Hackensack Meridian Health, Inc.

Consolidated Financial Statements and Consolidating Supplemental Schedule
December 31, 2023 and 2022

Hackensack Meridian Health, Inc.
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Report of Independent Auditors

To Board of Trustees of
Hackensack Meridian Health, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Hackensack Meridian Health, Inc. and its subsidiaries (the "Network"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Network as of December 31, 2023 and 2022, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating statement of operations as of and for the year ended December 31, 2023 (the “supplemental information”) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplemental information is not intended to present, and we do not express an opinion on, the financial position, results of operations, changes in net assets and cash flows of the individual companies. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

New York, New York
April 15, 2024

Hackensack Meridian Health, Inc.
Consolidated Balance Sheets
December 31, 2023 and 2022

(in thousands)	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 239,756	$ 221,189
Patient accounts receivable, net	891,498	756,330
Pledges receivable, net	50,488	38,680
Current assets held for sale	-	16,609
Other current assets	646,316	586,322
Assets limited as to use and investments, current portion	1,186,261	1,309,005
Total current assets	3,014,319	2,928,135
Assets limited as to use and investments, noncurrent portion	3,446,219	2,813,344
Investment in joint ventures	195,267	185,814
Property and equipment, net	3,476,725	3,408,719
Operating lease right-of-use assets	351,619	266,545
Other assets held for sale	-	152,005
Other assets	342,826	199,431
Total assets	$ 10,826,975	$ 9,953,993
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt and finance lease obligations	$ 61,849	$ 159,849
Current portion of operating lease obligations	41,674	37,889
Accounts payable and accrued expenses	1,112,997	1,135,424
Current liabilities held for sale	-	593
Other current liabilities	209,499	196,437
Total current liabilities	1,426,019	1,530,192
Long-term debt and finance lease obligations, less current maturities	2,929,620	2,997,127
Long-term operating lease obligations	320,815	237,632
Accrued pension benefits	8,785	57,338
Other liabilities held for sale	-	30,696
Other liabilities	556,487	444,675
Total liabilities	5,241,726	5,297,660
Net assets		
Without donor restrictions controlled by the Network	5,168,720	4,272,065
Without donor restrictions attributable to noncontrolling interests	21,070	55,375
Net assets without donor restrictions	5,189,790	4,327,440
Net assets with donor restrictions	395,459	328,893
Total net assets	5,585,249	4,656,333
Total liabilities and net assets	$ 10,826,975	$ 9,953,993

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

Hackensack Meridian Health, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022

(in thousands)	2023	2022
Unrestricted revenues and other support		
Net patient service revenue	$ 7,202,441	$ 6,319,095
Other revenue	599,512	505,795
Net (loss) gain on equity investments	(1,059)	900
Net assets released from restriction used for operating activities	24,369	21,989
Total unrestricted revenues and other support	7,825,263	6,847,779
Expenses		
Salaries and contracted labor	2,931,342	2,746,695
Physician salaries and fees	650,620	531,840
Employee benefits	662,707	566,047
Supplies and other	2,947,257	2,551,932
Depreciation and amortization	296,210	269,234
Interest	105,845	84,541
Total expenses	7,593,981	6,750,289
Excess of revenues over expenses before other operating adjustments	231,282	97,490
Other operating adjustments		
Investment income (loss), net	499,988	(603,355)
Other gains, net	8,375	45,033
Excess (deficit) of revenues over expenses	739,645	(460,832)
Other adjustments in net assets without donor restrictions		
Net assets released from restriction for capital acquisitions	17,051	49,835
Pension-related adjustments	96,423	6,887
Other changes	(8,742)	(29,448)
Distributions to noncontrolling interests	(33,282)	(10,691)
Increase (decrease) in net assets without donor restrictions before discontinued operations	811,095	(444,249)
Gain (loss) on discontinued operations	51,255	(39,465)
Increase (decrease) in net assets without donor restrictions	$ 862,350	$ (483,714)

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

Hackensack Meridian Health, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022

(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Balances at December 31, 2021	$ 4,811,154	$ 299,888	$ 5,111,042
Deficit of revenues over expenses	(460,832)	-	(460,832)
Investment loss	-	(1,057)	(1,057)
Contributions	-	77,130	77,130
Net assets released from restriction for capital acquisitions	49,835	(49,835)	-
Net assets released from restriction used for operating activities	-	(21,989)	(21,989)
Pension-related adjustments	6,887	-	6,887
Other changes	(29,448)	24,756	(4,692)
Distributions to noncontrolling interests	(10,691)	-	(10,691)
(Decrease) increase in net assets before discontinued operations	(444,249)	29,005	(415,244)
Loss on discontinued operations	(39,465)	-	(39,465)
(Decrease) increase in net assets	(483,714)	29,005	(454,709)
Balances at December 31, 2022	4,327,440	328,893	4,656,333
Excess of revenues over expenses	739,645	-	739,645
Investment gain	-	4,328	4,328
Contributions	-	94,115	94,115
Net assets released from restriction for capital acquisitions	17,051	(17,051)	-
Net assets released from restriction used for operating activities	-	(24,369)	(24,369)
Pension-related adjustments	96,423	-	96,423
Other changes	(8,742)	9,543	801
Distributions to noncontrolling interests	(33,282)	-	(33,282)
Increase in net assets before discontinued operations	811,095	66,566	877,661
Gain on discontinued operations	51,255	-	51,255
Increase in net assets	862,350	66,566	928,916
Balances at December 31, 2023	$ 5,189,790	$ 395,459	$ 5,585,249

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

Hackensack Meridian Health, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

(in thousands)	2023	2022
Cash flows from operating activities		
Increase (decrease) in net assets	$ 928,916	$ (454,709)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	296,210	269,234
Loss on disposal of property and equipment	1,059	271
Gain on assets held for sale	(95,119)	(25,000)
Amortization of deferred financing costs	546	765
Amortization of bond premium	(3,031)	(3,492)
Net loss (gain) on equity investments	1,059	(900)
Distributions from joint ventures	37,138	30,642
Realized and unrealized (gain) loss on investments	(444,428)	669,996
Restricted contributions for capital acquisitions	(45,459)	(8,171)
Pension-related adjustments	(96,423)	(6,887)
Changes in assets and liabilities		
Patient accounts receivable and pledges receivable	(118,639)	(38,193)
Other assets	(170,437)	(120,893)
Accounts payable and accrued expenses	(11,457)	(18,337)
Accrued pension benefits	47,870	(46,245)
Other liabilities	219,716	(277,166)
Net cash provided by (used in) operating activities	547,521	(29,085)
Cash flows from investing activities		
Purchases of property and equipment	(464,284)	(527,502)
Advance to third party for design and build of equipment	(84,675)	-
Proceeds from sales of property and equipment	94,570	57,040
Proceeds from assets held for sale	225,350	-
Loan associated with assets held for sale	(6,000)	-
Contributions to joint ventures	(48,538)	(48,047)
Sales of investment securities	2,493,209	3,339,423
Purchases of investment securities	(2,435,732)	(2,973,631)
Net cash (used in) investing activities	(226,100)	(152,717)
Cash flows from financing activities		
Repayment on long-term debt and finance lease obligations	(174,012)	(260,281)
Proceeds from borrowings	11,177	292,217
Distributions to noncontrolling interests	(33,282)	(10,691)
Restricted contributions for capital acquisitions	16,443	10,647
Net cash (used in) provided by financing activities	(179,674)	31,892
Change in cash, cash equivalents and restricted cash	141,747	(149,910)
Cash, cash equivalents and restricted cash		
Beginning of year	416,749	566,659
End of year	$ 558,496	$ 416,749
Supplemental information		
Cash paid for interest expense	$ 104,569	$ 93,672
Liabilities assumed by buyer in LTC Portfolio sale	40,356	-
Noncash acquisitions of property and equipment	54,031	65,002
Right-of-use assets obtained in exchange for operating lease obligations	139,189	77,161

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

(in thousands)

1. Organization

Hackensack Meridian Health, Inc. (the “Parent”) and its subsidiaries and controlled entities (“HMH” or the “Network”) comprise an integrated health care delivery system. The Network is incorporated as a New Jersey non-profit, nonstock corporation established to promote and carry out charitable, scientific, academic and research activities and was created as a result of the merger of Hackensack University Health Network, Inc. (“HUHN”) and Meridian Health System, Inc. (“MHS”). The surviving parent entity was renamed Hackensack Meridian Health, Inc. on July 1, 2016. The Parent is the sole corporate member of the following entities: HMH Hospitals Corporation (“HMHHC”); Hackensack Meridian Ambulatory Care, Inc (“HMAC”); Hackensack Meridian Health Foundation, Inc. and its nine foundation subsidiaries (“HMHF”); Hackensack Meridian School of Medicine, a New Jersey Nonprofit Corporation (“SOM”), and Bergen Health Management System, Inc. (“BHMS”). Effective as of April 1, 2022, Hackensack Meridian Health Realty Corporation was merged into HMAC.

During 2023, HMAC sold its long term care portfolio (“LTC portfolio”) (Note 16).

On January 4, 2022, Hackensack Meridian LTACH, LLC was formed with HMHHC as its sole member. It is presently approved to operate as a short-term acute care hospital, and is currently awaiting final approval from Centers for Medicare and Medicaid Services for long-term acute care hospital status.

Effective February 3, 2021, Meridian Health Foundation, Inc. was renamed to Hackensack Meridian Health Foundation, Inc., and the membership of three foundations (Hackensack University Medical Center Foundation, Inc., Palisades Medical Center Foundation, Inc., and John F. Kennedy Medical Center Foundation, Inc.), were then transferred to HMHF so that HMHF became the parent company to all existing Foundations, with the exception of Muhlenberg Foundation, Inc, (“MRMCF”) which remains a subsidiary of Muhlenberg Regional Medical Center, Inc. (“MRMC”).

On January 1, 2019, the Parent became the sole corporate member of HMH Carrier Clinic, Inc. (“Carrier”). Carrier is a non-profit, tax-exempt, behavioral healthcare system treating patients with psychiatric, emotional, and addictive illnesses. Carrier’s service area encompasses the entire state of New Jersey. On April 1, 2021, the membership in Carrier was transferred from HMH to HMHHC.

On January 1, 2018, the Parent became the sole corporate member of JFK Health System, Inc. (“JFK Health”) and subsequently on January 1, 2019, JFK Health merged into the Parent. JFK Health was the parent company of the Community Hospital Group, Inc. d/b/a JFK Medical Center. On July 1, 2021, the Community Hospital Group, Inc. d/b/a JFK Medical Center merged into HMHHC.

The Parent was also the sole shareholder of Hackensack Meridian Health Ventures, Inc. and its subsidiaries (“HMHV”). On January 1, 2022, the shares in HMHV were transferred from the Parent to HMAC. The Parent is the sole member of Meridian Accountable Care Organization, LLC (“MACO”), Hackensack Physician-Hospital Alliance ACO, LLC (“ACO”), JFK Population Health Company, LLC (“JFKPH”), and Hackensack Meridian Health Partners, LLC (“HMHP”). On January 1, 2023, the memberships in MACO, ACO and JFKPH were transferred from the Parent to HMHP.

(in thousands)

HMHHC is the sole corporate member of HMH Casualty Company Ltd. ("HMHCCL"), and 20 Prospect Holdings, LLC. HMHCCL is a wholly owned, off-shore insurance company domiciled in Bermuda.

The HMH Physician Division includes ten professional corporations (three taxable and seven tax exempt) consolidated with the Network and provides other physician practice development strategies.

The Network operates an extensive acute care hospital system which consists of four academic medical centers (which include two children's hospitals and a cancer center), six community hospitals (which include two rehabilitation hospitals) and a behavioral health hospital as follows:

- Hackensack University Medical Center ("HUMC"), located in Hackensack, New Jersey, is an academic medical center and the largest stand-alone medical center in the state with 803 beds. HUMC includes the Joseph M. Sanzari Children's Hospital, the Donna A. Sanzari Women's Hospital, the John Theurer Cancer Center, and the Heart and Vascular Hospital;
- Jersey Shore University Medical Center ("JSUMC"), located in Neptune, New Jersey, is a major academic medical center and regional trauma center with 612 beds that includes the K. Hovnanian Children's Hospital;
- JFK University Medical Center ("JFK"), located in Edison, New Jersey, is a 499-bed academic medical center;
- Riverview Medical Center ("RMC"), located in Red Bank, New Jersey, is a 429-bed community hospital;
- Raritan Bay Medical Center ("RBMC"), located in Perth Amboy, New Jersey, is a 432-bed community hospital;
- Ocean University Medical Center, located in Brick, New Jersey, is a 357-bed academic medical center;
- Carrier, located in Belle Mead, New Jersey is a 297-bed behavioral health hospital that includes Blake Recovery Center;
- Bayshore Medical Center ("BMC"), located in Holmdel, New Jersey, is a 211-bed community hospital;
- Palisades Medical Center ("PMC"), located in North Bergen, New Jersey, is a 197-bed community hospital;
- Southern Ocean Medical Center ("SOMC"), located in Manahawkin, New Jersey, is a 156-bed community hospital; and
- Old Bridge Medical Center, located in Old Bridge, New Jersey, is a 113-bed community hospital.

The SOM was formed in 2015 as the first new private school of medicine in New Jersey in over fifty years. In conjunction with the formation of the SOM, the Network through its real estate holding

(in thousands)

company, Kingsland Street Urban Renewal, LLC, entered into a long-term lease for two buildings in the town of Nutley and the city of Clifton, New Jersey. On July 3, 2020, the SOM received accreditation to operate as a school of medicine.

Over the past several years, HMH has continued to expand its network through acquisitions and partnerships with various unrelated entities as a means to continue to fulfill its mission to the surrounding communities that HMH serves.

Joint ventures in which the Network exerts significant influence in the operations of the unconsolidated entities, primarily through shared representation on the governing bodies of the investee and equal voting rights, and has an equity interest of more than 20% but equal to or less than 50%, are accounted for under the equity method of accounting. Income from joint ventures is reflected in the net gain on equity investments in the consolidated statements of operations.

During 2012, HUMC entered into two separate joint ventures with an unrelated entity. Under the first joint venture arrangement, entered into on March 23, 2012, HUMC contributed the existing property and equipment of the former Pascack Valley Hospital campus for a 35% interest in the joint venture which was valued at $51,100. The joint venture owns 100% of Pascack Valley Medical Center ("Pascack Valley"). The investment in the Pascack Valley joint venture recorded on the consolidated balance sheets was $39,924 and $38,421 as of December 31, 2023 and 2022, respectively.

Under the second joint venture, entered into on July 1, 2012, HUMC purchased a 20% ownership interest in the joint venture which owns 100% of Mountainside Medical Center ("Mountainside"). For its ownership interest, HUMC contributed $10,644 in cash and entered into a nonrecourse loan agreement with its joint venture partner. In July 2016, HUMC entered into a bank loan and used the proceeds to pay off the remaining outstanding balance on the nonrecourse loan and its accrued interest. The investment in the Mountainside joint venture recorded on the consolidated balance sheets was $48,785 and $42,666 as of December 31, 2023 and 2022, respectively.

During 2021, the Network contributed 100% of its membership in a billing company in exchange for shares in a new billing company. The Network previously held 20% of the legacy billing company shares and now owns 10.2% of the new billing company shares. The investment in the billing company joint venture recorded on the consolidated balance sheets was $19,392 and $20,892 as of December 31, 2023 and 2022, respectively.

During 2012, HUMC and a separate unrelated entity formed a joint venture limited liability company which purchased a 51% interest in two ambulatory surgical centers (the "Centers") located in Bergen County, New Jersey, with HUMC receiving 50.1% voting rights in the joint venture entity. As a result, HUMC consolidated the Centers and reflected a noncontrolling interest for the equity related to the previous owners and the unrelated party in accordance with ASC 810. Effective as of December 31, 2017, HUMC transferred all of its interest in the joint venture to Hackensack Meridian Ambulatory Ventures, Inc. ("HMAV"). The net assets acquired of the Centers were $34,950 (including net goodwill of $34,250). As of December 31, 2023 and 2022, the unamortized goodwill balance was $17,125 and $20,550, respectively.

During 2019, HMAV and a separate unrelated entity formed a joint venture limited liability company which acquired a 51% interest in three ambulatory surgical centers (the "ASC Centers") located in Barnegat, New Jersey, Edison, New Jersey, and Maywood, New Jersey, with HMAV receiving 51%

(in thousands)

voting rights in the joint venture entity. During 2023, HMAVs interest in the Edison ASC Center was reduced to 49% and therefore converted from consolidation to equity method.

On January 1, 2022, HMAV merged into HMAC, transferring the interest in each of these joint ventures to HMAC.

The following schedule of changes in consolidated net assets without donor restriction attributable to the Network and the noncontrolling interests reconciles beginning and ending balances of the Network's controlling interest and the noncontrolling interests for the years ended December 31, 2023 and 2022:

	Total	The Network (Controlling Interest)	Noncontrolling Interests
Balances at December 31, 2021	$ 4,811,154	$ 4,731,239	$ 79,915
(Deficit) excess of revenues over expenses	(460,832)	(474,047)	13,215
Distribution to noncontrolling interests	(10,691)	-	(10,691)
Other changes	27,274	50,480	(23,206)
Change in net assets without donor restrictions before discontinued operations	(444,249)	(423,567)	(20,682)
Loss on discontinued operations	(39,465)	(35,607)	(3,858)
Balances at December 31, 2022	4,327,440	4,272,065	55,375
Excess of revenues over expenses	739,645	730,822	8,823
Distribution to noncontrolling interests	(33,282)	-	(33,282)
Other changes	104,732	113,931	(9,199)
Change in net assets without donor restrictions before discontinued operations	811,095	844,753	(33,658)
Gain (loss) on discontinued operations	51,255	51,902	(647)
Balances at December 31, 2023	$ 5,189,790	$ 5,168,720	$ 21,070

2. COVID-19 Government Funding

Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")

In response to the economic impact of COVID-19, the CARES Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act provided financial relief under several programs including a funding advance of Medicare payment, deferral of the employer portion of payroll taxes and the establishment of the Provider Relief Fund ("PRF") for hospitals, nursing homes, surgical centers, outpatient clinics, and physician practices. Under PRF, the Network recognized $45,002 in 2022 in other revenue and loss on discontinued operations in the consolidated statement of operations. As of December 31, 2023, all relief funds have been recognized as revenue and the total amount received and recognized from the period of 2020 through 2022 was approximately $567,522.

(in thousands)

Federal Emergency Management Agency ("FEMA")

Due to the related operating and capital expense incurred by the Network in response to COVID-19, the Network has submitted claims to FEMA. During 2023 and 2022, the Network has recorded the following obligated FEMA funds within the consolidated statements of operations:

	2023	2022
Other revenue	$ 104,755	$ 164,601
Other changes	17	233
Loss on discontinued operations	-	5,532
	$ 104,772	$ 170,366

The Network has additional claims outstanding and under review with FEMA as of December 31, 2023 related to operating and capital expenses incurred related to COVID-19. In accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Network will recognize those claims in the year the related funds are obligated by FEMA.

Specific to PRF and FEMA funds received, HMH believes the amount of revenue recognized in the consolidated statements of operations is appropriate based on information contained in laws and regulations, as well as interpretations issued by the U.S. Department of Health and Human Services ("HHS") and FEMA policies governing the funding, which was publicly available at December 31, 2023. As this crisis has evolved, and through new legislation, HHS has made multiple modifications to its guidance since its passage. The potential financial impacts of future changes in guidance may impact the Network's ability to retain some or all of the distributions received.

Employee Retention Credit

The Employee Retention Credit ("ERC") is a provision under the CARES Act that provides eligible employers with a refundable tax credit against certain employment taxes. It was intended to encourage employers to retain employees during the economic challenges posed by the COVID-19 pandemic.

During the year ended December 31, 2023, the Network recognized $26,800 of ERC benefits as other revenue in the consolidated statement of operations. The Network submitted amended payroll tax returns for the first and second quarters of calendar year 2020 to claim the ERC in 2023 and the Network has processed additional amended payroll tax returns in January 2024.

(in thousands)

3. Significant Accounting Policies

The following is a summary of the Network's significant accounting policies:

Principles of Consolidation
The consolidated financial statements of the Network have, in all material respects, been prepared on an accrual basis in accordance GAAP.

The consolidated financial statements include the accounts of the Parent and all of its subsidiaries in which a controlling interest is maintained. Intercompany balances and transactions are eliminated. Controlling interest in for-profit subsidiaries is determined by majority ownership interest. For those consolidated subsidiaries where the Network's ownership is less than 100%, the outside parties' interests are shown as net assets without donor restrictions attributable to noncontrolling interests. Investments in joint ventures over which the Network has significant influence but not a controlling interest are recognized using the equity method of accounting.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include implicit price concessions, the contractual discounts on accounts receivable, valuation of alternative investments, estimated amounts due to and from third-party payors, professional liability reserves and accrued pension benefit liabilities. Actual results could differ from those estimates.

Income Taxes
All of the not-for-profit entities included in the consolidated financial statements are corporations as described in Section 501(c)(3) of the Internal Revenue Code ("Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. These entities, except for the physician practices, are also exempt from state income taxes. Per the requirement to assess for tax uncertainty, management has determined that it does not have any significant uncertain tax positions required to be accrued or reported.

The for-profit corporations are subject to federal and state income taxes.

Cash, Cash Equivalents, and Restricted Cash
Cash, cash equivalents and restricted cash include investments in highly-liquid instruments with original maturities of three months or less. The Network elected to treat highly-liquid short-term investments held within assets limited as to use and investments as cash equivalents. Cash is also held in the assets limited as to use and investments portfolio. At December 31, 2023 and 2022, the Network had cash balances held at a financial institution that exceeded federal depository insurance limits. Management believes that the credit risk related to these deposits is minimal.

ASU 2016-18, *Restricted Cash*, addresses the presentation, disclosure, and cash flow classification of restricted cash and requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

(in thousands)

The following is a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	2023	2022
Cash and cash equivalents	$ 239,756	$ 221,189
Cash and cash equivalents included in assets limited as to use and investments	318,740	195,560
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 558,496	$ 416,749

Assets Limited as to Use and Investments
Investments and assets limited as to use are recorded at fair value, which is based on the assumptions and methods described in the “Fair Value Measurements” section of this note.

Assets limited as to use include cash and investments set aside by the Network Board of Trustees (the “Board”) for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held by trustees under indenture agreements, assets held in connection with the captive insurance program, assets held for deferred employee benefit plans, and donor-restricted assets.

Investment income or losses (including realized and unrealized gains and losses on investments, interest, and dividends) are included in the accompanying consolidated statements of operations as other operating adjustments, unless the income or loss is restricted by donor or law. In addition, certain investment income is reported within other revenue in the consolidated statements of operations as it is utilized as a direct offset for specific programmatic operating expenses. Gains and losses on sales of investment assets are determined using the first-in, first-out method. Investments classified as current assets are available to support current operations.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Financial Instruments
The Network recognizes all derivatives at fair value within other liabilities on the consolidated balance sheets. Changes in fair value of these instruments are reported within other operating adjustments on the consolidated statements of operations.

Fair Value Measurements
FASB ASC Topic 820, Fair Value Measurements and Disclosures (“ASC Topic 820”), establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the Network and unobservable inputs reflect the Network’s own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

(in thousands)

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

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, or quoted prices in markets that are not active.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

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

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

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

The following methods and assumptions are used to estimate the fair value of each class of financial instruments held by the Network:

- Cash, Cash Equivalents, and Mutual Funds – Estimated fair values of cash equivalents and mutual funds are based on daily values (closing price on primary market) that are validated with a sufficient level of observable activity (i.e., purchases and sales).

- Corporate Equity Securities – Securities listed on national stock exchanges are valued at the last published sales price on the last business day of the year; over-the-counter securities for which no sale was reported on the last business day of the year are valued at the latest reported bid price from a published source.

- U.S. Government, Municipal, Corporate Debt, and Commercial mortgage-backed securities/asset-backed securities – Valued on the basis of the quoted market prices at year-end. If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings.

(in thousands)

- Futures – Valued on the basis of quoted market prices at year-end.
- Alternative Investments - Fair value of alternative investments are measured based on unobservable inputs that cannot be corroborated by observable market data. The Network accounts for these investments within its assets limited as to use and investments portfolios using the net asset value as a practical expedient and as such, these investments are excluded from the fair value hierarchy. The Network's alternative investments include holdings in common/collective trusts, limited partnerships and limited liability companies engaging in a variety of investment strategies. Alternative investments are valued utilizing a net asset value ("NAV") provided by the respective fund manager in accordance with ASC Topic 820. Such estimates do not reflect redemption fees as the Network does not intend to sell such investments before the expiration of the early redemption periods. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

Inventories and Supplies
Inventories and supplies are stated at lower of cost (determined on an average cost basis) or net realizable value and are included in other current assets on the consolidated balance sheets.

Property and Equipment
Property and equipment are recorded at cost. The Network determines depreciation using the straight-line method, over the estimated useful life of each class of depreciable asset, subject to changes in circumstances to the estimated useful life of the asset. Estimated lives range from 3 to 20 years for equipment and up to 40 years for buildings.

Finance leases are recorded at their present value at the inception of the lease. Property and equipment under finance leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations. Gains and losses resulting from the retirement of property and equipment are included in the results of current operations.

Gifts of long-lived assets such as property and equipment are determined at their fair value at the date of the gift and reported as an increase to net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Right-of-Use Assets and Lease Liabilities
Under ASU 2016-02, Leases (Topic 842) lessees are required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that

(in thousands)

represents the lessee's right to use, or control the use of, a specified asset for the lease term. Leases are classified as either operating or finance. Operating leases result in straight-line expense in the statement of operations (similar to previous operating leases), while finance leases result in more expense being recognized in the earlier years of the lease term (similar to previous capital leases).

Long-Lived Assets and Goodwill

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell.

The Network amortizes goodwill on a straight-line basis and tests for impairment when a triggering event occurs that indicates that the fair value of the reporting unit may be below its carrying amount. For the year ended December 31, 2023 and 2022, the Network recorded $9,363 and $12,006, respectively, in amortization of goodwill and intangibles within depreciation and amortization in the consolidated statements of operations.

Deferred Financing Costs

Deferred financing costs include legal, financing, and placement fees associated with the issuance of long-term debt and are presented net of the related long-term debt issuances. These costs are amortized using the effective interest method over the period the related obligations are outstanding.

Professional, General and Workers Compensation Liabilities

The Network's policy is to accrue an estimate of the ultimate cost of malpractice and workers compensation claims covered through either its wholly owned captive insurance companies or insurance policies with third party insurers. These accrued liabilities are included in other liabilities in the accompanying consolidated balance sheets. The Network also records an estimate for insurance recoveries associated with these claims, which is recorded in other assets in the consolidated balance sheets.

Net Assets

Net assets without donor restrictions are derived from gifts that are not subject to explicit donor-imposed restrictions. Resources arising from the results of operations or assets set aside by the Board of Trustees are classified as without donor restrictions for external reporting purposes. Included in net assets without donor restrictions are board-designated endowment funds residing for HMHF and HMHHC of $86,275 and $86,305 at December 31, 2023 and 2022, respectively. In addition, $137,905 and $132,506 at December 31, 2023 and 2022, respectively, are included in the net assets without donor restrictions as board-designated endowment funds for SOM.

Net assets with donor restrictions are those funds whose use has been limited by donors to a specified time period and/or purpose. Net assets are available for the funding of healthcare services, capital acquisitions, and other programs within the Network. Certain donor restrictions are perpetual in nature and the income from those funds is expendable to support various programs within the Network.

(in thousands)

Net assets with donor restrictions are available for the following purposes at December 31, 2023 and 2022:

	2023	2022
Healthcare services	$ 142,441	$ 115,480
Investments held in perpetuity	77,737	74,089
Equipment	81,838	51,564
Research	53,247	51,245
Scholarships	20,392	20,219
Other	19,804	16,296
Total net assets with donor restrictions	$ 395,459	$ 328,893

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as the cost basis. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Net assets released from restrictions for capital acquisitions are excluded from excess of revenues over expenses within the consolidated statements of operations. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as net assets without donor restrictions.

Consistent with regulatory requirements, the respective Boards of the Foundations described in Note 1, require the preservation of the fair value of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Foundations classify net assets with donor restrictions as (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net Patient Service Revenue and Patient Accounts Receivable
Net patient service revenue is reported at the amount that reflects the consideration to which the Network expects to be entitled in exchange for providing patient care. These amounts are net of appropriate discounts to give recognition to differences between the Network's charges and reimbursement rates from third party payors. The Network is reimbursed from third party payors under various methodologies based on the level of care provided. Certain net revenues received are subject to audit and retroactive adjustment for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Network bills patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

The Network determines performance obligations based on the nature of the services provided. The Network recognizes revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. Performance obligations satisfied relate to patients registered to receive either or both an inpatient or outpatient service. For inpatient

(in thousands)

services, the Network measures performance obligations from time of admission to the point when there are no further services required for the patient, which is generally the time of discharge. For outpatient services, performance obligations are satisfied at a point in time, generally when: (1) services are provided; and (2) we do not believe the patient requires additional services.

Because the Network's patient service performance obligations relate to contracts with a duration of less than one year, the Network has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) Revenue from Contracts with Customers and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Network determines the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Network's policy, and implicit price concessions provided to uninsured patients. The Network determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Network determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

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

- Medicare - inpatient acute care services and most outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Select outpatient services are paid based on a Medicare fee-based schedule or cost-based reimbursement. The Network is reimbursed for cost reimbursable items, allowable bad debt, and graduate medical education at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Network. The Network's Medicare cost reports have been audited and finalized through December 31, 2019 except for 2010 for HUMC and RMC, 2011 for RMC, and 2019 for HUMC and Bayshore.

- Medicaid - inpatient acute care services rendered to Medicaid program beneficiaries are reimbursed under a prospective methodology in accordance with N.J.A.C. 10:52 sub-chapter 14. Outpatient services are paid based upon a cost reimbursement methodology and certain services are paid based on a Medicaid fee schedule. The Network's Medicaid cost reports have been audited and finalized by the Medicaid fiscal intermediary for all through December 31, 2020 except for 2007 through 2009 for HUMC. JSUMC has been audited and finalized by the Medicaid fiscal intermediary through December 31, 2021.

(in thousands)

- The Network has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per patient day, per case or procedure and discounts from established charges.

Generally, patients who are covered by third-party payors are responsible for related co-pays, co-insurance and deductibles, which vary in amount. The Network provides services to uninsured patients and offers uninsured patients a discount from standard charges. The Network estimates the transaction price for patients with co-pays, co-insurance and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under the Network's uninsured discount programs, the discount offered to certain uninsured patients is recognized as a contractual discount, which reduces net operating revenues at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual discounts recorded, are further reduced to their net realizable value at the time they are recorded through implicit price concessions based on historical collection trends for self-pay accounts and other factors that affect the estimation process. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of the change. The net amounts recorded, related to prior years and changes in estimates did not have a significant impact on the performance indicator for either of the years ended December 31, 2023 or 2022. For the years ended December 31, 2023 and 2022, the Network recorded $359,821 and $295,477 of implicit price concessions as a direct reduction of net patient service revenues.

The components of net patient service revenue for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Gross charges	$ 27,656,421	$ 24,152,961
Contractual discounts and implicit price concessions	(20,525,752)	(17,878,916)
Change in estimate of prior year's net patient service revenue	44,078	11,290
Charity care subsidy	4,446	11,408
Hospital relief subsidy	23,248	22,352
	$ 7,202,441	$ 6,319,095

(in thousands)

The mix of patient service revenue, net of contractual discounts and implicit price concessions from patients and third-party payors for the years ended December 31, 2023 and 2022 is as follows:

Net Patient Service Revenue	**2023**	**2022**
Medicare, including Managed Medicare	29 %	31 %
Medicaid, including Managed Medicaid	9	9
NJ Blue Cross	25	26
Other third party payors	36	33
Self pay	1	1
	100 %	100 %

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation for which action for noncompliance includes fines, penalties and exclusion from the Medicare and Medicaid programs. The Network believes that they are currently in compliance with all applicable laws and regulations. The Network has established a Corporate Compliance Program to monitor compliance with various regulations.

Other Revenue
The Network recognizes other revenue, which is not related to patient medical care but is central to the day-to-day operations of the Network. Other revenue primarily includes grant revenue, including CARES Act and FEMA funding, tuition revenue and other support service revenue.

Performance Indicator
The consolidated statements of operations include excess (deficit) of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from excess (deficit) of revenues over expenses, consistent with industry practice, include gain (loss) on discontinued operations, noncontrolling interest attributable to acquisitions, distributions to noncontrolling interests, non-service pension cost related adjustments, net assets released from restriction for capital acquisitions and other changes.

The Network differentiates its core operating activities through the use of excess of revenues over expenses before other operating adjustments as an intermediate measure of operations. For the purposes of display, investment income, contribution revenue without donor restrictions, loss on extinguishment of debt and certain other transactions, which management does not consider being components of the Network's core operating activities, are reported as other operating adjustments in the consolidated statements of operations. Certain investment income is reported within other revenue in the statements of operations as it is utilized as a direct offset for specific programmatic expenses.

Authoritative Pronouncements, Adopted
In March 2020, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848) which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform due to the discontinuation of the London Interbank Offered Rate ("LIBOR"). The amendments apply to contracts, hedges and other transactions affected by reference rate reform due to reference to LIBOR or another reference rate expected to be discontinued. The Network adopted this standard in 2022, and as of February 1, 2023, the remaining LIBOR debt arrangement was converted to a short-term bank yield interest rate.

(in thousands)

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. The ASU improves financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU is effective for fiscal years beginning after December 15, 2022. The Network adopted this standard in 2023 and noted there is no material impact to the Network's consolidated financial statements.

Reclassifications

Certain previously reported amounts in the 2022 consolidated financial statements have been reclassified in order to conform to 2023 presentation.

4. Charity and Uncompensated Care

The Network provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services without charge or at amounts less than its established rates. The Network maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished. The Network receives partial reimbursement for the uncompensated care provided. Of the Network's total consolidated operating expenses reported, estimated costs of $115,583 and $107,360 for the years ended December 31, 2023 and 2022, respectively, are attributable to providing services to charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Network's total operating expenses, divided by gross patient service revenue.

(in thousands)

5. Assets Limited as to Use and Investments

The following tables provide a summary of the Network's assets limited as to use and investments that are measured at fair value on a recurring basis at December 31, 2023 and 2022:

	2023		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Total**
Under board of trustees designation			
Cash and cash equivalents	$ 271,318	$ -	$ 271,318
Mutual funds	765,092	-	765,092
Corporate equity securities	2,901	-	2,901
Exchange traded securities	798,487	-	798,487
Commercial mortgage-backed securities/asset-backed securities	-	33,905	33,905
Corporate debt securities	-	211,954	211,954
U.S. government obligations	-	157,166	157,166
	1,837,798	403,025	2,240,823
Accrued interest			1,430
Alternative investments: common/collective trusts			396,998
Alternative investments: hedge funds and other private investments			1,942,949
Total under Board of Trustees designation			4,582,200
Under donor designation			
Cash and cash equivalents	1,552	-	1,552
Mutual funds	2,858	-	2,858
Total under donor designation	4,410	-	4,410
Under bond indenture agreements held by trustee			
Cash and cash equivalents	45,870	-	45,870
Total under bond indenture agreements held by trustee	$ 45,870	$ -	45,870
Total assets limited as to use and investments			$ 4,632,480

(in thousands)

	2022		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Under board of trustees designation			
Cash and cash equivalents	$ 165,936	$ -	$ 165,936
Mutual funds	1,049,702	-	1,049,702
Corporate equity securities	4,328	-	4,328
Exchange traded securities	804,851	-	804,851
Commercial mortgage-backed securities/asset-backed securities	-	31,911	31,911
Corporate debt securities	-	188,654	188,654
U.S. government obligations	-	156,855	156,855
	2,024,817	377,420	2,402,237
Accrued interest			895
Alternative investments: common/collective trusts			380,784
Alternative investments: hedge funds and other private investments			1,306,295
Total under Board of Trustees designation			4,090,211
Under donor designation			
Cash and cash equivalents	1,337	-	1,337
Mutual funds	2,514	-	2,514
Total under donor designation	3,851	-	3,851
Under bond indenture agreements held by trustee			
Cash and cash equivalents	28,287	-	28,287
Total under bond indenture agreements held by trustee	$ 28,287	$ -	28,287
Total assets limited as to use and investments			$ 4,122,349

Alternative investments are excluded from the fair value hierarchy table as they are valued using NAV as a practical expedient.

(in thousands)

The following tables represent the Network's investments measured at NAV as a practical expedient and the respective liquidity terms as of December 31, 2023 and 2022:

	2023	
	Redeemable Alternative Investments	
Redemption Frequency	**Fair Value**	**Redemption Notice Period**
Less than one month	$ 914,089	varies from 2 - 10 days
One to three months	405,479	varies from 3 - 10 days
Three to six months	344,687	varies from 5 - 90 days
Six to twelve months	239,742	varies from 5 - 90 days
One to two years	205,487	varies from 5 - 90 days
Two to three years	75,767	varies from 5 - 90 days
Three to four years	53,634	varies from 5 - 90 days
Illiquid	19,792	restricted redemption
	$ 2,258,677	

	Non Redeemable Alternative Investments	
Remaining Life	**Fair Value**	**Unfunded Commitment**
Less than one year	$ 3,137	$ 2,998
One to five years	8,885	1,926
Five to ten years	63,721	133,131
Ten to fifteen years	5,527	13,904
	$ 81,270	$ 151,959

	2022	
	Redeemable Alternative Investments	
Redemption Frequency	**Fair Value**	**Redemption Notice Period**
Less than one month	$ 666,389	varies from 2 - 10 days
One to three months	331,095	varies from 3 - 10 days
Three to six months	139,789	varies from 5 - 90 days
Six to twelve months	204,464	varies from 5 - 90 days
One to two years	122,172	varies from 5 - 90 days
Two to three years	126,651	varies from 5 - 90 days
Three to four years	27,609	varies from 5 - 90 days
	$ 1,618,169	

	Non Redeemable Alternative Investments	
Remaining Life	**Fair Value**	**Unfunded Commitment**
Less than one year	$ 2,909	$ 3,467
One to five years	19,678	20,000
Five to ten years	46,323	162,869
	$ 68,910	$ 186,336

(in thousands)

Assets limited as to use and investments are reported on the consolidated balance sheets at December 31, 2023 and 2022 as follows:

	2023	2022
Assets limited as to use and investments, current portion	$ 1,186,261	$ 1,309,005
Assets limited as to use and investments, noncurrent portion	3,446,219	2,813,344
	$ 4,632,480	$ 4,122,349

Assets under bond indenture agreements held by trustees are maintained in the following accounts at December 31, 2023 and 2022:

	2023	2022
Debt service fund, principal	$ 18,061	$ 593
Debt service fund, interest	26,328	26,280
Debt service reserve fund	1,481	1,414
Total assets under bond indenture agreements	$ 45,870	$ 28,287

Investment income consists of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividend income	$ 74,251	$ 79,280
Realized and unrealized gain (loss) on investments	444,428	(669,996)
Investment management fees and other	(6,856)	(6,773)
	$ 511,823	$ (597,489)

As of December 31, 2023 and 2022, $11,835 and $5,866, respectively, of investment income is recorded in other revenue in the consolidated statements of operations.

(in thousands)

6. Liquidity and Availability of Resources

The Network's financial assets and resources available to meet the cash needs for general expenditures within one year of the date of the consolidated balance sheets were as follows:

	2023	2022
Financial assets		
Cash and cash equivalents	$ 239,756	$ 221,189
Patient accounts receivable, net	891,498	756,330
Pledges receivable, net	50,488	38,680
Assets limited as to use and investments under board of trustees designation	4,149,387	3,747,778
Total financial assets available within one year	5,331,129	4,763,977
Liquidity resources		
Bank lines of credit (undrawn)	283,990	109,724
Total financial assets and resources available within one year	$ 5,615,119	$ 4,873,701

As part of the Network's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Assets limited as to use and investments in the table above are all under Board of Trustees designation. These assets could be used for general expenditures but would require approval from the Board of Trustees. These assets exclude alternative investments with lock-up provisions greater than one year of $432,813 and $342,433 as of December 31, 2023 and 2022, respectively (see Note 5 for disclosures about investments).

7. Property and Equipment

Property and equipment, including assets held under finance lease obligations, consist of the following at December 31, 2023 and 2022:

	2023	2022
Land	$ 131,822	$ 133,731
Land improvements	41,740	35,692
Buildings and fixed equipment	3,696,780	3,216,014
Major movable equipment	1,960,183	1,985,467
	5,830,525	5,370,904
Accumulated depreciation and amortization	(2,457,977)	(2,622,401)
Construction-in-progress	104,177	660,216
Property and equipment, net	$ 3,476,725	$ 3,408,719

Depreciation expense for the years ended December 31, 2023 and 2022 was $281,805 and $252,579, respectively.

(in thousands)

8. Long-Term Debt and Finance Lease Obligations

The Network has various bond issues outstanding, primarily issued through the New Jersey Health Care Facilities Financing Authority (the "Authority"), as well as various bank loans, mortgages and finance lease obligations. During 2017, the Network established one legally obligated group for certain borrowings with the Authority and other lenders. This obligated group is represented by Hackensack Meridian Health and HMHHC ("Obligated Group"). The Obligated Group is subject to the covenants of the Master Trust Indenture with the Authority.

Long-term debt and finance lease obligations consist of the following at December 31, 2023 and 2022:

	2023	2022
Revenue Bonds		
Series 2020, 2.675%, due September 1, 2041	$ 500,000	$ 500,000
Series 2020, 2.875%, due September 1, 2050	500,000	500,000
Series 2018, 4.211%, due July 1, 2048	300,000	300,000
Series 2017, 4.5%, due July 1, 2057	300,000	300,000
Series 2016A, 4.98% and 3.97% at December 31, 2023 and 2022, respectively, due June 1, 2038	108,129	115,580
Series 2015A, 2.5%, due November 1, 2045	94,973	99,306
Refunding Bonds		
Series 2017A, 2.5% to 5.0%, which mature annually from July 1 ,2020 through July 1, 2040	426,635	443,490
Series 2017A, 4.0% to 5.25%, which mature annually from July 1, 2043 through July 1, 2057	98,920	98,920
Series 2013A, 2.0% and 5.0%, in varying maturities through July 1, 2032	18,101	19,220
Bank Loans		
Series 2020, 2.50%, a term of 180 months with a 15-year amortization and a fixed monthly payment of $794; commencing April 1, 2020 and ending April 1, 2035	182,892	187,720
Series 2016, 2.59%, a term of 300 months with a 25-year amortization and a fixed monthly payment of $92; commencing July 28, 2016 and ending August 1, 2041	15,658	16,346
Series 2015A (tax exempt), 2.38%, a term of 300 months with a 25-year amortization, and a fixed monthly payment of $372; commencing August 12, 2015 and ending July 12, 2040	61,291	64,252
Series 2015B, 3.31%, a term of 120 months with a 10-year amortization, and a fixed monthly payment of $177; commencing August 12, 2015 and ending August 1, 2025	27,149	28,346
Series 2022 A-1; a term of 12 years commencing April 1, 2022 and ending March 31, 2034; annual principal payments and interest at a fixed floating rate of 5.95% and 4.52% at December 31, 2023 and 2022, respectively	100,640	104,790
Series 2022 A-2; a term of 5 years commencing August 1, 2022 and ending July 1, 2027; annual prinicpal payments and interest at a fixed floating rate of 5.88% and 4.46% at December 31, 2023 and 2022, respectively	58,298	68,830
Other		
Township of Clifton Redevelopment Area Bonds	903	924
Township of Nutley Redevelopment Area Bonds	903	924
Series 2019 Capital Asset Loan, 0.00% and 3.44% at December 31, 2023 and 2022, respectively	9,643	13,500
Various commercial mortgages with fixed interest rates ranging from 3.625% to 4.75%	2,823	13,060
Line of credit; with a floating interest rate of 4.95% at December 31, 2022, due March 29, 2024	-	100,000
Other long-term borrowings	24,409	15,118
Total long-term debt	2,831,367	2,990,326
Finance lease obligations		
Lease obligations and other obligations with interest rates ranging from 4.00% to 4.07%	136,162	140,225
Total finance lease obligations	136,162	140,225
Total long-term debt and finance lease obligations	2,967,529	3,130,551
Original issue premium, net	37,376	40,407
Deferred financing costs, net of accumulated amortization	(13,436)	(13,982)
Current portion	(61,849)	(159,849)
Long-term debt and finance lease obligations, net of current portion	$ 2,929,620	$ 2,997,127

(in thousands)

On April 1, 2022 the Network closed on Series 2022 A-1 and Series 2022 A-2 taxable bank loans in the amounts of $108,785 and $68,830, respectively. These financings were used to refinance various revenue and refunding bonds. Interest is paid monthly at a floating rate with a fixed spread. The interest rate was 5.95% and 5.88%, respectively, as of December 31, 2023 and 4.52% and 4.46%, respectively, as of December 31, 2022.

The Network is compliant with any required covenants related to outstanding debt as of December 31, 2023 and 2022.

The future principal payments on long-term debt and payments on finance lease obligations are as follows:

	Long-Term Debt	Finance Lease Obligations	Total
2024	$ 57,497	$ 7,650	$ 65,147
2025	146,370	7,842	154,212
2026	59,927	8,038	67,965
2027	60,039	8,239	68,278
2028	46,446	8,444	54,890
Thereafter	2,461,088	134,202	2,595,290
	2,831,367	174,415	3,005,782
Amounts representing interest on finance lease obligations	-	(38,253)	(38,253)
Total long-term debt and finance lease obligations	$ 2,831,367	$ 136,162	$ 2,967,529

9. Pension Plans, Postretirement Health Care and Postemployment

The Network sponsors a tax-qualified noncontributory defined benefit plan, the Consolidated Pension Plan of Hackensack Meridian Health (“Consolidated Plan”). The Consolidated Plan consists of seven legacy defined benefit plans that used to be maintained separately by BMC, Carrier, HUMC, JFK, Meridian Hospitals Corporation (“MHC”), PMC and RBMC. These plans have been merged into a single plan as of December 31, 2020.

As of December 31, 2021, the Consolidated Plan had become completely frozen to the remaining benefit accruals.

Certain participants of the legacy HUMC plan have also accrued benefits under a 457(f) deferred compensation plan (“HUMC SERP”) where benefit accruals were frozen as of December 31, 2010.

Pursuant to ASU 2018-14, the Network has disclosed the weighted average interest crediting rate (for JFK and Meridian legacy plans) and additional information for plans with Accumulated Benefit Obligation (“ABO”) or Projected Benefit Obligation (“PBO”) in excess of plan assets.

(in thousands)

The following table sets forth the funded status of the combined defined benefit pension plans for the years ended December 31, 2023 and 2022:

	2023	2022
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$ 1,567,463	$ 2,079,096
Interest cost	83,120	60,272
Actuarial loss (gain)	16,550	(475,429)
Benefits paid	(93,372)	(88,626)
Settlements	-	(7,850)
Net projected benefit obligation at end of year	1,573,761	1,567,463
Change in plan assets		
Fair value of plan assets at beginning of year	1,506,683	1,961,612
Actual return on plan assets	204,470	(366,315)
Employer contributions	315	7,862
Benefits paid	(93,372)	(88,626)
Settlements	-	(7,850)
Fair value of plan assets at end of year	1,618,096	1,506,683
Funded status at end of year	**44,335**	**(60,780)**
Accumulated benefit obligation, end of year	$ 1,573,761	$ 1,567,463
Amounts recognized in the consolidated balance sheets consist of		
Current liability (included in accounts payable and accrued expenses)	$ 3,765	$ 3,442
Accrued pension benefits	8,785	57,338
Other assets (net qualified pension assets)	(56,885)	-
Total accrued pension (asset) liability	$ (44,335)	$ 60,780
Amounts recognized in net assets without donor restrictions not yet captured within net periodic benefit costs consist of		
Net loss	$ 307,200	$ 403,622
	$ 307,200	$ 403,622
Amounts in net assets without donor restrictions expected to be recognized in the following fiscal year's net periodic benefit cost		
Net loss	$ 6,281	$ 9,804
	$ 6,281	$ 9,804
Additional information for plans with projected benefit obligations in excess of plan assets		
Projected benefit obligation	$ 1,573,761	$ 1,567,463
Fair value of plan assets	1,618,096	1,506,683

(in thousands)

At December 31, 2023 and 2022, the respective plans utilized discount rates as described below for the determination of the benefit obligations and the net periodic benefit cost. The discount rate was derived using the bond matching method and determined with an analysis of bonds available with an "AA-" or better rating rated by S&P or Moody's. A hypothetical bond portfolio was constructed to match the expected monthly benefit payments under the plans.

	2023	2022
Weighted-average assumptions used to determine benefit obligations		
Discount rate	5.46 %	5.50 %
Interest crediting rate	4.00	4.00
Weighted average assumptions used to determine net periodic benefit cost		
Discount rate	5.50 %	2.98 %
Expected return on plan assets	6.97	5.96
Rate of compensation increase	N/A	N/A
Interest crediting rate	4.00	3.80

The net periodic pension cost and pension-related adjustments included the following components for the years ended December 31, 2023 and 2022:

	2023	2022
Net periodic benefit cost		
Interest cost	$ 83,120	$ 60,272
Expected return on assets	(101,301)	(113,737)
Settlement loss	-	3,292
Actuarial gain	9,804	8,216
Net periodic benefit cost	(8,377)	(41,957)
Pension-related adjustments		
Net actuarial gain	(96,423)	(6,887)
Total pension-related adjustments	(96,423)	(6,887)
Total net periodic benefit cost and pension-related adjustments	$ (104,800)	$ (48,844)

Pursuant to ASU 2017-07, only the service cost of the net periodic pension cost is included in employee benefits in the consolidated statements of operations. The other components of net periodic benefit cost represent gains of $8,377 and $41,957 for the years ended December 31, 2023 and 2022, respectively, and are included in other gains, net in the consolidated statements of operations.

Funding Policy

The Network's funding policy for the Consolidated Plan is to contribute annually an amount at least as much as the minimum amount required by the Employee Retirement Income Security Act of

(in thousands)

1974 (ERISA), plus additional amounts, which may be approved by the Board or delegated committees and management from time to time.

Investment Policy

The pension investment portfolio is managed by a dedicated internal investment office with oversight from the Investment Committee of the Board of Trustees. As such, the investment policy and strategy is to provide for growth of capital with a moderate level of volatility by investing in assets based on the Consolidated Plan's target allocations. The expected long-term rate of return assumption is based on forward-looking return forecasts for specific modeled asset classes. The long-term forecasts are based on an analysis of long-cycle historical data as well as the simulated future return data derived from their longer-term capital market expectations. The target allocations are expected to achieve a long-term rate of return of 7.01% for the plan.

The strategic asset allocations of the pension plan assets are as follows:

	2023	2022
Public equity	47 %	44 %
Credit (including private)	10	10
Real assets	4	4
Hedge funds	11	10
Treasury / investment grade credit	27	31
Cash	1	1
	100 %	100 %

(in thousands)

Fair Value Measurements
The following table sets forth by level, within the fair value hierarchy, the Consolidated Plan's investments at fair value as of December 31, 2023 and 2022:

	2023		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and cash equivalents	$ 32,771	$ -	$ 32,771
Exchange traded securities	206,613	-	206,613
Corporate debt securities	-	138,874	138,874
US Government and municipal securities	-	97,510	97,510
Mutual funds	220,569	-	220,569
Total assets at fair value	$ 459,953	$ 236,384	696,337
Common collective trusts measured at net asset value			286,193
Alternative investments measured at net asset value			635,566
			$ 1,618,096

	2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and cash equivalents	$ 43,646	$ -	$ 43,646
Exchange traded securities	197,665	-	197,665
Corporate debt securities	-	118,333	118,333
US Government and municipal securities	-	87,285	87,285
Mutual funds	348,842	-	348,842
Total assets at fair value	$ 590,153	$ 205,618	795,771
Common collective trusts measured at net asset value			331,783
Alternative investments measured at net asset value			379,129
			$ 1,506,683

Refer to footnote 3 for further disclosure regarding the manner in which fair value of plan assets has been determined.

(in thousands)

Common/collective trusts and alternative investments in the Plans' investments are excluded from the fair value hierarchy table as they are valued using NAV as a practical expedient.

At December 31, 2023 and 2022, the Network's remaining outstanding funding commitments to alternative investments were $29,108 and $21,180, respectively.

Contributions

After the use of credit balances, the Network is not required to make a contribution to the Consolidated Plan in 2023.

Estimated Future Benefit Payments

The following benefit payments which reflect future service as appropriate are expected to be paid:

	Pension Benefits
2024	$ 116,616
2025	116,531
2026	114,316
2027	117,667
2028	121,074
2029–2033	579,438

Defined Contribution Plans

As of December 31, 2023, the Network sponsors one 401(k) savings plan where all eligible employees of the Network are contributing and receiving matching contributions. Previously, the Network team members participated in four different 401(k) savings plans, all of which were merged into a single plan at various dates throughout 2023. In addition, there are two legacy frozen defined contribution plans, the Consolidated Defined Contribution Plan of HMH and the Consolidated 403(b) Plan of HMH. Total matching contributions to the defined contribution plans for the years ended December 31, 2023 and 2022 were $86,702 and $78,387, respectively.

Other Benefit Plans

Certain employees of the Network participate in various postemployment benefit plans. In connection with these plans, the Network funds the expenses as incurred.

Certain employees of the Network participate in various deferred compensation plans established pursuant to Sections 457(b) and 457(f) of the Code. For 457(b) plans, the Network deposits amounts with trustees on behalf of the participating employees. Under the terms of these plans, the Network is not responsible for investment gains or losses incurred. The assets set aside are designated for payments under the plans but may revert to the Network under certain specified circumstances. The participating employees will receive the account balance at retirement. Therefore, at December 31, 2023 and 2022, amounts on deposit with the trustees (at fair value) were equal to the liability under the 457(b) plans. For 457(f) plans, the Network funds benefit payments and expenses as incurred.

The Network has recognized liabilities, in connection with a self-insured medical and dental plan for its employees of $19,101 and $18,491 at December 31, 2023 and 2022, respectively. This liability is included in accounts payable and accrued expenses on the consolidated balance sheets.

(in thousands)

10. Leases

The Network has operating leases primarily for real estate, including medical office buildings, corporate and other administrative offices, as well as medical and office equipment. Lease expense for operating lease payments is recognized on a straight-line basis over the term of the lease. Operating lease assets and liabilities are recognized based on the present value of lease payments over the lease term. Since the Network's leases do not have a readily determinable implicit discount rate, the Network uses its incremental borrowing rate to calculate the present value of lease payments. As a practical expedient, the Network has made an accounting policy election for all asset classes not to separate lease components from nonlease components in the event that the agreement contains both. The Network includes both the lease and nonlease components for purposes of calculating the right-of-use asset and related lease liability (if the nonlease components are fixed). For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the right-to-use asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The Network's policy for equipment leases with future minimum lease payments totaling less than $50 is to expense as paid as they are immaterial.

The table below presents certain information related to the lease costs for finance and operating leases:

	2023	2022
Lease cost		
Finance lease cost		
Amortization of leased assets	$ 4,772	$ 4,818
Interest on lease liabilities	3,401	3,499
Total finance lease cost	8,173	8,317
Operating lease cost	48,559	43,985
Short-term and variable lease costs, net of sublease income	33,515	24,496
Total operating lease cost	82,074	68,481
Total lease cost	$ 90,247	$ 76,798

(in thousands)

Supplemental consolidated balance sheet information related to operating and finance leases at December 31, 2023 and 2022 is as follows:

Classification on the Consolidated Balance Sheet		**2023**	**2022**
Assets			
Operating lease assets	Operating lease right-of-use assets	$ 351,619	$ 266,545
Finance lease assets	Property and equipment, net	85,901	90,742
Total lease assets		$ 437,520	$ 357,287
Liabilities			
Current			
Operating	Current portion of operating lease obligations	$ 41,674	$ 37,889
Finance	Current maturities of long-term debt and finance lease obligations	4,353	4,063
Noncurrent			
Operating	Long-term operating lease obligations	320,815	237,632
Finance	Long-term debt and finance lease obligations, less current maturities	131,809	136,162
Total lease liabilities		$ 498,651	$ 415,746
Weighted-average remaining lease term (in years)			
Operating leases		14	11
Finance leases		18	19
Weighted-average discount rate			
Operating leases		4.15 %	3.69 %
Finance leases		4.07	4.07

The table below presents supplemental cash flow information related to leases:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 53,160	$ 44,924
Operating cash flows for finance leases	7,175	7,038

Future minimum lease payments under operating leases at December 31, 2023 is as follows:

2024	$ 55,237
2025	53,283
2026	50,695
2027	45,272
2028	37,601
Thereafter	245,966
Total minimum lease payments	488,054
Less: Imputed interest	(125,565)
Total lease liabilities	$ 362,489

11. Functional Expenses

The Network provides general health care services and programs. Expenses that can be identified with a specific program are charged directly. Other expenses that are common to program and management services are allocated by various statistical bases.

(in thousands)

Expenses related to providing these services consist of the following:

	2023			2022		
	Program Services	Management Services	Total	Program Services	Management Services	Total
Salaries and contracted labor	$ 2,148,431	$ 782,911	$ 2,931,342	$ 2,140,645	$ 606,050	$ 2,746,695
Physician salaries and fees	567,523	83,097	650,620	463,642	68,198	531,840
Employee benefits	471,181	191,526	662,707	463,961	102,086	566,047
Supplies and other	2,008,422	938,835	2,947,257	1,811,524	740,408	2,551,932
Depreciation and amortization	196,946	99,264	296,210	188,569	80,665	269,234
Interest	68,625	37,220	105,845	57,416	27,125	84,541
Total expenses	5,461,128	2,132,853	7,593,981	5,125,757	1,624,532	6,750,289
Other components of net periodic benefit cost	(8,377)	-	(8,377)	(41,957)	-	(41,957)
	$ 5,452,751	$ 2,132,853	$ 7,585,604	$ 5,083,800	$ 1,624,532	$ 6,708,332

12. Commitments and Contingencies

Lines of Credit

The Network had available lines of credit totaling $300,000 and $225,000 at December 31, 2023 and 2022, respectively. As of March 2024, these lines have been extended to $500,000. The Network had standby letters of credit totaling $16,010 and $15,276 at December 31, 2023 and 2022, ear-marked against these lines as collateral for certain insurance policies at HMHHC. As of December 31, 2023 and 2022, $283,990 and $109,724, respectively, were available for cash demands. The initial establishment of lines of credit require Board of Trustee approvals.

Litigation

Various suits, investigations and claims arising in the normal course of operations are pending or are on appeal against the Network. Such suits and claims are either specifically covered by insurance or are not material. While the outcome of these suits cannot be determined with certainty at this time, management believes that any loss which may arise from those suits and claims will not have a material adverse effect on the consolidated balance sheets or consolidated results of operations of the Network.

13. Professional and General Liability Insurance

The Network maintains alternative risk finance programs for its facilities via wholly owned Bermuda domiciled captive insurance companies. Additionally, certain risks are covered through third party insurance policies.

(in thousands)

The Network's consolidated balance sheets include the following estimated liabilities included in other liabilities for hospital professional liability ("HPL"), employed (physician) provider professional liability ("EPPL") general liability ("GL") and workers compensation ("WC"):

Type of Coverage	Nature of Claims	2023	2022
HMHCCL insurance liabilities	HPL, GL, EPPL and WC	$ 130,749	$ 123,702
Third party insured liabilities	WC	9,279	12,554
Incurred but not reported	HPL, GL and WC	86,753	81,446
		$ 226,781	$ 217,702

Additionally, the Network has recorded estimated insurance recoveries totaling $18,634 and $19,868 at December 31, 2023 and 2022, which is included in other assets on the consolidated balance sheets, respectively. The total represents estimated recoveries from the captives' reinsurance policies as well as third party insurance policies.

Captive Insurance Companies
As of January 1, 2021, HMHCCL provided funding for HPL and GL exposures of $4,000 for each incident for the Network. The HPL coverage on this program responds to claims and suits on a claims-made basis and the GL responds to claims and suits on an occurrence basis.

Reinsurance and Excess Coverage
For the years ended December 31, 2023 and 2022, HMHCCL purchased annual reinsurance policies in the amount of $100,000, per claim subject to an annual aggregate of $100,000, in excess of HMHCCL's primary and first excess layer.

Self-Insured Workers Compensation
The Network maintained a self-insured workers compensation program for the years ended December 31, 2023 and 2022. The Network has recorded an estimated liability for claims incurred but not yet reported on the consolidated balance sheets as of December 31, 2023 and 2022 of $42,961 and $40,634, respectively. Excess workers compensation coverage is purchased in the commercial marketplace in excess of $750 per claim. In addition, the captive excess coverage includes excess employers' liability insurance over and above that provided under the excess workers compensation coverage.

(in thousands)

14. Concentration of Credit Risk

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

Concentrations of net accounts receivable from patients and third party payors were as follows:

	2023	2022
Medicare and Medicaid	37 %	41 %
Managed Care and Commercial	50	47
Other third party payors	13	12
	100 %	100 %

15. Energy-as-a-Service Transaction

During 2023, the Network entered into an energy-as-a-service agreement in which an unrelated third party purchased the rights to operate the Network's chilled water infrastructure and utilize any excess chilled water capacity generated at HUMC over a 30-year contract period. In consideration for these rights, the Network received $84,675 in November 2023 which has been recorded as a contract liability in other liabilities and will be amortized on a straight-line basis over the contract period.

In addition, the Network entered into a separate 30-year agreement with the same third party to build and operate solar arrays and battery storage (“clean energy equipment”) at the Network’s hospital sites. The total project cost is anticipated to be $134,287, of which the Network advanced $84,675 to the third party in November 2023 for the design and build of the clean energy equipment, anticipated to be completed over the next four years. The Network has recorded this advance within other assets on the consolidated balance sheet and will reclassify the asset to property and equipment as the assets are placed in service. The total project cost is expected to be supplemented by direct Federal investment tax credits provided under the Inflation Reduction Act of 2022 for which the Network will submit claims as the assets are placed in service.

The third party also guaranteed a reduction in the Network’s energy consumption and, as such, provided the Network with a financial guarantee ranging from $12,000 to $17,000 annually throughout the term of the agreement. These annual expense reductions are anticipated to be offset by certain costs the Network will incur each year for operational management services performed by the third party over the clean energy equipment, the chilled water equipment and combined heat and power equipment at three of the Network's hospital sites.

16. Discontinued Operations

During 2021, the Network entered into a Purchase and Sale agreement and letters of intent relating to the sale of its nursing homes and assisted living facilities included within HMAC. During 2023, the sale transactions were completed. There are various forms of continuing involvement for preferred provider relationships and pharmacy services.

The LTC portfolio sale included the following entities that were 100% wholly owned by the Network: Meridian Nursing and Rehabilitation at Brick, Meridian Nursing and Rehabilitation at Ocean Grove,

(in thousands)

Meridian Nursing and Rehabilitation at Shrewsbury, Meridian Subacute Rehabilitation, Bayshore Health Care Center, The Harborage, JFK at Cedar Brook, JFK Hartwyck at Oak Tree, Regent Care Center, The Willows at Holmdel, and JFK at Whispering Knoll. LTC portfolio closed on March 16, 2023 with the exception of Oak Tree which closed on March 31, 2023. The sale price related to the sale of the LTC portfolio was $220,835. The Network repaid its outstanding $100,000 balance on the line of credit with these proceeds on March 17, 2023.

The sale of Prospect Heights Care Center and West Caldwell Care Center ("JV Facilities"), of which the Network had 51% ownership, closed on September 28, 2023 and November 3, 2023, respectively. The sale price related to the JV facilities was $65,464.

The gain on sale of the LTC portfolio and JV Facilities of $95,119 is included in gain (loss) on discontinued operations in the consolidated statements of operations.

As of December 31, 2022, assets and liabilities of the two disposal groups were classified as held for sale within the consolidated balance sheets. The two disposal groups share incurred losses from operations for the years ended December 31, 2023 and 2022, respectively. These losses are included in gain (loss) on discontinued operations in the consolidated statements of operations of $51,255 and ($39,465). The sales result in the elimination of substantially all ownership in nursing homes and assisted living facilities.

The following table sets forth the components of discontinued operations:

	2023	2022
Net patient service revenue	$ 52,376	$ 161,787
Other revenue	99,604	40,284
Total unrestricted revenues and other support	151,980	202,071
Salaries and contracted labor	50,519	146,612
Employee benefits	8,437	28,842
Supplies and other expenses	40,225	64,098
Interest	1,544	1,984
Total expenses	100,725	241,536
Gain (loss) on discontinued operations	$ 51,255	$ (39,465)

(in thousands)

The following table provides the components of assets and liabilities held for sale:

		2022
Patient accounts receivable, net	$	16,609
Current assets held for sale		16,609
Property and equipment, net of accumulated depreciation and impairment loss of $91,899 in 2022[1]		145,294
Operating lease right-of-use assets		173
Other assets		6,538
Other assets held for sale		152,005
Total assets held for sale	$	168,614
Current maturities of long-term debt and finance lease obligations	$	558
Current portion of operating lease obligations		35
Current liabilities held for sale		593
Long-term debt and finance lease obligations[2]		30,544
Long-term operating lease obligations		152
Other liabilities held for sale		30,696
Total liabilities held for sale	$	31,289

[1] Property and equipment was predominately comprised of building and fixed equipment.

[2] Long-term debt was comprised of four commercial mortgages with fixed interest rates between 3.625% and 4.75%.

Cash flow activities from discontinued operations include:

		2023		2022
Gain on sale of discontinued operations	$	95,119	$	25,000
Capital expenditures		280		223
Repayment on long-term debt		273		531

17. Subsequent Events

The Network performed an evaluation of subsequent events through April 15, 2024, which is the date the consolidated financial statements are issued. There are no subsequent events identified except for those previously disclosed.

Consolidating Supplemental Schedule

Hackensack Meridian Health, Inc.
Consolidating Statement of Operations
Year Ended December 31, 2023

(in thousands)

	Hackensack University Medical Center	Palisades Medical Center	JFK University Medical Center	Bayshore Medical Center	Jersey Shore University Medical Center	Ocean University Medical Center	Old Bridge Medical Center	Raritan Bay Medical Center	Raritan Bay Long Term Acute Hospital	Riverview Medical Center	Southern Ocean Medical Center	Carrier Clinic	Other Affiliates	Total Before Eliminations	Eliminations	Total
Unrestricted revenues and other support																
Net patient service revenue	$ 2,418,021	$ 199,225	$ 775,126	$ 205,025	$ 1,290,241	$ 531,056	$ 155,710	$ 156,798	$ 3,458	$ 401,205	$ 250,630	$ 89,209	$ 757,273	$ 7,232,977	$ (30,536)	$ 7,202,441
Other revenue	125,523	2,763	24,173	976	30,769	7,544	1,218	3,937	-	5,634	2,464	578	438,384	643,963	(44,451)	599,512
Net (loss) gain on equity investments	25,303	-	1,995	-	-	-	-	366	-	-	-	-	(28,357)	(693)	(366)	(1,059)
Net assets released from restriction used for operating activities	9,865	49	1,749	314	5,709	986	62	272	-	1,532	220	124	3,487	24,369	-	24,369
Total unrestricted revenues and and other support	2,578,712	202,037	803,043	206,315	1,326,719	539,586	156,990	161,373	3,458	408,371	253,314	89,911	1,170,787	7,900,616	(75,353)	7,825,263
Expenses																
Salaries and contracted labor	857,978	93,322	365,224	84,014	486,190	218,900	56,541	79,570	4,570	153,449	86,446	60,040	388,284	2,934,528	(3,186)	2,931,342
Physician salaries and fees	41,579	11,275	8,725	3,659	37,733	25,188	3,535	6,506	54	9,537	6,775	5,607	490,447	650,620	-	650,620
Employee benefits	164,630	23,467	91,152	21,785	105,430	49,333	15,041	21,180	1,142	35,543	21,665	10,817	130,354	691,539	(28,832)	662,707
Supplies and other	1,282,008	71,138	380,674	68,190	594,716	211,378	49,079	62,666	2,289	155,585	100,940	13,403	(1,840)	2,990,226	(42,969)	2,947,257
Depreciation and amortization	104,017	6,189	33,052	8,904	52,769	20,081	4,840	6,218	545	15,913	8,298	4,405	30,979	296,210	-	296,210
Interest	46,928	2,398	7,363	3,581	21,448	7,012	2,388	2,448	-	4,715	2,829	-	4,735	105,845	-	105,845
Total expenses	2,497,140	207,789	886,190	190,133	1,298,286	531,892	131,424	178,588	8,600	374,742	226,953	94,272	1,042,959	7,668,968	(74,987)	7,593,981
Excess (Deficit) of revenues over expenses before other operating adjustments	$ 81,572	$ (5,752)	$ (83,147)	$ 16,182	$ 28,433	$ 7,694	$ 25,566	$ (17,215)	$ (5,142)	$ 33,629	$ 26,361	$ (4,361)	$ 127,828	$ 231,648	$ (366)	$ 231,282

The accompanying note is an integral part of the consolidating financial statements.

1. Basis of Presentation

The accompanying consolidating supplemental schedule ("consolidating schedule") has been prepared to satisfy reporting requirements for acute care hospitals operating in the State of New Jersey under regulation N.J.A.C. 8.96-1.1 et seq. The first twelve columns of the consolidating schedule include the operations of each individual acute care hospital within the Network. The thirteenth column includes the operations of all other affiliates, which represents the remaining subsidiaries described in Note 1 to the consolidated financial statements. The fifteenth column, "Eliminations," represents consolidating adjustments, including those related to the elimination of intercompany transactions and balances between the first thirteen columns. The last column, "Total," represents the total of the preceding columns and agrees to the consolidated financial statements of the Network.

Other than as described above, the consolidating schedule is prepared in accordance with accounting policies described in the accompanying notes to the consolidated financial statements. This schedule is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America as a result of the exclusion of all required disclosures and the consolidating schedule only has activity reported through Excess of Revenues over Expenses before Other Operating Adjustments. The consolidating schedule was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The consolidating schedule is presented for purposes of additional analysis of the consolidating financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies within the Network and is not a required part of the consolidated financial statements.