operating leases Cash paid for amounts included in the measurement of lease liabilities: Operating cash flows from finance leases Operating cash flows from operating leases Financing cash flows from finance leases Right-of-use assets obtained in exchange for new finance lease liabilities Right-of-use assets obtained in exchange for new operating leases Right-of-use assets obtained in exchange for new operating leases Right-of-use assets obtained in exchange for new operating lease	Short-term lease cost		4,388		2,663		
Total lease cost \$ 7,493 \$ 6,133  Right-of-use assets and liabilities: Right-of-use assets – finance leases \$ 1,189 \$ 198 Lease liability – finance leases \$ 4,487 23 Right-of-use assets – operating leases \$ 3,745 8,224 Lease liability – operating leases \$ 3,744 8,224  Other information: Cash paid for amounts included in the measurement of lease liabilities: Operating cash flows from finance leases \$ 125 \$ 4 Operating cash flows from operating leases \$ 2,495 2,606 Financing cash flows from finance leases \$ 111 411  Right-of-use assets obtained in exchange for new finance lease liabilities \$ 4,575 - Right-of-use assets obtained in exchange for new operating lease	Variable lease cost		254		477		
Right-of-use assets and liabilities: Right-of-use assets – finance leases Lease liability – finance leases Right-of-use assets – operating leases Lease liability – operating leases Lease liability – operating leases  Other information: Cash paid for amounts included in the measurement of lease liabilities: Operating cash flows from finance leases Operating cash flows from operating leases Financing cash flows from finance leases Financing cash flows from finance leases Financing cash flows from finance leases Liabilities Right-of-use assets obtained in exchange for new finance lease Liabilities Right-of-use assets obtained in exchange for new operating lease	Sublease income		(33)		(80)		
Right-of-use assets – finance leases Lease liability – finance leases Right-of-use assets – operating leases Lease liability – operating leases 3,745 Lease liability – operating leases 3,744 8,224  Other information: Cash paid for amounts included in the measurement of lease liabilities: Operating cash flows from finance leases Operating cash flows from operating leases Financing cash flows from finance leases Financing cash flows from finance leases Financing cash flows from finance leases Liabilities A,575  Right-of-use assets obtained in exchange for new operating lease	Total lease cost	\$	7,493	\$	6,133		
Right-of-use assets – finance leases Lease liability – finance leases Right-of-use assets – operating leases Lease liability – operating leases 3,745 Lease liability – operating leases 3,744 8,224  Other information: Cash paid for amounts included in the measurement of lease liabilities: Operating cash flows from finance leases Operating cash flows from operating leases Financing cash flows from finance leases Financing cash flows from finance leases Financing cash flows from finance leases Liabilities A,575  Right-of-use assets obtained in exchange for new operating lease	Right-of-use assets and liabilities:						
Lease liability – finance leases Right-of-use assets – operating leases 3,745 Rease liability – operating leases 3,744 Rease liability – operating leases 3,744 Rease liability – operating leases  Other information: Cash paid for amounts included in the measurement of lease liabilities: Operating cash flows from finance leases Operating cash flows from operating leases Financing cash flows from finance leases Right-of-use assets obtained in exchange for new finance lease Right-of-use assets obtained in exchange for new operating lease  4,575  Right-of-use assets obtained in exchange for new operating lease		\$	1.189	\$	198		
Right-of-use assets – operating leases Lease liability – operating leases 3,744 8,224  Other information: Cash paid for amounts included in the measurement of lease liabilities: Operating cash flows from finance leases Operating cash flows from operating leases Financing cash flows from finance leases 111  Right-of-use assets obtained in exchange for new finance lease liabilities A,575  Right-of-use assets obtained in exchange for new operating lease		т.	,	_			
Lease liability – operating leases  Other information:  Cash paid for amounts included in the measurement of lease liabilities:  Operating cash flows from finance leases  Operating cash flows from operating leases  Financing cash flows from finance leases  111  Right-of-use assets obtained in exchange for new finance lease liabilities  Right-of-use assets obtained in exchange for new operating lease  4,575  Agight-of-use assets obtained in exchange for new operating lease	•						
Cash paid for amounts included in the measurement of lease liabilities:  Operating cash flows from finance leases  Operating cash flows from operating leases  Financing cash flows from finance leases  111  Right-of-use assets obtained in exchange for new finance lease liabilities  4,575  Right-of-use assets obtained in exchange for new operating lease			,		,		
Operating cash flows from finance leases Operating cash flows from operating leases Financing cash flows from finance leases  Right-of-use assets obtained in exchange for new finance lease liabilities  4,575  Right-of-use assets obtained in exchange for new operating lease	Other information:						
Operating cash flows from finance leases Operating cash flows from operating leases Financing cash flows from finance leases  Right-of-use assets obtained in exchange for new finance lease liabilities  4,575  Right-of-use assets obtained in exchange for new operating lease	Cash paid for amounts included in the measurement of lease liabilities:						
Operating cash flows from operating leases Financing cash flows from finance leases 2,495 2,606 Financing cash flows from finance leases 111  Right-of-use assets obtained in exchange for new finance lease liabilities 4,575  Right-of-use assets obtained in exchange for new operating lease		\$	125	\$	4		
Financing cash flows from finance leases  111  Right-of-use assets obtained in exchange for new finance lease liabilities  4,575  Right-of-use assets obtained in exchange for new operating lease	. •		2,495		2,606		
liabilities 4,575 – Right-of-use assets obtained in exchange for new operating lease	1 0		111		411		
			4,575		_		
			_		_		
Weighted-average remaining lease term – finance leases 5.00 1.00	Weighted-average remaining lease term – finance leases		5.00		1.00		
Weighted-average remaining lease term – operating leases 5.34 5.34			5.24		5.34		
Weighted-average discount rate – finance leases 6.16% 2.19%			6.16%	, D	2.19%		
Weighted-average discount rate – operating leases 2.05% 2.12%			2.05%	Ó	2.12%		

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 9. Leases and Other Commitments and Contingencies (continued)

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

The following table reconciles the undiscounted lease payments to the lease liabilities recorded on the accompanying consolidated balance sheet at December 31, 2024:

	Finance Leases	(	Operating Leases
2025	\$ 973	\$	1,352
2026	1,060		608
2027	1,060		490
2028	1,060		369
2029	1,060		298
Thereafter	_		861
Total lease payments	5,213		3,978
Less imputed interest	726		234
Total lease obligation	4,487		3,744
Less current portion	736		1,289
Long-term portion	\$ 3,751	\$	2,455

#### Other Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are on appeal against the System. While the outcome of these lawsuits cannot be determined at this time, management believes that any loss which may arise from the System's actions will not have a material adverse effect on the System's consolidated financial position or results of operations.

In relation to workers' compensation exposure, the System maintains a standby letter of credit in the amount of \$775 and is part of the \$15,000 line of credit in place to secure its self-insured workers' compensation program. There were no draws on the letter of credit in 2024 or 2023.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 10. Medical Malpractice and General Liability Claims

As part of a structured and comprehensive risk management program, the System funds its risk of professional and general liability loss through RAC, a wholly-owned captive insurance company domiciled in the Cayman Islands.

RAC began accepting risk on January 1, 2004 and provides professional and general liability insurance protection for all entities within the System, including the Hospital, employed physicians and surgeons, the paramedical staff, and all affiliated corporations and divisions. Professional liability insurance is written as claims-made coverage while general liability is written on an occurrence basis. Prior to 2004, the Hospital purchased first-dollar primary and excess liability coverage in the commercial insurance market.

Currently, RAC issues policies with a maximum retention of \$3,000 for each medical incident or occurrence. RAC further retains, under a first excess or buffer policy, another \$2,000 for each medical incident with a \$2,000 aggregate retention. In addition, RAC issues an excess liability policy which provides separate limits towers of \$45,000 each. The first tower applies to professional liability claims; the second, to claims for all other liabilities. These excess limits are 100% reinsured by companies rated A or A+ by A.M. Best Company. The System has made, and will continue to make, adjustments to the structure, limits, and retentions of the captive program, as circumstances warrant.

Reserves for loss and loss adjustment expense are set based on management's best estimate of liability and damages. At December 31, 2024 and 2023, undiscounted reserve amounts were \$20,215 and \$20,468, respectively, and are included within other liabilities on the accompanying consolidated balance sheets. These reserves are estimates of the ultimate value of loss and loss adjustment expenses for all claims made during respective policy years and are subject to changes in amounts of settlements, verdicts, frequency of claims, or other economic or legal factors. These undiscounted reserves are not offset by estimates of reinsurance claims. While management believes the reserves for losses and loss adjustment expenses are adequate, it also recognizes the variability inherent in the data used in estimating these liabilities and that the ultimate value of losses and loss adjustment expense may vary significantly from the estimated amounts included in the accompanying consolidated financial statements. These estimates are continually reviewed and are adjusted, as necessary. Estimated receivables for reinsurance recoveries recorded by RAC total \$3,421 and \$3,995 at December 31, 2024 and 2023, respectively, and are included within other current assets on the accompanying consolidated balance sheets.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 10. Medical Malpractice and General Liability Claims (continued)

In relation to claims insured through RAC, the Hospital recorded an estimated insurance recovery receivable and medical malpractice claim liability at December 31, 2024 and 2023 equal to RAC's liability estimates. Such amounts are recorded within other assets and other liabilities within the Hospital's balance sheets and eliminate in consolidation.

The System has estimated its liability for losses due to claims from medical incidents that have occurred subsequent to 2004 but have not yet been reported to be approximately \$2,162 and \$2,109 at December 31, 2024 and 2023, respectively, with such estimated liability discounted at a rate of 4% based on expected timing of future payments. These amounts are included within other liabilities on the accompanying consolidated balance sheets.

#### 11. Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

Concentration of gross accounts receivable from patients and third-party payors are as follows:

	Decem	ber 31
	2024	2023
Medicare and Medicaid	16%	16%
Horizon	25	26
Patients	_	1
Commercial	4	3
Managed care	54	52
Other third-party payors	1	2
	100%	100%
		-

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 12. Fair Value Measurements

The System utilizes various methods of calculating the fair value of its financial assets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the System's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated). The fair value hierarchy is comprised of three levels based on the source of inputs as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. In determining fair value, the System uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers non-performance risk in its assessment of fair value.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 12. Fair Value Measurements (continued)

The following table presents the financial instruments carried at fair value, excluding assets invested in the System's defined benefit plan, as of December 31, 2024 and 2023, by caption on the consolidated balance sheets based upon the fair value hierarchy defined above:

	Level 1		Level 2	Level 3	Total	
December 31, 2024						
Cash and cash equivalents	\$	41,189	- 5	- \$	41,189	
Short-term investments:						
Cash and cash equivalents		4,982	_	_	4,982	
Fixed income:						
U.S. Government bonds		249	_	_	249	
U.S. Treasury bills		2,677	_	_	2,677	
U.S. Treasury bonds		9,109	_	_	9,109	
International bonds		4,182	_	_	4,182	
Corporate bonds		_	15,732	_	15,732	
Total short-term investments		21,199	15,732	_	36,931	
Assets whose use is limited:						
Cash and cash equivalents		4,979	_	_	4,979	
Fixed income:		.,,,,,			1,575	
U.S. Treasury bills		13,467	_	_	13,467	
Asset-backed securities		_	32,498	_	32,498	
Corporate bonds		_	28,791		28,791	
Mortgage-backed securities		16,165	_	_	16,165	
Mutual funds:		,			,	
Domestic		68,013	_	_	68,013	
International		31,787	_	_	31,787	
Real estate		268	_	_	268	
Commodities		1,003	_	_	1,003	
Assets held by RAC:						
Cash and cash equivalents		5,757	_	_	5,757	
U.S. Corporate bonds		_	2,337	_	2,337	
U.S. Government debt securities		5,750	_	_	5,750	
International bonds		_	218	_	218	
Equities		1,421	_	_	1,421	
Non-exchange traded fund		_	7,472	_	7,472	
Beneficial interest in trust		_	4,865		4,865	
Total assets whose use is limited		148,610	76,181	_	224,791	
Total assets at fair value	\$	210,998	91,913	- \$	302,911	

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 12. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
December 31, 2023				_
Cash and cash equivalents	\$ 45,966 \$	- \$	- \$	45,966
Short-term investments:				
Cash and cash equivalents Fixed income:	2,851	_	_	2,851
U.S. Government bonds	1,576	_	_	1,576
U.S. Treasury bills	4,420	_	_	4,420
U.S. Treasury bonds	11,620	_	_	11,620
International bonds	4,079	_	_	4,079
Corporate bonds	, <u> </u>	10,796	_	10,796
Total short-term investments	24,546	10,796	_	35,342
Assets whose use is limited:				
Cash and cash equivalents	3,064	_	_	3,064
Fixed income:	-,			-,
U.S. Treasury bills	15,796	_	_	15,796
Asset-backed securities	_	34,620	_	34,620
Corporate bonds	_	31,725	_	31,725
International fixed income	9,186	_	_	9,186
Mortgage-backed securities	13,427	_	_	13,427
Mutual funds:				
Domestic	48,007	_	_	48,007
International	20,191	_	_	20,191
Real estate	252	_	_	252
Commodities	883	_	_	883
Assets held by RAC:				
Cash and cash equivalents	3,274	_	_	3,274
U.S. Corporate bonds	39	3,029	_	3,068
U.S. Government debt securities	9,105	_	_	9,105
International bonds	-	1,113	_	1,113
Equities	2,344	_	_	2,344
Non-exchange traded fund	_	12,311	_	12,311
Beneficial interest in trust	_	4,519	_	4,519
Total assets whose use is limited	125,568	87,317		212,885
Total assets at fair value	\$ 196,080 \$	98,113 \$	- \$	294,193

The System's holdings of alternative investments and commingled funds within assets whose use is limited totaled approximately \$29,288 and \$27,060 at December 31, 2024 and 2023, respectively. These investments are measured based on the equity method of accounting as described in Note 1 and are therefore excluded from the tables above.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 12. Fair Value Measurements (continued)

The following table presents the financial instruments of the defined benefit plan (see Note 8) as of December 31, 2024 and 2023, by the valuation hierarchy defined above:

	 Level 1	Level 2 Level 3				Total
December 31, 2024						
Cash and cash equivalents	\$ 6,173	\$ _	\$	_	\$	6,173
Equity funds:						
Domestic	33,903	_		_		33,903
International	9,035	_		_		9,035
Fixed-income mutual fund	71,164	_		_		71,164
	\$ 120,275	\$ _	\$	_	\$	120,275
Investments measured at net asset value:					=	
Equity alternatives						23,644
Fixed income alternatives						70,911
Total assets at fair value						214,830
Accrued income						339
Total plan assets					\$	215,169
-						
	Level 1	Level 2		Level 3		Total
December 31, 2023	 Level 1	Level 2		Level 3		Total
December 31, 2023 Cash and cash equivalents	\$ <b>Level 1</b> 3,588	\$ Level 2	\$	Level 3	\$	<b>Total</b> 3,588
	\$	\$ Level 2	\$	Level 3	\$	
Cash and cash equivalents	\$	\$ Level 2	\$	Level 3	\$	
Cash and cash equivalents Equity funds:	\$ 3,588	\$ Level 2	\$	Level 3	\$	3,588
Cash and cash equivalents Equity funds: Domestic	\$ 3,588 48,932	\$ Level 2	\$	Level 3	\$	3,588 48,932
Cash and cash equivalents Equity funds: Domestic International	\$ 3,588 48,932 19,958	Level 2	\$	Level 3	\$	3,588 48,932 19,958
Cash and cash equivalents Equity funds: Domestic International	 3,588 48,932 19,958 54,718	- - - -		Level 3		3,588 48,932 19,958 54,718
Cash and cash equivalents Equity funds:    Domestic    International Fixed-income mutual fund  Investments measured at net asset value:	 3,588 48,932 19,958 54,718	- - - -		Level 3		3,588 48,932 19,958 54,718
Cash and cash equivalents Equity funds: Domestic International Fixed-income mutual fund	 3,588 48,932 19,958 54,718	- - - -		Level 3		3,588 48,932 19,958 54,718 127,196
Cash and cash equivalents Equity funds:    Domestic    International Fixed-income mutual fund  Investments measured at net asset value:    Equity alternatives	 3,588 48,932 19,958 54,718	- - - -		Level 3		3,588 48,932 19,958 54,718 127,196 48,484 41,249
Cash and cash equivalents Equity funds: Domestic International Fixed-income mutual fund  Investments measured at net asset value: Equity alternatives Fixed income alternatives	 3,588 48,932 19,958 54,718	- - - -		Level 3		3,588 48,932 19,958 54,718 127,196 48,484
Cash and cash equivalents Equity funds:    Domestic    International Fixed-income mutual fund  Investments measured at net asset value:    Equity alternatives    Fixed income alternatives Total assets at fair value	 3,588 48,932 19,958 54,718	- - - -		Level 3		3,588 48,932 19,958 54,718 127,196 48,484 41,249 216,929

Fair value for Level 1 assets is based upon quoted market prices.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 12. Fair Value Measurements (continued)

Level 2 assets consist of certain fixed-income securities for which the fair value at each year-end is estimated based on quoted prices and other valuation considerations (e.g., credit quality and prevailing interest rates). The fair value of the beneficial interest in trust is reported within Level 2 and is based on the allocated fair value of the trust's holdings, which comprise marketable securities.

Equity and fixed income alternative financial instruments maintained by the Plan represent the Plan's investment in funds of funds and are valued as described in Note 8. Financial information used to evaluate the alternative investments is provided by the investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee and estimates that require varying degrees of judgment. The alternative investments may indirectly expose the Plan to securities lending, short sales of securities, and trading in futures and forwards contracts, options, and other derivative products. Alternative investments often have liquidity restrictions under which capital may be divested only at specified times. At December 31, 2024 and 2023, there were no commitments or liquidity restrictions.

#### 13. Net Assets with Donor Restrictions

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

	December 31							
		2024	2023					
Health care programs	\$	<b>4,984</b> \$	5,745					
Beneficial interest in trust		4,866	4,519					
Children's fund		2,347	1,552					
Health education		787	1,138					
Purchase of equipment		14	55					
	\$	12,998 \$	13,009					

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

## 14. Functional Expenses

Operating expenses by function and natural classification are as follows:

	2024									
	He	ealth Care	G	eneral and						
	1	Program	Ad	ministrative		Total				
	Expenses			Expenses	]	Expenses				
Salaries and wages	\$	244,984	\$	55,291	\$	300,275				
Variable agency labor		2,655		319		2,974				
Resident and physician fees		12,206		<b>570</b>		12,776				
Employee benefits		69,833		480		70,313				
Supplies and other		109,987		72,640		182,627				
Governmental taxes, fees, and assessments		21,845		677		22,522				
Interest		5,068		130		5,198				
Depreciation and amortization		24,743		419		25,162				
	\$	491,321	\$	130,526	\$	621,847				

	2023									
	He	alth Care	(	General and						
	Program			dministrative		Total				
	E	Expenses		Expenses	I	Expenses				
Salaries and wages	\$	225,336	\$	49,600	\$	274,936				
Variable agency labor		14,301		824		15,125				
Resident and physician fees		11,115		514		11,629				
Employee benefits		56,757		1,227		57,984				
Supplies and other		100,789		62,714		163,503				
Governmental taxes, fees, and assessments		18,848		770		19,618				
Interest		5,336		205		5,541				
Depreciation and amortization		25,926		418		26,344				
	\$	458,408	\$	116,272	\$	574,680				

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 14. Functional Expenses (continued)

The accompanying consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Costs not directly attributable to a function are allocated on a functional basis using internal records and estimates.

### 15. Other Operating Revenue

Other operating revenue consists of the following:

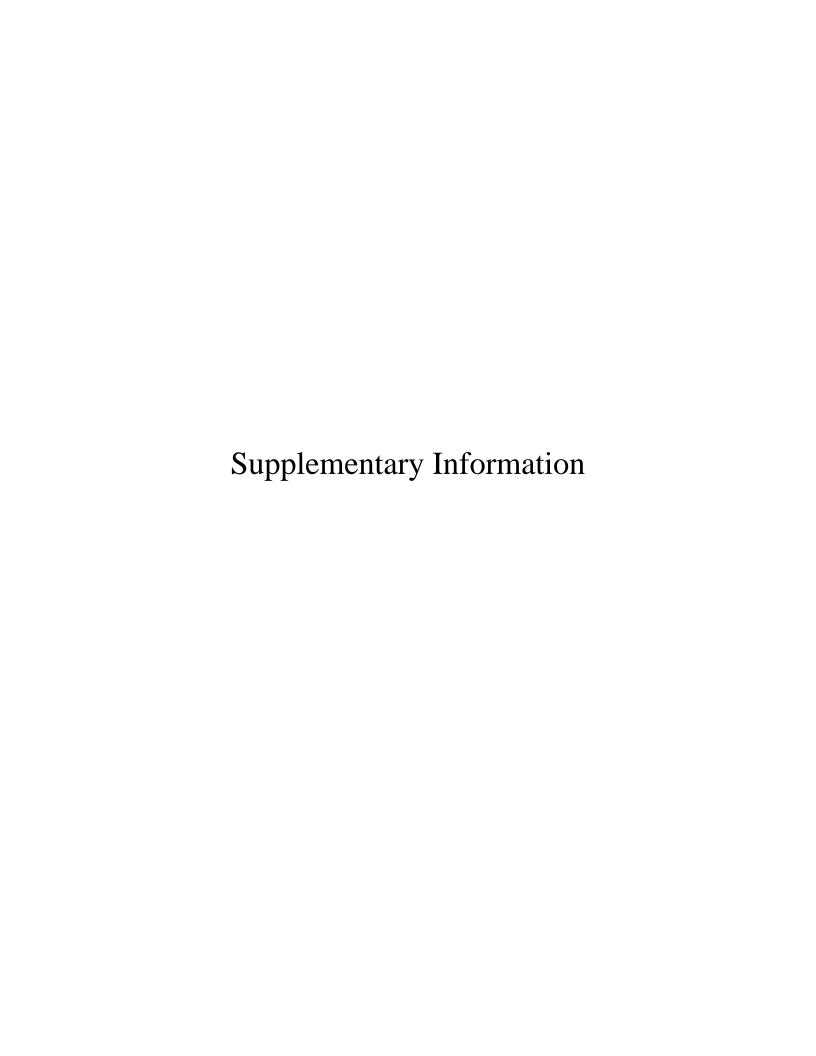
	Year Ended December 31						
		2024	2023				
Grant revenue	\$	1,927 \$	3,032				
FEMA Disaster Relief Funds		11,193	_				
Rental income		1,992	2,148				
Investment income (Note 4)		16,126	3,904				
Child Protection Center revenue		2,632	2,704				
Retail pharmacy cost sharing		2,503	8,597				
Nursing services		1,866	1,821				
Food services		1,842	1,662				
Physician leasing		1,620	2,416				
Solar energy credits		743	784				
Outreach laboratory fees		294	440				
Research studies		368	529				
Purchasing rebates and settlements		896	845				
Joint venture distribution		20	160				
Parking		261	387				
Pay for performance initiatives		2,685	1,866				
Contributions		825	1,234				
Other		1,930	1,415				
	\$	49,723 \$	33,944				

The System has applied for reimbursement for qualifying expenses incurred during the COVID-19 pandemic under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. During 2024 the System was obligated \$11,193 which is recorded within other operating revenue. Additional amounts were obligated to the System by FEMA in 2025.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

### 16. Subsequent Events

Subsequent events have been evaluated through April 30, 2025, which is the date the accompanying consolidated financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.



# Consolidating Balance Sheet (In Thousands)

December 31, 2024

	Sain	t Peter's University Hospit	tal & Subsidiarie	es	Sa	int Peter's Health	k Management Se	rvices						
	Obligated Group Saint Peter's University Hospital		Consolidating and Eliminating Entries	Total Saint Peter's University Hospital & Subs	Properties	SP Solar Energy Solutions	SP Health & Mgmt Services	Total Saint Peter's Health & Management Services	Saint Peter's Healthcare System, Inc	Saint Peter's Foundation	SPHCS Physician Associates	Saint Peter's Speciality Physicians	Consolidating and Eliminating Entries	Total Saint Peter's Health Care System
Assets		- Rife	Entries	Hospital & Bubs	Troperties	Solutions	Bervices	Bervices		1 oundation	213300111103	1 hysicians	Entries	care bystem
Current assets:														
Cash and cash equivalents	\$ 39,218	\$ - \$	_	\$ 39,218	\$ 377	\$ 29	\$ -	\$ 406	\$ 624	\$ 614	\$ 283	\$ 44	\$ -	\$ 41,189
Short-term investments	36,931	_	_	36,931	-	-	-	_	_	_	-	_	-	36,931
Patient accounts receivable, net	54,022	=	-	54,022	-	=-	-	-	-	-	-	-	-	54,022
Assets whose use is limited, current portion	217,048	_	_	217,048	=	_	-	_	_	9,211	-	_	_	226,259
Supplies	6,890	_	-	6,890	-	-	-	_	-	_	-	_	-	6,890
Estimated third-party payor settlements, current portion	21,902	-	-	21,902	-	=-	-	=	-	-	-	-	-	21,902
Due from related parties, current portion	1,232	-	_	1,232	104	_	-	104	24,220		-	-	(25,556)	-
Other current assets	23,433	3,536	=-	26,969		3		3	2,562	541	133	295		30,503
Total current assets	400,676	3,536	_	404,212	481	32	-	513	27,406	10,366	416	339	(25,556)	417,696
Assets whose use is limited, less current portion	_	22,955	-	22,955	=	=	-	=	=	4,865	=	=	=	27,820
Property, plant, equipment and construction, net	178,056	_	_	178,056	3,607	5,187	-	8,794	_	_	365	218	_	187,433
Estimated third-party payor settlements, less current portion	1,538	-	-	1,538	-	-	-	_	-	-	- 2.256	-	-	1,538
Operating lease assets	1,279 15,464	_	-	1,279	=-	-	-	_	-	-	2,256	210	(15.464)	3,745
Beneficial interest in Foundation  Due from related parties, less current portion	15,464 1,479	=	_	15,464 1,479	_	_	_	_	-	=	-	_	(15,464) (1,479)	_
Investments in joint ventures and other assets	28.859		(26,115)	2,744	_	_	2,155	2,155	_	467	_	=	(500)	4,866
investments in John ventures and other assets	\$ 627,351	\$ 26,491 \$	(26,115)		\$ 4,088				\$ 27,406		\$ 3,037			\$ 643,098
Liabilities and net assets														
Current liabilities:														
Long-term debt, current portion	\$ 8,151	\$ - \$	-	Ψ 0,101	\$ 136	\$ 421	\$ -	\$ 557	\$ -	\$ -		\$ -	\$ -	\$ 8,708
Accounts payable	30,372	-	_	30,372	-	-	-	_	3,529	_	860	-	-	34,761
Accrued expenses and other liabilities	40,930	202	-	41,132	9	=-	-	9	5,434	47	1,394	272	1	48,289
Accrued interest	2,292	_	_	2,292	_	_	-	_	_	_	_	-	_	2,292
Operating lease liability, current portion	445 9.681		_	445 9,681	-	_	_	_	-	-	778	66	_	1,289 9,681
Estimated third-party payor settlements, current portion  Due to related parties	9,681 14.245		_	9,681 14.245	88	2,489	_	2,577	10.346	187	6,506	3.521	(37.382)	9,681
Total current liabilities	106,116	202	-	106,318	233	2,910	-	3,143	19,309	234	9,538	3,859	(37,381)	105,020
Long-term debt, less current portion	89,215	_	_	89,215	1,952	_	_	1,952	_	_	_	_	_	91,167
Operating lease liability, less current portion	833	_	_	833	- 1,752	_	_		_	_	1,478	144	_	2,455
Estimated third-party payor settlements, less current portion	704	_	_	704	_	_	_	_	_	_	_	_	_	704
Accrued pension liability	30,805	_	_	30,805	_	_	-	_	8,097	_	_	_	_	38,902
Other liabilities	28,791	20,215	(20,215)	28,791	-		-	-	_	-	-	-	-	28,791
Total liabilities	256,464	20,417	(20,215)	256,666	2,185	2,910	_	5,095	27,406	234	11,016	4,003	(37,381)	267,039
Commitments and contingencies														
Net assets:														
Net assets without donor restrictions	355,423	6,074	(5,900)	355,597	1,903	2,309	2,155	6,367	-	2,466	(7,979)	(3,236)	9,846	363,061
Net assets with donor restrictions	15,464			15,464						12,998			(15,464)	12,998
Total net assets	370,887	6,074	(5,900)	371,061	1,903	2,309	2,155	6,367		15,464	(7,979)	(3,236)	(5,618)	376,059
	\$ 627,351	\$ 26,491 \$	(26,115)	\$ 627,727	\$ 4,088	\$ 5,219	\$ 2,155	\$ 11,462	\$ 27,406	\$ 15,698	\$ 3,037	\$ 767	\$ (42,999)	\$ 643,098

Note: The consolidating schedules are presented for supplementary informational purposes. Due to the effects of intercompany transactions, which are eliminated in consolidation, the schedules are not intended to present the financial position or results of operations of the individual entities.

# Consolidating Statement of Operations and Changes in Net Assets (In Thousands)

### Year Ended December 31, 2024

		t Peter's University Hospi	itai & Subsidiarie	es	Sa	int Peter's Health &	z Management Se	ervices						
	Obligated Group Saint Peter's University Hospital		Consolidating and Eliminating Entries	Total Saint Peter's University Hospital & Subs	Properties	SP Solar Energy Solutions	SP Health & Mgmt Services	Total Saint Peter's Health & Management Services	Saint Peter's Healthcare System, Inc	Saint Peter's Foundation	SPHCS Physician Associates	Saint Peter's Speciality Physicians	Consolidating and Eliminating Entries	Total Saint Peter's Health Care System
Revenue, gains and other support:														
	\$ 590,674	s – s	_	\$ 590,674	\$ -	s - :	\$ -	\$ -	s –	\$ -	\$ 9,211	\$ 2,079	\$ -	\$ 601,964
Other operating revenue	57,543	7,386	(12,221)	52,708	451	1,025	*	1,476	61,746	1,060	1,654	20	(68,941)	49,723
Net assets released from restriction	745	-,500	(12,221)	745	-	- 1,025	_		-	1,896		_	(00,7.17)	2,641
Total revenue, gains, and other support	648,962	7,386	(12,221)	644,127	451	1,025	-	1,476	61,746	2,956	10,865	2,099	(68,941)	654,328
Expenses:														
Salaries and wages	288,691	_	_	288,691	10	38	_	48	27,133	42	10,153	1,341	(27,133)	300,275
Variable agency labor	2,974	_	_	2,974	_	=	_		_	=			_	2,974
Resident and physician fees	13,790	_	_	13,790	=	_	_	_	53	=	2,068	2,946	(6,081)	12,776
Employee benefits	68,286	_	_	68,286	3	9	_	12	6,755	11	2,004	_	(6,755)	70,313
Supplies and other	183,480	6,646	(4,221)	185,905	16	117	_	133	27,367	3,601	3,453	1,021	(38,853)	182,627
Governmental taxes, fees, and assessments	22,417	_		22,417	105	_	_	105	_	_	_	_		22,522
Interest	4,951	_	-	4,951	117	130	-	247	_	-	-	-	_	5,198
Depreciation and amortization	24,335	=	-	24,335	96	419		515	_	-	264	48	_	25,162
Total expenses	608,924	6,646	(4,221)	611,349	347	713	-	1,060	61,308	3,654	17,942	5,356	(78,822)	621,847
Income (loss) from operations	40,038	740	(8,000)	32,778	104	312	_	416	438	(698)	(7,077)	(3,257)	9,881	32,481
Equity in net earnings of joint ventures and other income	684	=	_	684	=	=	728	728	=	=	=	=	(685)	727
Net change in unrealized gains and losses on equity investments	4,991	(1,315)	-	3,676	-	_	-	-	_	294	-	-		3,970
RAC premium reduction credit	_	(8,000)	8,000	_	_	_	-	-	_	-	-	-	_	_
Non-operating net periodic pension cost	(2,177)	=	-	(2,177)	_	(1)	-	(1)	(438)	(1)	(13)	-	438	(2,192)
Forgiveness of debt	865	=	-	865	=-	=-	=	=	-	=	94,672	3,923	(99,460)	=
Equity transfer	=	=	-			=	(685)	(685)		=	-	-	685	<u></u>
Excess (deficiency) of revenue over expenses	44,401	(8,575)	-	35,826	104	311	43	458	-	(405)	87,582	666	(89,141)	34,986
Net change in unrealized gains and losses fixed income investments	270	48	-	318	-	-	_	-	-	67	-	-	-	385
Change in pension liability to be recognized in future periods	15,677	=	-	15,677	_	_	-	-	_	-	-	-	_	15,677
Contributions for equipment and other	10,891	=	-	10,891	=-	=-	=	=	-	=	-	-	-	10,891
Increase (decrease) in net assets without donor restrictions	71,239	(8,527)	-	62,712	104	311	43	458		(338)	87,582	666	(89,141)	61,939
Net assets with donor restrictions:														
Restricted gifts and contributions and related items, net	-	_	_	_	_	_	_	_	_	2,630	_	_	_	2,630
Net change in beneficial interest in Foundation	395	_	_	395	_	_	_	_	_		_	_	(395)	_
Net assets released from restriction	(745)	_	_	(745)	_	_	_	_	_	(1,896)	_	_	`	(2,641)
(Decrease) increase in net assets with donor restrictions	(350)	_	_	(350)	_	-	_	_		734	-	-	(395)	(11)
Increase (decrease) in net assets	70,889	(8,527)	_	62,362	104	311	43	458	_	396	87,582	666	(89,536)	61,928
Net assets at beginning of year	299,998	14,601	(5,900)	308,699	1,799	1,998	2,112	5,909	_	15,068	(95,561)	(3,902)	83,918	314,131
Net assets at end of year	\$ 370,887	\$ 6,074 \$	(5,900)	\$ 371,061	\$ 1,903	\$ 2,309	\$ 2,155	\$ 6,367	\$ -	\$ 15,464	\$ (7,979)	\$ (3,236)	\$ (5,618)	\$ 376,059

 $Note: The \ consolidating \ schedules \ are \ presented for \ supplementary \ informational \ purposes. \ Due \ to \ the \ effects \ of \ intercompany \ transactions, \ which \ are \ eliminated \ in \ consolidation, \ the \ schedules \ are \ not \ intended \ to \ present \ the \ financial \ position \ or \ results \ of \ operations \ of \ the \ individual \ entities.$ 

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