

Consolidated Financial Statements,
Supplementary Information and Report
of Independent Certified Public
Accountants

Virtua Health, Inc.

December 31, 2022 and 2021



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Virtua Health, Inc.

Opinion

We have audited the consolidated financial statements of Virtua Health, Inc., (“Virtua Health”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Virtua Health as of December 31, 2022 and 2021, and the results of its operations 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 audits of the consolidated financial statements 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Virtua Health and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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 Virtua Health’s ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's responsibilities for the audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Virtua Health'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 Virtua Health's ability to continue as a going concern for a reasonable period of time.

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

Supplementary information

The accompanying consolidating and combining information on pages 51 to 74 is presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such supplementary 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 information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania
April 28, 2023

Virtua Health, Inc.

CONSOLIDATED BALANCE SHEETS

December 31,
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 62,881	\$ 182,722
Assets limited as to use	23,956	22,641
Patient accounts receivable	230,379	245,165
Assets held for sale	-	11,600
Other current assets	115,932	89,048
	<hr/>	<hr/>
Total current assets	433,148	551,176
Assets limited as to use		
By Board of Trustees' designation	1,770,272	1,961,244
Insurance funds	37,314	41,326
Restricted funds	24,198	22,041
	<hr/>	<hr/>
	1,831,784	2,024,611
Property, plant, and equipment, net	1,038,479	1,060,442
Right of use assets	174,906	119,533
Other long-term assets		
Investment in unconsolidated joint ventures	206,834	214,141
Goodwill and other intangibles, net	404,232	254,838
Other assets	24,924	24,079
Beneficial interest in perpetual trust	7,826	9,812
	<hr/>	<hr/>
	643,816	502,870
	<hr/>	<hr/>
Total assets	<u>\$ 4,122,133</u>	<u>\$ 4,258,632</u>

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

Virtua Health, Inc.

CONSOLIDATED BALANCE SHEETS - CONTINUED

December 31,
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of long-term debt	\$ 49,627	\$ 48,110
Current maturities of lease liability	28,630	28,822
Accounts payable and accrued expenses	225,175	218,787
Accrued compensation and related liabilities	102,943	118,445
Accrued interest payable	3,625	3,605
Estimated settlements due to third-party payers	<u>16,926</u>	<u>137,116</u>
Total current liabilities	426,926	554,885
Long-term liabilities		
Estimated settlements due to third-party payers	17,929	19,328
Self-insurance liabilities	62,033	54,843
Accrued retirement benefits	15,641	18,813
Long-term debt, net of current maturities	655,509	705,243
Lease liability, net of current maturities	159,214	103,112
Other liabilities	<u>11,083</u>	<u>9,496</u>
Total liabilities	1,348,335	1,465,720
Net assets		
Without donor restrictions		
Virtua Health, Inc.	2,429,215	2,550,807
Noncontrolling interests	<u>309,661</u>	<u>207,420</u>
	2,738,876	2,758,227
With donor restrictions	<u>34,922</u>	<u>34,685</u>
Total net assets	<u>2,773,798</u>	<u>2,792,912</u>
Total liabilities and net assets	<u>\$ 4,122,133</u>	<u>\$ 4,258,632</u>

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

Virtua Health, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years ended December 31,
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions		
Revenue		
Patient service revenue	\$ 2,316,432	\$ 2,116,195
Other revenue	176,145	165,837
Equity in income of unconsolidated joint ventures	<u>68,932</u>	<u>79,003</u>
Total revenue	2,561,509	2,361,035
Expenses		
Salaries and wages	1,081,356	975,238
Professional fees	48,260	31,949
Employees' fringe benefits	216,128	206,082
Other operating expenses	889,152	804,637
Interest	17,835	16,942
Depreciation and amortization	<u>129,608</u>	<u>126,576</u>
Total expenses	<u>2,382,339</u>	<u>2,161,424</u>
Income from operations (includes \$71,933 in 2022 and \$58,423 in 2021 of income attributed to noncontrolling interests)	179,170	199,611
Nonoperating gains and losses		
Investment return, net	(270,539)	171,196
Gain on sale of assets, net	36,553	-
Other accrued retirement credit	<u>1,345</u>	<u>2,093</u>
Total nonoperating (losses) gains, net	<u>(232,641)</u>	<u>173,289</u>
(DEFICIENCY IN) EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES	(53,471)	372,900
Excess of revenue and gains over expenses and losses attributed to noncontrolling interests	<u>(71,933)</u>	<u>(58,423)</u>
(Deficiency in) excess of revenue and gains over expenses and losses attributed to Virtua Health, Inc.	(125,404)	314,477

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

Virtua Health, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - CONTINUED

Years ended December 31,
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>
(Deficiency in) excess of revenue and gains over expenses and losses attributed to Virtua Health, Inc.	\$ (125,404)	\$ 314,477
Other changes in net assets without donor restrictions - Virtua Health, Inc.		
Net assets released for property, plant, and equipment	393	2,373
Other changes in accrued retirement benefits	<u>3,419</u>	<u>10,535</u>
(Decrease) increase in net assets without donor restrictions - Virtua Health, Inc.	(121,592)	327,385
Noncontrolling interests		
Excess of revenues and gains over expenses and losses attributable to noncontrolling interests	71,933	58,423
Distributions	(32,985)	(26,579)
Membership interest changes	<u>63,293</u>	<u>72,836</u>
Increase in net assets without donor restrictions - noncontrolling interests	102,241	104,680
Net assets with donor restrictions		
Contributions, net	5,824	5,080
Investment return, net	(333)	276
(Decrease) increase in beneficial interest in perpetual trust	(1,986)	633
Net assets released from restrictions for operations	(2,875)	(2,286)
Net assets released from restrictions for property, plant, and equipment	<u>(393)</u>	<u>(2,373)</u>
Increase in net assets with donor restrictions	<u>237</u>	<u>1,330</u>
(DECREASE) INCREASE IN NET ASSETS	(19,114)	433,395
Net assets - beginning of year	<u>2,792,912</u>	<u>2,359,517</u>
Net assets - end of year	<u>\$ 2,773,798</u>	<u>\$ 2,792,912</u>

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

Virtua Health, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (19,114)	\$ 433,395
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Other changes in accrued retirement benefits	(3,419)	(10,535)
Gain on sale of assets, net	(36,553)	-
Gain on acquisitions	(52,054)	(49,047)
Equity in income of unconsolidated joint ventures	(68,932)	(79,003)
Distributions from unconsolidated joint ventures	70,399	76,660
Distributions to noncontrolling interests	32,985	26,579
Membership interest changes	(63,293)	(72,836)
Restricted contributions, including change in beneficial interest in perpetual trust	(3,838)	(5,713)
Depreciation and amortization	129,608	126,576
Amortization of premium and financing costs	(370)	(535)
Amortization of intangible assets	2,341	1,348
Net realized and unrealized losses (gains) on investments	266,337	(177,510)
Changes in certain assets and liabilities:		
Patient accounts receivable	16,425	(50,576)
Other assets	(24,418)	10,174
Right of use assets and lease liabilities, net	330	(427)
Accounts payable and accrued expenses	(8,637)	(9,347)
Accrued compensation and related liabilities	(15,503)	10,400
Accrued interest payable	20	(291)
Self-insurance liabilities	17,922	4,222
Other liabilities	(535)	(17,507)
Accrued retirement benefits	247	(1,309)
Estimated settlements due to third-party payers	(3,508)	30,910
	<u>236,440</u>	<u>245,628</u>
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(95,370)	(106,905)
Purchases of investments	(188,011)	(234,814)
Sales of investments	113,593	106,828
Investment in unconsolidated joint ventures	(466)	(393)
Cash paid for acquisitions, net	(35,173)	(22,134)
Proceeds from the sale of assets	50,626	-
	<u>(154,801)</u>	<u>(257,418)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(53,259)	(46,613)
Estimated settlements due to third-party payers - Medicare Advances	(118,080)	(69,296)
Distributions to noncontrolling interests	(32,985)	(26,579)
Net restricted contributions and pledge payments	2,844	2,769
	<u>(201,480)</u>	<u>(139,719)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(119,841)</u>	<u>(151,509)</u>
Cash and cash equivalents - beginning of year	<u>182,722</u>	<u>334,231</u>
Cash and cash equivalents - end of year	<u>\$ 62,881</u>	<u>\$ 182,722</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest	<u>\$ 17,815</u>	<u>\$ 17,405</u>
Change in accrued capital expenditures in accounts payable and accrued expenses	<u>\$ 649</u>	<u>\$ (4,567)</u>

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

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021
(Dollar amounts in thousands)

NOTE A - ORGANIZATION

Virtua Health, Inc. is a not-for-profit, tax-exempt corporation incorporated in New Jersey to establish, operate, maintain, and conduct a regional health network serving Atlantic, Burlington, Camden, Cape May, Mercer, Ocean, and Gloucester counties in New Jersey, as well as in southeastern Pennsylvania and Delaware. The consolidated financial statements include the accounts of Virtua Health, Inc., and its controlled entities (collectively, "Virtua Health").

Virtua Health is composed of the following controlled entities:

Virtua Hospital Group

Virtua-Memorial Hospital Burlington County, Inc., ("Virtua-Memorial") is a not-for-profit, tax-exempt corporation. Virtua-Memorial owns and operates a 383 licensed bed acute care hospital in Mount Holly, New Jersey. Virtua-Memorial provides general health care services to residents within its geographic location for a wide range of inpatient and outpatient services, including medical, surgical, cardiac, obstetrical, gynecological, oncological, pediatric, emergency, behavioral health, and ambulatory care. Memorial Ambulatory Surgery Center LLC ("MASC"), an outpatient surgery center, became a wholly owned subsidiary of Virtua-Memorial in 2021 (Notes D and J).

Virtua-Memorial and unrelated separate corporations own holding companies with the purpose of acquiring, owning and operating ambulatory surgical centers through joint ventures. These joint ventures are located in New Jersey, southeastern Pennsylvania and Delaware. The following are the holding companies that Virtua-Memorial has a majority ownership position and control in, as follows:

- 55.00% in Virtua-SCA Holdings, LLC ("SCA Holdings")
- 55.00% in Virtua-SCA Holdings II, LLC ("SCA Holdings II")
- 50.10% in Emmaus Holdings, LLC ("Emmaus Holdings")
- 68.20% in Virtua-USP Princeton, LLC ("Virtua-USP Princeton")
- 60.00% in Endo Surgi Center of Old Bridge, LLC ("Endo Old Bridge"), established in November 2022 (Note D)

The financial results of these joint ventures are consolidated into Virtua-Memorial's financial statements.

Virtua Our Lady of Lourdes Hospital, Inc. ("Virtua-Lourdes") is a not-for-profit, tax-exempt corporation. Virtua – Lourdes owns and operates a 340 licensed bed, tertiary acute care hospital in Camden, New Jersey. Virtua-Lourdes provides general health care services to residents within its geographic location for a wide range of inpatient and outpatient services, including medical, surgical, transplant, cardiac, neurology, obstetrical, gynecological, oncological, pediatric, emergency, and ambulatory care. Virtua-Lourdes also provides a variety of outpatient services in space leased from a third-party developer in Cherry Hill, New Jersey. Virtua-Lourdes is the sole corporate member of Our Lady of Lourdes School of Nursing, Inc., a not-for-profit, tax-exempt corporation.

Virtua-West Jersey Health System, Inc. ("Virtua-West Jersey") is a not-for-profit, tax-exempt corporation. Virtua-West Jersey owns and operates a 600 licensed bed health system that includes two general acute care hospitals, which are located in Marlton, and Voorhees, New Jersey. Virtua-West Jersey provides general health care services to residents within its geographic location for a wide range of inpatient and outpatient services, including medical, surgical, cardiac, obstetrical, gynecological, oncological, pediatric, emergency, and ambulatory care. Virtua-West Jersey owns and operates facilities in Berlin and Camden,

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

New Jersey, which provide emergent care and other outpatient services, and rents space to third parties in the building where the Camden facility is located, primarily to outside social services programs. Virtua-West Jersey also provides a variety of outpatient services in space leased from a third-party developer in two Virtua Health and Wellness Centers, one in Voorhees, New Jersey and one in Washington Township, New Jersey.

Virtua-West Jersey and unrelated separate corporations own holding companies with the purpose of acquiring, owning and operating ambulatory surgical centers and office-based physician services through joint ventures. These joint ventures are located in New Jersey. The following are the holding companies that Virtua-West Jersey has a majority ownership position and control in, as follows:

- 51.00% in Voorhees Endoscopy Holding Co., LLC (“Voorhees Endo Holding”)
- 51.00% in River Drive Holding Co., LLC (“River Drive Holding”)
- 56.53% in Access Holding Co., LLC (“Access Holding”)
- 51.70% in Virtua Campus Holdings, LLC (“Campus Holding”), established in December 2021 (Note D)
- 51.00% in South Jersey Vascular Management (“SJVM”), established in May 2021 (Note D)

The financial results of these joint ventures are consolidated into Virtua-West Jersey’s financial statements.

Virtua-West Jersey was also the sole corporate member of West Jersey RENEW, Inc., a not-for-profit, tax-exempt corporation, which was inactive and dissolved in September 2022.

Virtua Willingboro Hospital, Inc. (“Virtua-Willingboro”) is a not-for-profit, tax-exempt corporation. Virtua-Willingboro owns and operates a 169 licensed bed, acute care hospital in Willingboro, New Jersey. Virtua-Willingboro provides general health care services to residents within its geographic location for a wide range of inpatient and outpatient services, including behavioral health, medical, surgical, cardiac, obstetrical, gynecological, oncological, pediatric, emergency, and ambulatory care.

Virtua Medical Group

Virtua Medical Group, PA (“VMG”) is a not-for-profit, tax-exempt captive professional association consisting of 871 clinicians, primarily specialty and primary care physicians. VMG provides services to Virtua’s hospitals and also at many owned and leased physician-practice sites located primarily throughout southern New Jersey, with one practice in southeastern Pennsylvania.

Lourdes Ancillary Services, Inc. (“LAS”) is a not-for-profit, tax-exempt corporation that maintains an ownership position in Health Management Services Organization, Inc. (“HMSO”), a for-profit, taxable corporation that maintains a minority equity interest in Lourdes Specialty Hospital of Southern New Jersey, LLC, a long-term acute care hospital located within Virtua-Willingboro. For reporting purposes, HMSO is included in the operations of VMG. LAS also is the sole member of LHS Health Network, Inc., which is reported under Population Health Management, noted below.

Lourdes Cardiology Services, PC (“LCS”) is a not-for-profit, tax-exempt captive professional corporation incorporated in New Jersey that employs 16 clinicians, primarily cardiologists. LCS provides professional services to Virtua’s hospitals and also at many owned and leased physician-practice sites located throughout southern New Jersey.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Virtua Long-Term Care and Other Services

Virtua Health and Rehabilitation Center at Berlin, Inc., is a not-for-profit, tax-exempt corporation incorporated in New Jersey, which operated a 128 bed skilled nursing facility in Berlin, New Jersey, until April 28, 2022, when all of the healthcare operations and certain assets, including patient accounts receivable and property, plant and equipment of the facility were sold.

Virtua Health and Rehabilitation Center at Mount Holly, Inc., is a not-for-profit, tax exempt corporation incorporated in New Jersey, which operated a 180 bed skilled nursing facility in Mount Holly, New Jersey, until April 28, 2022, when all of the healthcare operations and certain assets, including patient accounts receivable and property, plant and equipment of the facility were sold.

Virtua Home Care-Community Nursing Services (“CNS”) is a not-for-profit, tax-exempt corporation. CNS operates a Health Promotions Solutions service line pursuant to two contracts with Burlington County, New Jersey, which go through December 2023 and June 2025, including their renewable option periods. CNS is the owner of VRI, Inc. (“VRI”), a for-profit, taxable corporation. VRI primarily consists of management of a bioidentical hormone replacement therapy practice and ownership in Acentus Practice Management, LLC (Note J), a joint venture physician billing company.

Virtua Foundation Group

Virtua Health Foundation, Inc. (“VHF”) is a not-for-profit, tax-exempt corporation established to promote and support Virtua, its sole corporate member and affiliated corporations, and the health care of the population of southern New Jersey, by developing the resources necessary to attain these goals.

In 2003, Memorial Hospital of Burlington County Foundation (“MHBCF”), a not-for-profit, tax-exempt corporation established to promote the scientific, educational, and charitable activities and policies of Virtua-Memorial, and West Jersey Health and Hospital Foundation, Inc. (“WJHHF”), a not-for-profit, tax-exempt corporation, which raised funds for the benefit of Virtua-West Jersey, its subsidiaries, and the community, combined their operations and transferred their net assets into VHF. The restricted funds of MHBCF and WJHHF are administered in a manner consistent with the original donors’ intentions. These two entities were dissolved in September 2022.

Our Lady of Lourdes Health Foundation, Inc. (“OLLHF”) is a not-for-profit, tax-exempt corporation established to promote and support Lourdes, its sole corporate member and affiliated corporations, and the health care of the population of southern New Jersey, by developing the resources necessary to attain these goals.

The Board of Trustees of VHF and OLLHF agreed to merge in order to more efficiently carry out their shared purpose of raising funds to support the charitable health care mission and objectives of Virtua Health. On March 1, 2022, VHF and OLLHF filed a Certificate of Merger with the State of New Jersey’s Department of Treasury, Division of Revenue and Enterprise Services. As a result of the merger, OLLHF has ceased operations and VHF is the surviving corporation.

Insurance Captive

Virtua Assurance, Inc. (“VAI”) is a for-profit, taxable captive insurance company in the state of Vermont whose sole shareholder is Virtua Health, Inc.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Virtua Population Health Management Group

LHS Health Network, Inc., d/b/a Virtua Integrated Network (“VIN”) is a for-profit, taxable corporation, owned by HMSO, that is a clinically integrated network that enhances the access, quality, cost-efficiency, and experience of healthcare for patients.

VirtuaPhysicianPartners, LLC (“VPP”) is an inactive limited liability company.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Virtua Health, through Virtua-West Jersey, and Virtua-Memorial, owns interests in several companies that are included in the consolidated financial statements. The noncontrolling interests of these companies, SCA Holdings, SCA Holdings II, Emmaus Holdings, Virtua-USP Princeton, Endo Old Bridge, Voorhees Endo Holding, River Drive Holding, Access Holding, Campus Holding and SJVM are reported as a component of net assets. Significant intercompany balances and transactions have been eliminated. Joint ventures in which Virtua Health has financial interest and shares control equally with unrelated investors are accounted for under the equity method as discussed in Note J. As disclosed in Note L, the assets of any member of the Obligated Group may not be available to meet the obligations of other members of Virtua Health.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) consistent with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 954, *Health Care Entities*, and other pronouncements applicable to health care organizations.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of 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 are used in recording patient accounts receivable and patient service revenue, estimated settlements with third-party payers, assets held for sale, useful lives of property, plant and equipment, goodwill and other intangibles, self-insurance program liabilities, imputed interest rates for leases, accrued retirement benefits, and the reported fair values of certain assets and liabilities. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, patient accounts receivable, assets limited as to use, investments, accounts payable and accrued expenses, estimated settlements with third-party payers and long-term debt. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, patient accounts receivable, assets limited as to use, investments, accounts payable and accrued expenses and estimated settlements with third-party payers approximate fair value. Management’s estimates of the fair value of other financial instruments are described elsewhere in the notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Cash and Cash Equivalents

Cash and cash equivalents include various checking, savings, time deposits, and money market accounts with initial maturities of three months or less. At December 31, 2022 and 2021, certain cash balances with financial institutions exceeded federal depository insurance limits. Management believes that credit risk related to these deposits is minimal.

Patient Accounts Receivable

Patient accounts receivable are recognized when there is an unconditional right to payment, subject only to the passage of time. Patient accounts receivable, including billed accounts and unbilled accounts, which have the unconditional right to payment, and estimated amounts due from third-party payers for retroactive adjustments, are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. The estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to patient accounts receivable.

Assets Limited as to Use, Investments, and Investment Income

Investments in marketable equity, debt securities, and other investments are presented at fair value in the consolidated balance sheets as disclosed in Notes H and I. Amounts required to meet current liabilities have been classified as current assets in the accompanying consolidated balance sheets. Certain other investments are accounted for under the equity method of accounting as disclosed in Note J.

Assets limited as to use - by the Board of Trustees' designation are resources arising from results of operations and investment returns that have been designated by the Board of Trustees for specific purposes. This includes assets jointly owned in split dollar agreements for certain employees through an insurance company.

Assets limited as to use - under debt agreements are held by a trustee under bond indenture agreements and consist of those assets designated for the payments of principal and interest due on indebtedness.

Assets limited as to use - insurance funds include funds that are held by a trustee for the self-insurance workers' compensation program and self-funded professional liabilities.

Assets limited as to use - restricted funds are assets to be held in accordance with the donor's intentions. Donor restricted investment income is recognized as a direct increase or decrease to net assets with restrictions.

Investment income or losses (including realized and unrealized gains and losses on investments, interest, and dividends) are included in nonoperating gains and losses as investment returns, unless the income or losses are restricted by donor or law, or from those under debt agreements. Investment income or losses (including realized and unrealized gains and losses on investments, interest, and dividends) for those under debt agreements, are included in other revenue, except for interest income capitalized during construction, which is included in property, plant, and equipment, net.

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 balance sheets and consolidated statements of operations and changes in net assets.

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Property, Plant, and Equipment

Property, plant, and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

Equipment acquired under finance leases is amortized based on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The following is the estimated useful lives by category:

Land improvements	5-25 years
Building and improvements	10-40 years
Fixed equipment	5-20 years
Furniture and fixtures	3-20 years

Construction in progress represents amounts expended or incurred toward property and equipment projects that have not been completed. No depreciation or amortization has been recorded for these items. Interest cost incurred, net of investment income earned on borrowed funds during the period of construction, is capitalized as a component of the cost of acquiring those assets. In cases where internal cash reserves are used to fund construction, interest is capitalized based on average accumulated expenditures multiplied by the weighted-average interest rate on existing debt. Capitalized interest was \$172 for the year ended December 31, 2021.

Gifts of long-lived assets such as land, buildings, or equipment are reported as other changes in net assets without 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.

Assets Held For Sale

On October 14, 2021, Virtua Health executed an Asset Purchase agreement with an unrelated party to transfer the interests of Virtua Health and Rehabilitation Center at Berlin, Inc. and Virtua Health and Rehabilitation Center at Mt. Holly, Inc. ("Facilities"), which will include substantially all of the healthcare operations and certain assets, including patient accounts receivable and property, plant and equipment of the Facilities. As a result, these assets totaling \$11,600 were reclassified as assets held for sale in current assets in the accompanying consolidated balance sheet at December 31, 2021. These assets were recorded at the lower of their carrying amount or their fair value less estimated costs to sell. This did not result in any impairment charge for the year ended December 31, 2021. The transaction was closed on April 28, 2022, which resulted in a \$36,553 gain on the sale of these assets, net of the loss on extinguishment of debt.

Leases

Arrangements are determined if they are a lease at inception of the contract. Right of use assets represent the right to use the underlying assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. Right of use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. An estimated incremental borrowing rate, which is derived from information available at the lease commencement date, is used in determining the present value of lease payments. This rate is determined based on information obtained from its bankers, its secured debt fair value and publicly available data for instruments with similar characteristics.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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The operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices, as well as medical and office equipment. Finance leases are for medical equipment. The real estate lease agreements typically have initial terms of five to ten years, and equipment lease agreements typically have initial terms of three to five years. Leases with an initial term of 12 months or less ("short-term leases") are not recorded within the consolidated balance sheets.

The real estate leases may include one or more options to renew, with renewals that typically can extend the lease term from five to ten years. The exercise of lease renewal options is at Virtua Health's sole discretion. In general, these renewal options are not considered to be reasonably likely to be exercised, therefore, renewal options are generally not recognized as part of right of use assets and lease liabilities. The useful life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The majority of the medical equipment leases have terms of three years with no renewal options or bargain purchase options, so these assets are depreciated over their lease term.

Certain lease agreements for real estate include payments based on actual common area maintenance expenses. These variable lease payments are recognized in other operating expenses, net, but are not included in the right of use asset or liability balances. The lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If long-lived assets are deemed to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. For the years ended December 31, 2022 and 2021, management recorded no impairment losses.

Donor-Restricted Gifts

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 cost. 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. As the donors' intentions are met, the net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as other revenue for operating purposes and as other changes in net assets without donor restrictions for acquisitions of property, plant, and equipment.

Goodwill and Other Intangibles

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets of businesses acquired. Other intangibles represent certificates of need to perform cardiology services in Camden County, New Jersey, and surgical services in other states, a license to operate inpatient rehabilitation beds, and various other state licenses and professional accreditations, all of which have an indefinite useful life. A trade name is being amortized over its expected useful life of ten years and noncompete agreements are being amortized over their terms, which are five years. The additions to goodwill and intangibles relate to acquisitions, additional membership interest acquisitions of existing consolidated joint ventures with non-controlling interests, and consolidations of previously unconsolidated joint ventures as described in Notes A and D of \$150,710 and \$160,096, for the years ended December 31, 2022 and 2021, respectively. The amount includes \$61,148 and \$82,580 related to additional membership interest acquisitions of existing consolidated joint ventures and previously unconsolidated joint ventures for the years ended December 31, 2022 and 2021, respectively. Amortization expense related to intangible

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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assets is included as other operating expenses in the consolidated statements of operations and changes in net assets, which was \$1,777 and \$1,348 for the years ended December 31, 2022 and 2021, respectively.

Goodwill and other intangibles, net at December 31, 2022 and 2021, are as follows:

	2022	2021
Goodwill	\$ 358,920	\$ 220,411
Other intangibles:		
Perpetual licenses, including certificates of need	36,997	28,321
Noncompete agreements, net of accumulated amortization of \$3,035 and \$1,336 at December 31, 2022 and 2021, respectively	6,950	4,346
Trademark, net of accumulated amortization of \$735 and \$525 at December 31, 2022 and 2021, respectively	1,365	1,575
Other intangibles, net of accumulated amortization of \$105 at December 31, 2021	-	185
	45,312	34,427
	\$ 404,232	\$ 254,838

Goodwill and other intangibles that are considered to have an indefinite useful life are not amortized but are tested for impairment at least annually and whenever events or circumstances change that indicate impairment may have occurred. Qualitative factors are first assessed to determine whether an impairment is necessary to perform quantitative impairment tests for goodwill. If the conclusion of the qualitative assessment is more likely than not that goodwill is not impaired, a quantitative impairment test is not required. If a quantitative impairment test is required, that testing consists of performing an internal valuation analysis and considering other publicly available market information. If the carrying amount of goodwill exceeds the estimated fair value, an impairment charge to current operations is recorded to reduce the carrying value to the estimated fair value. The qualitative impairment test of goodwill and other intangibles was completed and it was determined that there were no impairments for the years ended December 31, 2022 and 2021. Other intangibles that have a finite useful life have expected amortization expense over the next five years of \$7,999.

Other Assets

Other assets at December 31, 2022 and 2021, are as follows:

	2022	2021
Insurance recoveries, net of current portion	\$ 22,185	\$ 21,517
Other	2,739	2,562
	\$ 24,924	\$ 24,079

Beneficial Interest in Perpetual Trust

Virtua Health has recorded its portion of the fair value of a trust. The trust is perpetual in nature, and the original corpus cannot be violated. The trust is recorded as a net asset with donor restrictions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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Net Assets With Donor Restrictions

Net assets with donor restrictions represent those net assets whose use has been limited by donors to a specific time period, purpose, or to be maintained in perpetuity. The income from net assets that are to be maintained in perpetuity may be used to support nursing scholarships and to support various other needs, in accordance with donor stipulations. Income from net assets with donor restrictions is expended according to donor intent.

Virtua Health follows the requirements of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The endowments consist of numerous individual funds established for a variety of purposes and consist solely of donor-restricted endowment funds. As required, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Virtua Health has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Virtua Health classifies net assets with donor restrictions related to endowment funds at the original value of gifts donated to the permanent endowment, the original value of subsequent gifts donated to the permanent endowment, and accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instruments.

The investment policies for the endowment assets are consistent with the policies and objectives of its overall investments. The assets are invested in a manner that is intended to produce a positive rate of return while assuming a low level of risk. From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level that the donor requires Virtua Health to maintain in perpetual duration.

Changes in donor restricted funds related to endowments for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Endowment net assets - beginning of year	\$ 1,918	\$ 1,860
Investment return - net realized and unrealized (losses) gains	(70)	58
Endowment net assets - end of year	\$ 1,848	\$ 1,918

Patient Service Revenue

Virtua Health has negotiated agreements with third-party payers including health insurance companies and has rates set by government regulations (for payers such as Medicare and Medicaid) that provide for reimbursement at amounts different from established charges. Reimbursement methodologies include prospectively determined rates per discharge, per diem rates, reimbursed costs, and discounted charges.

Patient service revenues are recorded at the amounts that reflect the consideration to which Virtua Health expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including managed care payers and government programs, i.e., Medicare and Medicaid) and others, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, patients and third-party payers are billed several days after the services are performed or shortly after discharge. Patient service revenue is recognized in the period in which the performance obligations are satisfied under contracts by transferring services to customers.

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Performance obligations are determined based on the nature of the services provided. Revenues are recognized for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. This method provides an appropriate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. Performance obligations are measured from admission to the point when there are no further services required for the patient, which is generally the time of discharge. Revenues are recognized for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when: (1) services are provided; and (2) when it is believed the patient does not require additional services.

Estimates of contractual adjustments and discounts are determined based on government regulations, contractual agreements, discount policies and historical experience, as applicable. The estimates of implicit price concessions are determined based on historical collection experience within each class of patients using a portfolio approach to account for patient contracts as collective groups rather than individually.

Performance Indicator

The consolidated statements of operations and changes in net assets include, as the performance indicator, the (deficiency in) excess of revenue and gains over expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Changes in net assets without donor restrictions that are excluded from the (deficiency in) excess of revenue and gains over expenses and losses include net assets released from restrictions for property, plant, and equipment, and other changes in accrued retirement benefits.

Advertising Costs

Virtua Health expenses advertising costs as incurred. For the years ended December 31, 2022 and 2021, advertising costs were \$12,186 and \$10,970, respectively, which are included in other operating expenses in the accompanying consolidated statements of operations and changes in net assets.

Tax Status

Virtua Health, excluding MASC, HMSO, VRI, VAI, VIN, VPP, SCA Holdings, SCA Holdings II, Emmaus Holdings, Virtua-USP Princeton, Endo Old Bridge, Voorhees Endo Holding, River Drive Holding, Access Holding, Campus Holding and SJVM are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The not-for-profit affiliates of Virtua Health, except for VMG and LCS, are also exempt from state income taxes. Income taxes are not material to the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current-year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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NOTE C - IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 disease, which is caused by the novel coronavirus, was declared a pandemic on March 11, 2020 by the World Health Organization. Prior to this date, on January 31, 2020 the Secretary of the Department of Health and Human Services ("HHS") of the United States declared a public health emergency ("PHE") in response to the disease. The number of cases globally and in Virtua Health's region have fluctuated significantly since that time through the end of 2022. This is due to many factors, most significantly the multiple variants of the disease that have resulted from mutations to the virus' genome. In many cases these variants have been proven to spread more easily than measles, which previously was the most contagious of all viruses. Virtua's overall patient volumes and associated revenues declined significantly in the second quarter of 2020, but began to recover in the third quarter of 2020 and have been on an upward trajectory since. By the end of 2021, almost all inpatient and outpatient service volumes were at or above pre-pandemic levels, despite the subsequent impact of two significant virus variants, one commencing in late 2020, the second in late 2021. Virtua ultimately reached its highest census of inpatient hospital COVID-19 patients in January 2022. This was fueled by the omicron variant of the disease, which was first reported in November 2021. Over the course of the pandemic, Virtua Health has incurred significant additional costs for labor, testing, personal protective equipment, third-party contract services and many other operating costs associated with providing patient care and ensuring the safety of employees and patients. Management continues to actively monitor disease-related impacts on operating revenues and expenses. The PHE declaration related to the pandemic expires on May 11, 2023. While not anticipated at this time, however, it is impossible to determine with absolute certainty whether or not there could be a material impact on operations for the year ending December 31, 2023.

Virtua Health received grant payments, which are considered nonexchange transactions, from the federal government distributed under the Coronavirus Aid, Recovery and Economic Security ("CARES") Act. For the years ended December 31, 2022 and 2021, Virtua Health received total payments of \$8,830 and \$31,250, respectively, which includes \$1,958 being passed through the County of Camden, New Jersey for the year ended December 31, 2021. Of the total payments received, during the course of the pandemic, \$16,817 and \$24,030, respectively, was included in other revenue in the consolidated statements of operations and changes in net assets for the years ended December 31, 2022 and 2021, respectively. The unrecognized amounts of \$20 and \$8,007 at December 31, 2022 and 2021, respectively, are included in estimated settlements due to third-party payers in the consolidated balance sheets. Virtua Health also recognized in other revenue in the consolidated statements of operations and changes in net assets \$16,048 and \$2,611 for the years ended December 31, 2022 and 2021, respectively, related to Federal Emergency Management Agency ("FEMA") support. FEMA amounts of \$22,393 and \$17,930 were received during 2022 and 2021, respectively. The unrecognized amount of \$10,028 and \$4,768 at December 31, 2022 and 2021, respectively, is included in estimated settlements due to third-party payers in the consolidated balance sheets. The CARES Act and FEMA payments are subject to audit and compliance with federal regulations, and future grant payments are uncertain at this time.

The CARES Act also provided for an expansion of the Medicare Accelerated and Advance Payment Program ("Medicare Advance") for patient services. Under the program, Virtua Health received \$187,376 in April 2020, and recorded these payments in estimated settlements due to third-party payers in the consolidated balance sheet. The recoupment period began in April 2021 when Medicare commenced retaining a portion of the amount to be reimbursed for services provided. The total Medicare Advance payment amount received was fully recouped by the end of 2022. During the years ended December 31, 2022 and 2021, Medicare recouped \$118,080 and \$69,296, respectively.

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Additionally, the Internal Revenue Service (“IRS”) in 2020, allowed Virtua Health to defer remittance of payroll taxes of \$33,390, which was included in accrued compensation and related liabilities and other liabilities in the consolidated balance sheet. Fifty percent of the deferred payroll taxes was paid by December 31, 2021 and the balance was paid in full by December 31, 2022.

NOTE D - ACQUISITIONS

At various dates during the years ended December 31, 2022 and 2021, Virtua Health acquired controlling membership interests of previously unrelated clinical ventures, additional membership interest in existing consolidated joint ventures with non-controlling interests and the previously unconsolidated joint ventures (Note J), through cash consideration or change in control. At those various dates, the ventures were consolidated. Certain membership interests were acquired through holding company interests in conjunction with other partners, as described in Note A.

	2022			
	Previously Unrelated Clinical Ventures	Previously Consolidated Joint Venture With Non-Controlling Interest	Previously Unconsolidated Joint Ventures	Total
Results of the acquisitions:				
Net working capital and tangible assets	\$ 5,949	\$ -	\$ 1,909	\$ 7,858
Intangible assets	5,511	-	4,327	9,838
Goodwill	84,051	27,457	29,364	140,872
Total assets acquired	95,511	27,457	35,600	158,568
Consideration:				
Virtua Health:				
Cash consideration paid	(35,592)	(600)	(723)	(36,915)
Investment in unconsolidated joint ventures	-	-	(6,306)	(6,306)
Membership interest changes	(58,704)	1,232	(5,821)	(63,293)
Total consideration	(94,296)	632	(12,850)	(106,514)
Gain on acquisitions	\$ 1,215	\$ 28,089	\$ 22,750	\$ 52,054

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	2021			Total
	Previously Unrelated Clinical Ventures	Previously Consolidated Joint Venture With Non-Controlling Interest	Previously Unconsolidated Joint Ventures	
Results of the acquisitions:				
Net working capital and tangible assets	\$ 4,620	\$ -	\$ 13,981	\$ 18,601
Intangible assets	2,733	1,270	2,454	6,457
Goodwill	74,783	37,133	41,723	153,639
	<u>82,136</u>	<u>38,403</u>	<u>58,158</u>	<u>178,697</u>
Total assets acquired				
Consideration:				
Virtua Health:				
Cash consideration paid	(26,485)	(1,485)	(1,520)	(29,490)
Investment in unconsolidated joint ventures	-	-	(27,324)	(27,324)
Membership interest changes	(55,651)	-	(17,185)	(72,836)
	<u>(82,136)</u>	<u>(1,485)</u>	<u>(46,029)</u>	<u>(129,650)</u>
Total consideration				
Gain on acquisitions	<u>\$ -</u>	<u>\$ 36,918</u>	<u>\$ 12,129</u>	<u>\$ 49,047</u>

For the years ended December 31, 2022 and 2021, the additional membership interest acquisition of existing consolidated joint ventures with non-controlling interests and the previously unconsolidated joint ventures generated a non-cash gain on acquisitions of \$52,054 and \$49,047, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets. The amount of the non-cash gain on acquisitions related to the noncontrolling interest holders is \$35,421 and \$32,999 as of December 31, 2022 and 2021, respectively, which is included in excess of revenue and gains over expenses and losses attributed to noncontrolling interests in the consolidated statements of operations and changes in net assets.

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NOTE E - LIQUIDITY AND AVAILABILITY OF RESOURCES

In addition to cash flows provided by operating activities, the financial assets available for general expenditure within one year of the consolidated balance sheet date consist of the following at December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 62,881	\$ 182,722
Patient accounts receivable	230,379	245,165
Assets limited as to use		
By Board of Trustees' designation	1,719,998	1,939,200
Insurance funds	53,429	55,671
	2,066,687	2,422,758
Available lines of credit	154,911	154,846
	\$ 2,221,598	\$ 2,577,604

NOTE F - CHARITY CARE AND STATE SUBSIDY

Virtua Health provides care to all in need of medical assistance. Many patients cared for at Virtua Health do not have health insurance or the ability to pay for the cost of their care. Virtua Health does not directly receive compensation for the operating expense incurred providing care to these patients. Uninsured patients may qualify for financial assistance under the provisions of two separate programs. Individuals with incomes up to 300% of the federal poverty guidelines, whose individual or family assets do not exceed \$7.5 and \$15.0, respectfully, can qualify for assistance under the New Jersey Hospital Care Payment Assistance Program ("NJHCPAP"). With the objective of increasing eligibility for financial assistance to a greater number of uninsured patients, Virtua Health established its own assistance program whose qualification criterion is less restrictive than the NJHCPAP, as there is no asset test and those with incomes up to 500% of the federal poverty guidelines are eligible. Patients qualifying for these programs receive services without charge or at amounts less than established charges. Virtua Health maintains records to identify and monitor the level of financial assistance provided under both programs. The records include the amount of patient service revenue categorized as charity care.

Under a provision of the Affordable Care Act, the State of New Jersey opted to accept federal government funding to expand the eligibility for enrolling in the state's Medicaid program.

The cost of providing charity care, based on Virtua Health's estimated cost-to-charge ratios, for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
NJHCPAP	\$ 15,759	\$ 13,798
Virtua Health Program	10,805	5,800
	\$ 26,564	\$ 19,598

Virtua Health received \$6,228 and \$3,586 of State of New Jersey Charity Care Subsidy Funds for the years ended December 31, 2022 and 2021, respectively. These amounts are included in patient service revenue in the consolidated statements of operations and changes in net assets.

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NOTE G - PATIENT SERVICE REVENUE

Patient service revenue recognized from major payer sources based on primary insurance designation for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
Managed care	71%	71%
Medicare and Medicaid (fee for service plans only)	23	23
Other third-party payers	4	4
Self-pay	2	2
	100%	100%

Patient service revenue by type of service for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
Inpatient	45%	47%
Outpatient	42	40
Physician services	13	13
	100%	100%

Inpatient acute care services for Medicare and Medicaid program beneficiaries and outpatient services for Medicare beneficiaries are paid at prospectively determined rates per discharge or outpatient service. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Outpatient services for Medicaid beneficiaries, defined Medicare program pass-through items, and certain other costs provisionally reimbursed by Medicare, are paid based on a cost reimbursement methodology or tentative rate. These are ultimately subjected to certain cost limitations or are contingent on actual data for the year, with final settlement determined after submission of annual cost reports by Virtua Health and audits thereof, by the programs' fiscal intermediaries.

The Centers for Medicare and Medicaid Services ("CMS") previously approved the State of New Jersey's proposal under Section 1115 of the Social Security Act to implement a mandatory Medicaid managed care program, which requires certain Medicaid beneficiaries to enroll in approved managed care plans. In addition, certain Medicare beneficiaries may opt for coverage through federally approved managed care plans. Payments to Virtua Health for these Medicaid and Medicare beneficiaries are based upon the rates negotiated with these plans.

The Medicare cost reports have been audited and finalized through December 31, 2018, except for the December 31, 2011 for Virtua-Memorial and December 31, 2017 reports for Virtua-Memorial and Virtua-West Jersey. The Medicaid cost reports have been audited and finalized through December 31, 2020. Virtua Health also has outstanding appeal issues relating to prior-year settled cost reports. Differences between the estimated settlements and the amounts settled are recorded in the year of settlement. Estimated favorable results of appeal items are recorded when realization is reasonably assured. These estimates are included in estimated settlements due to third-party payers in the consolidated balance sheets. Management uses the expected-value method when determining these amounts. In the opinion of management, adequate provision has been made for any adjustment, which may result from the final

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settlement of these cost reports, and any appeal issues. For the years ended December 31, 2022 and 2021, patient service revenue includes net favorable settlements and adjustments for cost reports, audit and appeal items from prior years of \$9,683 and \$3,130, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation, and noncompliance could result in significant regulatory action, including fines and penalties. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Virtua Health believes that it is in compliance with applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subjected to future government review and interpretations as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. Virtua Health has a corporate compliance program to monitor compliance with these laws and regulations.

Virtua Health is eligible to receive additional Medicaid funding under the New Jersey County Option Hospital Fee Pilot Program. This program is administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health Services and went into effect in Camden County, New Jersey during 2021. The program requires that participating hospitals pay quarterly assessed fees based on estimated Medicaid utilization data within the county, and such payments are then pooled with federal Medicaid matching funds and redistributed to the participating hospitals as state directed payments. The state directed payments are subject to an annual settlement based on actual Medicaid utilization data and other factors. For the years ended December 31, 2022 and 2021, Virtua Health paid assessments of \$21,028 and \$10,514, respectively, which are included in other operating expenses in the consolidated statements of operations and changes in net assets and received Medicaid state directed payments of \$44,141 and \$19,082, respectively, which are included in patient service revenue in the consolidated statements of operations and changes in net assets.

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NOTE H - ASSETS LIMITED AS TO USE

Investments and assets limited as to use, stated at fair value at December 31, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
By Board of Trustees' designation:		
Private placement funds - fixed income	\$ 862,866	\$ 950,584
Private placement funds - equity	853,584	988,616
Private credit- alternative	3,548	-
Split dollar investments	<u>50,274</u>	<u>22,044</u>
	<u>\$ 1,770,272</u>	<u>\$ 1,961,244</u>
Insurance funds:		
Cash and short-term investments	\$ 1,347	\$ 1,315
Private placement funds - fixed income	26,159	26,557
Private placement funds - equity	<u>25,923</u>	<u>27,799</u>
	53,429	55,671
Less assets limited as to use that are required for current liabilities	<u>(16,115)</u>	<u>(14,345)</u>
	<u>\$ 37,314</u>	<u>\$ 41,326</u>
Under debt agreements:		
Cash and short-term investments	\$ 7,841	\$ 8,296
Less assets limited as to use that are required for current liabilities	<u>(7,841)</u>	<u>(8,296)</u>
	<u>\$ -</u>	<u>\$ -</u>
Under debt agreements, assets are maintained for the following purposes:		
Debt service interest fund	\$ 2,235	\$ 2,603
Debt service principal fund	<u>5,606</u>	<u>5,693</u>
	<u>\$ 7,841</u>	<u>\$ 8,296</u>
Restricted funds:		
Cash and short-term investments	\$ 114	\$ 1,456
Mutual funds - fixed income	614	693
Mutual funds - equity	858	1,112
Private placement funds - fixed income	11,363	9,751
Private placement funds - equity	<u>11,249</u>	<u>9,029</u>
	<u>\$ 24,198</u>	<u>\$ 22,041</u>

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
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Investment income and realized and unrealized gains and losses, net of fees for assets limited as to use and cash equivalents for the years ended December 31, 2022 and 2021, are composed of the following:

	2022	2021
Other revenue - investment returns	\$ 793	\$ 410
Nonoperating gains and losses:		
Investment return, net:		
Interest and dividend income	\$ 858	\$ 286
Net realized gains and losses on sales of investments	24,533	41,672
Net change in unrealized (losses) and gains on investments	(290,537)	135,562
Investment management fees	(5,393)	(6,324)
	<u>\$ (270,539)</u>	<u>\$ 171,196</u>
Net assets with donor restrictions - net realized and unrealized (losses) gains	<u>\$ (333)</u>	<u>\$ 276</u>

NOTE I - FAIR VALUE MEASUREMENTS

Fair Value Measurements

Investments are classified into: Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market, but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Asset Valuation Techniques

Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Mutual Funds - Fair value estimates for publicly traded mutual funds are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Such mutual funds are actively traded and are classified as Level 1.

Split Dollar - The cash surrender value of the split dollar investment is the amount of assets available today if the policies were terminated. Per the insurance carrier, the surrender value is made up of the accumulation value minus any unpaid policy charges minus any indebtedness minus any surrender charges.

Beneficial Interest in Perpetual Trust - The estimated fair value of the beneficial interest in perpetual trust is determined based upon information provided by the trustee. Such information is based on the pro rata interest in the net assets of the trust. The assets held in the trust consist primarily of cash equivalents and marketable securities. The fair value of the perpetual trust is measured using the fair value of the underlying investments and is reported as Level 3.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Private Placement Funds and Private Credit – Alternative - The fair value of private placement funds and private credit funds are determined using the net asset value (“NAV”) of the funds as provided by the respective fund managers. The NAV is used as a practical expedient to estimate fair value and is excluded from the fair value hierarchy. The underlying investments of these funds consist of securities with readily determinable market values.

The valuation methods as described above may produce a fair value that may not be indicative of what management would realize upon liquidation or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At December 31, 2022 and 2021, there were no withdrawal restrictions or unfunded commitments on investments reported at NAV, except for \$21,452 of an unfunded commitment to the private credit-alternative at December 31, 2022.

The information at December 31, 2022 and 2021, pursuant to financial assets that are measured at fair value on a recurring basis using the market approach, is as follows:

Assets	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Cash and short-term investments	\$ 9,302	\$ 9,302	\$ -	\$ -
Mutual funds:				
Fixed income	614	614	-	-
Equity	858	858	-	-
Split dollar - cash surrender value	50,274	-	50,274	-
Beneficial interest in perpetual trust	7,826	-	-	7,826
	68,874	\$ 10,774	\$ 50,274	\$ 7,826
Private placement funds (at NAV):				
Fixed income ^(a)	900,388			
Domestic equity ^(b)	476,202			
International equity ^(c)	414,554			
	1,791,144			
Private credit - alternative ^(d) (at NAV)	3,548			
	\$ 1,863,566			

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Assets	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Cash and short-term investments	\$ 11,067	\$ 11,067	\$ -	\$ -
Mutual funds:				
Fixed income	693	693	-	-
Equity	1,112	1,112	-	-
Split dollar - cash surrender value	22,044	-	22,044	-
Beneficial interest in perpetual trust	9,812	-	-	9,812
	44,728	\$ 12,872	\$ 22,044	\$ 9,812
Private placement funds (at NAV):				
Fixed income ^(a)	986,589			
Domestic equity ^(b)	566,674			
International equity ^(c)	459,073			
	2,012,336			
	\$ 2,057,064			

(a) *Fixed income* - Seeks favorable returns comparable to the broad fixed-income market by investing in bonds representing diverse sectors and maturities.

(b) *Domestic equity* - Seeks to provide long-term capital growth by investing in common stocks of U.S. companies with various capitalizations, while managing volatility and maintaining diversification.

(c) *International equity* - Seeks high, long-term returns comparable to the broad international stock market by investing in companies from developed and emerging countries around the world.

(d) *Private credit – alternative* - Seeks to outperform the public fixed-income markets in the long term on a risk-adjusted basis while mitigating downside risk through direct investment in a diversified portfolio of private debt funds.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported during the reporting period.

There were no transfers into or out of the levels per the tables above, for the years ended December 31, 2022 and 2021.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

The table below sets forth the change in the fair value of investments measured using significant unobservable inputs (Level 3) for the years ended December 31, 2022 and 2021, as follows:

Balance - December 31, 2020	\$	9,179
Net realized gains		260
Net unrealized gains		373
		9,812
Balance - December 31, 2021		9,812
Net realized gains		(173)
Net unrealized gains		(1,813)
		(1,986)
Balance - December 31, 2022	\$	7,826

NOTE J - INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

Virtua Health and physicians located throughout New Jersey, southeastern Pennsylvania and Delaware, have joined together, along with other non-related for-profit investors, to expand surgical and certain other services within the physicians' local communities through jointly owned ventures. These ventures are for-profit organizations. Virtua Health also has ownership in a medical revenue cycle joint venture that provides billing services to physician practices.

Specifically related to the SCA Holdings, SCA Holdings II, Virtua-USP Princeton, Emmaus Holdings, River Drive Holding, and Voorhees Endo Holding joint ventures ("Holding Companies"), Virtua Health consolidates these joint ventures. The operating agreements of the physician ventures that are within the Holding Companies for those accounted for as unconsolidated joint ventures do not allow Virtua Health or the Holding Companies to control operating or financial decisions related to the ventures. Regardless of the proportionate ownership of capital investment in these physician ventures, all decisions are made by the respective venture's operating board. In each case, the operating board is composed equally of members appointed by Virtua Health and the physician investors as a group.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2022 and 2021
(Dollar amounts in thousands)**

The ownership, investment balance, and earnings for these joint ventures are as follows:

	Membership Percentage		Investment in Unconsolidated Affiliates		Equity Earnings in Unconsolidated Affiliates	
	December 31,		December 31,		Year Ended December 31,	
	2022	2021	2022	2021	2022	2021
Virtua-Memorial:						
Memorial Ambulatory Surgery Center, LLC	-%	-%	\$ -	\$ -	\$ -	\$ (24)
Vantage Surgical Center, LLC	51.00%	51.00%	3,033	2,818	1,184	1,880
Burlington County Endoscopy Center, LLC	56.32%	53.33%	6,939	7,057	2,966	3,350
SCA Holdings:	55.00%	51.00%				
Seashore Surgical Institute, LLC ^(a)			-	6,772	2,029	1,294
Surgicare of Central Jersey, LLC ^(a)			-	-	-	2,349
Bergen-Passaic Eye Surgery Center ^(a)			-	-	-	3,205
Virtua-USP Princeton	68.20%	68.20%				
Surgical Specialist at Princeton, LLC ^(b)			10,698	11,092	2,661	3,171
Emmaus Holdings ^(c)	50.10%	50.10%				
Emmaus Surgical Center, LLC			6,933	7,306	1,393	1,579
SCA Holdings II: ^(d)	55.00%	55.00%				
Foundation Surgery: Huntingdon Valley, LLC			198	-	18	-
Virtua-Lourdes:						
Centennial Surgunit, LLC	56.48%	51.00%	8,543	8,323	2,705	2,752
Virtua-West Jersey:						
Summit Surgical, LLC	63.18%	62.66%	8,051	8,624	1,940	1,795
South Jersey Musculoskeletal Institute, LLC	56.86%	56.30%	1,833	2,703	2,796	4,739
Ambulatory Surgery Center at Virtua Washington Township, LLC	56.01%	56.30%	857	710	2,261	1,795
Jersey Shore, LLC	54.98%	53.57%	11,205	11,710	774	1,599
Ramapo Valley Surgical	52.00%	52.66%	8,970	9,211	1,013	999
Virtua Adult Imaging Services Center for Ambulatory and Minimally Invasive Surgery, LLC	54.21%	54.88%	12,612	12,852	3,713	3,606
Freehold Endoscopy Associates, LLC	60.00%	60.00%	8,352	8,344	2,335	2,645
Gastro-Surgi Center of New Jersey, LLC	51.79%	51.79%	12,294	12,402	3,196	2,929
Fresenius Medical Care, LLC	30.00%	30.00%	585	722	724	829
Virtua Penn Radiation Oncology Leasing, LLC	50.00%	50.00%	7,107	6,498	3,038	2,858
Virtua Penn Radiation Oncology Partners, LLC	51.00%	51.00%	19,306	17,657	1,648	2,814
Strive Physical Therapy	35.00%	-	37	-	(10)	-
Mt. Laurel Endoscopy	51.92%	51.92%	887	900	1,623	888
USTRC Gloucester, LLC	29.00%	29.00%	227	409	(168)	(265)
Specialized Surgical Center of Central NJ River Drive Holding: ^(e)	55.00%	55.00%	2,796	2,460	1,589	1,539
River Drive Surgery Center, LLC	51.00%	51.00%	46,115	45,672	12,059	11,838
Voorhees Endo Holding: ^(f) The Voorhees NJ Endoscopy ASC, LLC	51.00%	51.00%	12,911	13,431	10,107	10,894
VRI:						
Acentus Practice Management, LLC	51.00%	50.00%	972	1,091	2,831	3,856
HMSO:						
Lourdes Specialty Hospital of Southern NJ, LLC	20.00%	20.00%	5,634	5,644	(10)	333
Tyler Dialysis, LLC, cost basis	19.00%	19.00%	5,193	5,193	81	440
			<u>\$ 206,834</u>	<u>\$ 214,141</u>	<u>\$ 68,932</u>	<u>\$ 79,003</u>

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
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- (a) SCA Holdings owns 51.00% of Seashore Surgical Institute, LLC at December 31, 2022 and 2021. Seashore Surgical Institute, LLC was consolidated into SCA Holdings as of December 1, 2022, at which point the ownership held by Virtua-Memorial in SCA Holdings increased to 55.00%. Surgicare of Central Jersey, LLC and Bergen-Passaic Eye Surgery Center were consolidated into SCA Holdings as of December 31, 2021. As of December 31, 2022, all ambulatory surgical centers under SCA Holdings are fully consolidated. Virtua-Memorial held a 51.00% membership percentage of SCA Holdings unconsolidated ambulatory surgical center, and effectively owned a 26.01% interest in Seashore Surgical Institute, LLC, and owned a 28.05% interest in Surgicare of Central Jersey, LLC, and a 28.63% interest in Bergen-Passaic Eye Surgery Center at December 31, 2021.
- (b) Virtua-USP Princeton owns 59.77% and 56.85% of Surgical Specialists at Princeton, LLC at December 31, 2022 and 2021, respectively. Virtua-Memorial holds a 68.20% membership percentage of Virtua-USP Princeton and thus effectively owns a 40.76% and 38.77% interest in Surgical Specialists at Princeton, LLC at December 31, 2022 and 2021, respectively.
- (c) Emmaus Holdings, LLC owns 50.33% of Emmaus Surgical Center, LLC at December 31, 2022 and 2021. Virtua-Memorial holds a 50.10% membership percentage in Emmaus Holdings and thus effectively owns a 25.22% interest in the Emmaus Surgical Center, LLC at December 31, 2022 and 2021.
- (d) SCA Holdings II owns 56.73% of Foundation Surgery, a holding company, at December 31, 2022. Foundation Surgery owns 1.04% of Huntingdon Valley, LLC at December 31, 2022. Virtua-Memorial holds a 55.00% membership interest in SCA Holdings II and thus effectively owns a 31.20% interest in Foundation Surgery at December 31, 2022 and 2021.
- (e) River Drive Holding owns 51.00% of River Drive Surgery Center, LLC at December 31, 2022 and 2021. Virtua-West Jersey holds a 51.00% membership percentage in River Drive Holding and thus effectively owns a 26.01% interest in the River Drive Surgery Center, LLC at December 31, 2022 and 2021.
- (f) Voorhees Endo Holding owns 51.00% of The Voorhees NJ Endoscopy ASC, LLC at December 31, 2022 and 2021. Virtua-West Jersey holds a 51.00% membership percentage in Voorhees Endo Holding and thus effectively owns a 26.01% interest in the Voorhees NJ Endoscopy ASC, LLC at December 31, 2022 and 2021.

Operating revenues for the combined group of ventures accounted for under the equity method of accounting were \$354,875 and \$388,177 for the years ended December 31, 2022 and 2021, respectively.

Virtua Health provides employee leasing, rental, and management services to and receives billing services from certain of its joint ventures. The total revenue, included in other revenue, from these services was \$18,387 and \$17,854 for the years ended December 31, 2022 and 2021, respectively. The total expenses, included in other operating expense related to Virtua Health ownership in the medical revenue cycle joint venture are \$12,875 and \$13,736 for the years ended December 31, 2022 and 2021, respectively. The total amounts of the receivable, which are included in other current assets, related to these services are \$4,992 and \$4,208 at December 31, 2022 and 2021, respectively.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
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NOTE K - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 112,199	\$ 112,354
Land improvements	108,968	90,048
Buildings and improvements	875,697	865,586
Fixed equipment	251,136	252,228
Furniture and equipment	<u>1,113,566</u>	<u>1,047,864</u>
	2,461,566	2,368,080
Less accumulated depreciation and amortization	<u>(1,500,377)</u>	<u>(1,371,186)</u>
	961,189	996,894
Construction in progress	<u>77,290</u>	<u>63,548</u>
	<u>\$ 1,038,479</u>	<u>\$ 1,060,442</u>

Depreciation and amortization expense related to property, plant, and equipment was \$129,608 and \$126,576 for the years ended December 31, 2022 and 2021, respectively.

Virtua has committed to an information technology project, which has \$12,196 remaining on the commitment, and is expected to be fully completed in 2023.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

NOTE L - LONG-TERM DEBT

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

	<u>2022</u>	<u>2021</u>
New Jersey Health Care Facilities Financing Authority ("NJHCFFA"):		
\$60,000 Virtua Health Issue, Series 2004 Variable Rate Revenue Bonds - less issuance cost of \$152 and \$175 at December 31, 2022 and 2021, respectively ^(a)	\$ 40,963	\$ 42,965
\$185,000 Virtua Health Issue, Series 2009B-E Variable Rate Revenue Bonds - less issuance cost of \$1,155 and \$1,217 at December 31, 2022 and 2021, respectively ^(b)	183,845	183,783
\$140,020 Virtua Health Issue, Series 2013 Fixed Rate Revenue Refunding Bonds - plus net original issue premium and issuance cost of \$2,592 and \$3,285 at December 31, 2022 and 2021, respectively ^(c)	92,101	109,130
\$205,435 Virtua Health Issue, Series 2019 Fixed Rate Refunding Bonds - less issuance cost of \$467 and \$505 at December 31, 2022 and 2021, respectively ^(d)	199,338	199,300
\$250,000 Virtua Health Issue, Series 2020 Fixed Rate Term Loan - less issuance cost of \$184 and \$262 at December 31, 2022 and 2021, respectively ^(e)	182,517	216,483
Finance lease obligations, with various interest rates, secured by lease equipment	1,754	1,593
Consolidated Joint Venture long term debt – less issuance cost of \$29 and \$0 at December 31, 2022 and 2021, respectively	4,618	99
	<u>705,136</u>	<u>753,353</u>
Less current maturities of long-term debt	<u>(49,627)</u>	<u>(48,110)</u>
	<u>\$ 655,509</u>	<u>\$ 705,243</u>

^(a) The NJHCFFA Variable Rate Revenue Bonds, Virtua Health Issue, Series 2004 (the "Series 2004 Bonds") were issued for the purpose of refinancing the 2001 Capital Asset Program loan and funding and reimbursing costs of various capital improvements and equipment purchases by Virtua-Memorial and Virtua-West Jersey. Annual principal payments range from \$2,105 to \$6,385, maturing on July 1 of each year through 2033. Interest is payable monthly at a variable rate not to exceed 10%. The interest rate was 3.05% and 0.08% at December 31, 2022 and 2021, respectively. The Series 2004 Bonds are variable rate demand bonds secured by an irrevocable letter of credit with a bank, which expires on May 31, 2024. No amounts were outstanding on the letter of credit at December 31, 2022 and 2021.

NJHCFFA Variable Rate Revenue Bonds, Virtua Health Issue, Series 2009B-E (the "Series 2009B-E Bonds") were issued in connection with the Series 2009A Bonds for the purpose of constructing and equipping the Voorhees replacement hospital, funding capitalized interest, and paying certain finance costs. Annual principal payments range from \$34,820 to \$39,245, maturing on July 1, 2039 through 2043. Interest is payable monthly at a variable rate not to exceed 12%. The interest rates were 2.55%, 2.20%, 3.25%, and 3.05% at December 31, 2022 and 0.05%, 0.05%, 0.07%, and

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
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0.06% at December 31, 2021, respectively. The Series 2009B-E Bonds are variable rate demand bonds secured by irrevocable letters of credit with two banks; with one bank for Series B-C providing two letters of credit for a total of \$100,000, which expire on January 2, 2026; and another bank for Series D-E providing two letters of credit for a total of \$85,000, which expire on January 2, 2024. No amounts were outstanding on the letters of credit at December 31, 2022 and 2021.

- (b) The NJHCFFA Fixed Rate Revenue Refunding Bonds, Virtua Health Issue, Series 2013 (the "Series 2013 Bonds") were issued to refund the outstanding Series 1998 Bonds and certain Series 2009A Bonds and pay for costs of issuance of the Series 2013 Bonds. The Series 2013 Bonds bear interest between 4.00% and 5.00%, payable on January 1 and July 1. Annual principal payments range from \$11,090 to \$14,575, maturing on July 1 of each year through 2029. In connection with the sale of the Facilities, \$5,715 of the Series 2013 Bonds were defeased in May 2022, that generated a loss on the extinguishment of debt of \$126 included in the gain on sale of assets, net for the year ended December 31, 2022.
- (c) The NJHCFFA Fixed Rate Refunding Bonds, Virtua Health Issue, Series 2019 (the "Series 2019 Bonds") were issued to refund the outstanding Series 2009A Bonds. Interest is payable monthly at a fixed rate of 3.20%. Annual principal payments range from \$15,665 to \$27,880, maturing on July 1, 2030 through 2038. The bonds were issued as a private placement with a bank as the direct purchasing bank, through the maturity in 2038.
- (d) The Virtua Health Series 2020 Term Loan (the "Series 2020 Term Loan") was issued to finance capital needs for technology projects, joint venture investments, and other valid corporate purposes. Interest is payable monthly at a fixed rate of 2.37%. Annual principal payments range from \$34,850 to \$38,265, maturing on July 1 of each year through 2027. The term loan was issued as a taxable private placement with a bank as the direct lending bank, through the maturity in 2027.

Original issue premium and debt issuance costs for indebtedness are being amortized over the term of the related debt using the effective interest method and is included in interest expense in the consolidated statements of operations and changes in net assets.

Under the terms of its bond trust agreements, Virtua Health has the option to convert the variable rate demand bonds to a fixed rate term mode. For all series of variable rate demand bonds backed by bank letters of credit and subjected to remarketing agreements, in the event that any or all of the bonds are tendered by the bondholder and are unable to be remarketed, the letters of credit are drawn upon by the bond trustee to purchase the bonds. Draws for this purpose under the letters of credit are repaid with interest over a period of one to three years under existing term-out provisions, noting certain bonds have a one-year interest-only period prior to the repayment period. All series of variable rate demand bonds are subjected to mandatory tender for purchase prior to the expiration of the letter of credit if a substitute facility has not been made effective.

The Series 2004, 2009B-E, 2013 and 2019 Bonds and the Series 2020 Term Loan are all secured equally and ratably on a parity basis by notes issued under the master trust indenture (the "Master Trust Indenture"), with Virtua Health, Inc., Virtua-West Jersey, and Virtua-Memorial as obligated issuers (the "Virtua Obligated Group"). The notes are secured by a pledge of gross receipts of the Virtua Obligated Group and a mortgage on the Voorhees replacement hospital. The Virtua Obligated Group is obligated to pay the principal or redemption price and interest on the bonds under loan agreements with the NJHCFFA. The Master Trust Indenture and other bond agreements require the Virtua Obligated Group to comply with certain financial covenants. At December 31, 2022 and 2021, the Virtua Obligated Group has complied with all financial covenants related to the bonds.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Future Principal Payments

Principal payments on long-term debt for the next five years and thereafter are as follows:

<u>Years Ending December 31,</u>	
2023	\$ 49,627
2024	50,911
2025	52,185
2026	53,341
2027	54,879
Thereafter	<u>443,588</u>
	<u>\$ 704,531</u>

Lines and Letters of Credit

Virtua Health has a revolving credit line in place with a bank for \$60,000, which expires in December 2023. The interest rate is based on either the term SOFR (“Secured Overnight Financing Rate”) reference rate for the interest period (one-month) plus 85 basis points (the term SOFR one-month rate was 4.35% at December 31, 2022 and 0.05% at December 31, 2021), or the prime rate minus 150 basis points (the prime rate was 7.50% at December 31, 2022 and 3.25% at December 31, 2021). There were no amounts outstanding under the line of credit at December 31, 2022 and 2021. The line of credit has a provision for letters of credit. There were \$5,089 in letter of credit commitments with expiration dates in 2023 as of December 31, 2022. These were not drawn upon and are in connection with VAI, a capital project, and a site requirement.

Virtua Health has a second revolving credit line in place with another bank for \$50,000, which expires in December 2023. The interest rate is based on either the daily simple SOFR interest period plus 70 basis points (the daily simple SOFR was 4.30% at December 31, 2022 and 0.05% at December 31, 2021), or the prime rate minus 150 basis points (the prime rate was 7.50% at December 31, 2022 and 3.25% at December 31, 2021). There were no amounts outstanding on the line of credit at December 31, 2022 and 2021.

Virtua Health has a third revolving credit line in place with another bank for \$50,000, which expires in December 2023. The interest rate is based on either the term SOFR reference rate for the interest period (one-month) plus 90 basis points (the term SOFR one-month rate was 4.35% at December 31, 2022, noting the line was converted to SOFR borrowing in 2022, or the prime rate minus 25 basis points (the prime rate was 7.50% at December 31, 2022 and 3.25% at December 31, 2021). There were no amounts outstanding on the line of credit at December 31, 2022 and 2021.

Fair Value

Virtua Health used current quoted market prices in estimating the fair value of its long-term debt, excluding financing lease obligations. As of December 31, 2022 and 2021, the fair values were \$639,354 and \$805,964, respectively. Fair value of long-term debt was determined using the market approach, which is considered a Level 2 measurement.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
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NOTE M - LEASES

The following table presents the components of the right of use assets and liabilities related to leases and their classification in the consolidated balance sheets at December 31, 2022 and 2021:

Component of Lease Balances	Classification in Consolidated Balance Sheets	2022	2021
Assets:			
Operating lease	Right of use assets	\$ 174,906	\$ 119,533
Finance lease	Property, plant, and equipment, net	1,934	1,658
		<u>\$ 176,840</u>	<u>\$ 121,191</u>
Liabilities:			
Operating lease:			
Current	Current maturities of lease liability	\$ 28,630	\$ 28,822
Long-term	Lease liability, net of current maturities	159,214	103,112
		187,844	131,934
Finance lease:			
Current	Current maturities of long-term debt	748	612
Long-term	Long-term debt, net of current maturities	1,006	981
		<u>1,754</u>	<u>1,593</u>
		<u>\$ 189,598</u>	<u>\$ 133,527</u>

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

The following table presents the components of lease expense and their classification in the consolidated statements of operations and changes in net assets for the years ended December 31, 2022 and 2021:

Component of Lease Balances	Classification in Consolidated Statements of Operations and Changes in Net Assets	2022	2021
Operating lease expense	Other operating expenses	\$ 36,104	\$ 35,155
Finance lease expense:			
Amortization of leased assets	Depreciation and amortization	664	457
Interest on lease liabilities	Interest expense	64	39
		728	496
Variable and short-term lease expense	Other operating expenses	17,556	15,560
		<u>\$ 54,388</u>	<u>\$ 51,211</u>

The weighted-average lease terms and discount rates for operating and finance leases at December 31, 2022 and 2021 are as follows:

	2022	2021
Weighted-average remaining lease term (years)		
Operating leases	7.67 years	6.54 years
Finance leases	1.75 years	2.49 years
Weighted-average discount rate		
Operating leases	3.55%	3.67%
Finance leases	3.64%	3.45%

Cash flow related to leases for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows related to operating leases	\$ 38,942	\$ 39,008
Operating cash outflows related to finance leases	\$ 315	\$ 443
Financing cash outflows related to finance leases	\$ 438	\$ 60
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 80,508	\$ 27,374
Finance leases	\$ 461	\$ 665

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

The future minimum rental commitments for all noncancelable operating and finance leases at December 31, 2022 are as follows:

<u>Years Ending December 31,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2023	\$ 34,811	\$ 816	\$ 35,627
2024	32,598	563	33,161
2025	27,881	279	28,160
2026	24,734	129	24,863
2027	21,930	76	22,006
Thereafter	74,889	-	74,889
	216,843	1,863	218,706
Less: Imputed interest	<u>(28,999)</u>	<u>(109)</u>	<u>(29,108)</u>
	187,844	1,754	189,598
Less: Current maturities	<u>(28,630)</u>	<u>(748)</u>	<u>(29,378)</u>
	<u>\$ 159,214</u>	<u>\$ 1,006</u>	<u>\$ 160,220</u>

NOTE N - RETIREMENT BENEFIT PLANS

Defined Contribution Plan

Virtua Health sponsors the Virtua Health 401(k) savings plan covering all nonbargaining unit employees and a group of bargaining unit employees. Employer contributions to the Virtua Health 401(k) savings plan are based on a formula as defined by the plan document.

The amount of expense related to this plan was \$29,294 and \$27,306 for the years ended December 31, 2022 and 2021, respectively, and is included in employees' fringe benefits in the consolidated statements of operations and changes in net assets.

Defined Benefit Plan

Virtua Health has a noncontributory defined benefit pension plan (the "Virtua Pension Equity Plan"), which covered employees as defined, and accrued benefit formulas as defined for those who met prescribed eligibility requirements. The Virtua Pension Equity Plan is primarily frozen, except for a small amount of actively accruing participants. The Virtua Pension Equity Plan uses a measurement date of December 31. The mortality table used for projecting the benefit obligations is the Pri-2012 with projected improvements using the MP-2021 projection scale for the years ended December 31, 2022 and 2021.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

The information at December 31, 2022 and 2021, and for the years then ended, about the Virtua Pension Equity Plan is as follows:

	2022	2021
Weighted-average assumptions used to determine benefit obligations - end of year:		
Discount rate	2.99%	2.65%
Rate of compensation increase	3.00%	3.00%
Accumulated benefit obligation - end of year	\$ 182,041	\$ 250,973
Changes in benefit obligations:		
Benefit obligations - beginning of year:	\$ 250,973	\$ 276,861
Service cost	1,708	1,041
Interest cost	7,239	7,067
Actuarial gain	(56,319)	(12,067)
Benefits paid	(21,560)	(21,929)
Benefit obligations - end of year	182,041	250,973
Changes in plan assets:		
Fair value of plan assets - beginning of year:	232,863	247,163
Actual return on plan assets	(44,316)	7,629
Benefits paid	(21,560)	(21,929)
Fair value of plan assets - end of year	166,987	232,863
Funded status of the plan - end of year	\$ (15,054)	\$ (18,110)
Amounts recognized in the consolidated balance sheets - noncurrent accrued retirement benefits	\$ (15,054)	\$ (18,110)
Amounts recognized in net assets without restrictions:		
Actuarial loss	\$ 115,694	\$ 126,231
Prior service cost	(3)	(3)
Net (gain) loss	(3,416)	(10,533)
Total amounts recognized in net assets without restrictions	\$ 122,275	\$ 115,695

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>
Components of net periodic benefit cost recognized in employee fringe benefits:		
Service cost	\$ 1,708	\$ 1,040
Components recognized in nonoperating gains and losses in other accrual retirement credit:		
Interest cost	7,239	7,067
Expected return on plan assets	(12,944)	(13,783)
Amortization of actuarial loss	4,357	4,620
Amortization of prior service credit	<u>3</u>	<u>3</u>
	<u>(1,345)</u>	<u>(2,093)</u>
Total net periodic benefit cost (credit)	363	(1,053)
Other changes in accrued retirement benefits recognized in net assets without restrictions:		
Current-year actuarial loss (gain)	941	(5,912)
Recognized actuarial loss	(4,357)	(4,620)
Recognition of prior service cost	<u>(3)</u>	<u>(3)</u>
Total recognized in net assets without restrictions	<u>(3,419)</u>	<u>(10,535)</u>
Total recognized in net periodic benefit (credit) cost and change in net assets without restrictions	<u>\$ (3,056)</u>	<u>\$ (11,588)</u>
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	2.99%	2.65%
Expected long-term rate of return on plan assets	5.80%	5.80%
Rate of compensation increase	3.00%	3.00%

To develop the expected long-term rate of return on assets assumption, Virtua Health considered the historical returns and the future expectations for returns for each asset class, as well as the target allocation of the pension portfolio.

The Virtua Pension Equity Plan amortizes prior service cost as a result of plan amendments on a straight-line basis over the expected average future lifetime of active participants expected to benefit under the plan.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Plan Assets

The pension plan's actual weighted-average asset allocations and target asset allocations, by asset category, at December 31, 2022 and 2021 are as follows:

Asset Category	Target Allocation	2022	2021
Fixed income	30% - 80%	69%	68%
Equity securities	20% - 65%	26	27
Alternative investments/real estate	0% - 10%	5	5
		100%	100%

The investment policy and strategy for the pension plan assets has established guidelines for an asset mix that provides diversification to absorb risk while not sacrificing investment returns.

The fair value of the common/collective trust funds has been determined using the NAV of the funds as provided by the respective fund managers. There were no withdrawal restrictions or unfunded commitments on such funds.

The plan assets in the defined benefit pension plan measured at fair value, using NAV, at December 31, 2022 and 2021, are as follows:

	2022	2021
Common/collective trust funds:		
Fixed income ^(a)	\$ 114,779	\$ 157,996
Domestic equity ^(b)	23,533	35,784
International equity ^(c)	19,700	27,162
U.S. real estate ^(d)	8,975	11,921
	\$ 166,987	\$ 232,863

(a) *Fixed income* - Seeks favorable returns comparable to the broad fixed-income market by investing in bonds representing diverse sectors and maturities.

(b) *Domestic equity* - Seeks to provide a long-term capital growth, by investing primarily in common stocks of U.S. companies with various capitalizations, while managing volatility and maintaining diversification.

(c) *International equity* - Seeks long-term returns comparable to the broad international stock market by investing in companies from developed and emerging countries around the world.

(d) *U.S. real estate* - Employs a multiadvisor, multifund approach to private core and enhanced core real estate investments with a focus on high current income. Manages risk through property type and regional diversification and generally limits portfolio leverage to 30%.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Cash Flows

Contributions

Virtua Health intends to make contributions to the plan assets, as necessary, that will ensure compliance with all provisions of the Pension Protection Act of 2006, as amended (“PPA”).

Estimated Future Benefit Payments:

2023	\$	17,271
2024		16,662
2025		16,741
2026		16,509
2027		16,190
2028-2032		74,212

Multi-employer Plan

Certain Virtua Health employees represented by a bargaining unit participate in a multi-employer pension plan based on a union-negotiated agreement. For these employees, Virtua Health contributes to the Central Pension Fund of the International Union of Operating Engineers and Participating Employers (the “Multi-employer Plan”). Participation in the Multi-employer Plan commences on the first of the month after the employee’s successful completion of 90 days of employment. Contributions to the Multi-employer Plan are based on union employee worked hours and a negotiated contribution rate in accordance with the union’s contractual arrangement.

Under the Employee Retirement Income Security Act of 1974, as amended by the Multi-employer Pension Plan Amendments Act of 1980, the risks of participating in multi-employer plans are different from single-employer plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the employer chooses to stop participating in some of its multi-employer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Until such events above occur, Virtua Health’s share, if any, of the unfunded vested liabilities cannot be determined. At December 31, 2022, Virtua Health has no plans to withdraw from the Multi-employer Plan.

Virtua Health’s participation in the Multi-employer Plan for the years ended December 31, 2022 and 2021, is outlined below:

- The Multi-employer Plan’s Employer Identification Number is 36-6052390, and the three-digit plan number is 001.
- The PPA zone status is based on information that Virtua Health received from the Multi-employer Plan’s sponsor and is certified by the Multi-employer Plan’s actuary. The Multi-employer Plan is in the green zone, which indicates that it is at least 80% funded. The most recent PPA zone status

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

available in 2022 and 2021 is for the Multi-employer Plan years ended January 31, 2022 and 2021, respectively.

- A financial improvement plan or a rehabilitation plan is neither pending nor has one been implemented for the Multi-employer Plan.
- Virtua Health was not required to pay a surcharge to the Multi-employer Plan.
- The current collective bargaining agreement expires on February 28, 2024. This agreement covers approximately 8% of the Registered Nurse workforce.
- Virtua Health contributed \$4,671 and \$4,527 to the Multi-employer Plan for the years ended December 31, 2022 and 2021, respectively. Virtua Health did not contribute more than 5% of the total contributions to the Multi-employer Plan and was not listed in the Form 5500 for the Multi-employer Plan years ended January 31, 2022 and 2021.

At the date the consolidated financial statements were issued, the Form 5500 was not available for the Multi-employer Plan year ended January 31, 2022.

NOTE O - CONTINGENCIES AND COMMITMENTS

Self-Insured Malpractice and General Liability and Litigation

VAI's principal business is to reinsure the primary layer of exposure underwritten by a third-party insurer for claims-made-basis hospital professional liability, physicians professional liability, and occurrence-basis general liability. For the years ended December 31, 2022 and 2021, malpractice professional liability coverage is limited to \$1,000 per claim and \$3,000 aggregate per facility, and general liability coverage is limited to \$1,000 per claim. In addition to the primary layer by VAI, Virtua Health maintains excess coverage from third-party insurers for amounts above the limits insured by VAI.

The reserves for reported claims and claims incurred but not reported ("IBNR") are reported gross of expected insurance recoveries. The reserves for reported claims and claims IBNR are reported within accounts payable and accrued expenses and self-insurance liabilities in the consolidated balance sheets. In addition, the expected insurance recoveries are reported in other current assets and other assets in the consolidated balance sheets.

The loss reserves are management's best estimate based on actuarial estimates of the ultimate net cost of settling losses on incurred claims. The estimates are reviewed and adjusted, as necessary, as experience develops or new information becomes known. Management believes that the loss reserves are adequate; however, the ultimate settlement of losses may vary significantly from the amounts recorded in the accompanying consolidated financial statements.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Claims reserve activity for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Claims reserves and IBNR - beginning of the year	\$ 81,438	\$ 71,553
Less: Insurance recoveries on unpaid claims	(27,882)	(26,230)
Claims reserves and IBNR, net - beginning of the year	53,556	45,323
Incurred related to:		
Current year	12,779	14,175
Prior year	(499)	(2,898)
Total incurred	12,280	11,277
Change in IBNR	(6,262)	8,244
Paid related to:		
Current year	(103)	(617)
Prior year	(3,743)	(10,671)
Total incurred	(3,846)	(11,288)
Claims reserves and IBNR, net - end of the year	55,728	53,556
Add: Insurance recoveries on unpaid claims	36,257	27,882
Claims reserves and IBNR - end of the year	\$ 91,985	\$ 81,438

Self-Funded Healthcare Plan for Employees

Virtua Health has a self-funded healthcare employee benefit plan that is administered by a third-party administrator. Virtua Health obtains an excess insurance policy for claims to a member in excess of \$1,000. The reserves for claims that are not paid at December 31, 2022 and 2021 totaled \$10,504 and \$12,379, respectively, and are reported within accounts payable and accrued expenses in the consolidated balance sheets.

Litigation

Virtua Health is not a party to, nor are any of its properties the subject of, any material pending legal proceedings other than ordinary, routine litigation incidental to the business.

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

Promise to Give in Future Period

On December 21, 2021, Virtua Health and VHF entered into a Master Affiliation Agreement with the Rowan University Foundation in order to collaborate for the development and operation of an affiliated academic health system, the purpose of which is to promote and enhance clinical education, research and clinical activities for residents of New Jersey and surrounding states. As part of a separate Gift Agreement to further the initiative, Virtua Health and VHF made a pledge totaling \$85,000 to be paid in ten gift installments, as defined in the Gift Agreement. The annual payments range from \$25,000 to \$4,375. The first installment in the amount of \$25,000 was made in December 2021, which was unconditional and included in other operating expenses in the consolidated statement of operations and changes in net assets for the year ended December 31, 2021. The second installment in the amount of \$25,000 was made in December 2022 after certain milestones, as defined in the Gift Agreement, were met, and is included in other operating expenses in the consolidated statement of operations and changes in net assets for the year ended December 31, 2022. The remainder of the gift installments under the pledge are conditional depending on various milestone/barriers as defined in the Gift Agreement. As such, the remaining pledge of \$35,000 is not recorded in the consolidated financial statements at December 31, 2022.

NOTE P - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 and 2021 are restricted for the following programs:

	<u>2022</u>	<u>2021</u>
Temporarily - Subject to expenditure for specific purpose:		
Property, plant, and equipment and other	\$ 23,848	\$ 20,710
Education and nursing scholarships	3,248	4,153
	<u>27,096</u>	<u>24,863</u>
Permanently - Investment in perpetuity whose income is expendable to support:		
Scholarships and other	7,826	9,822
	<u>\$ 34,922</u>	<u>\$ 34,685</u>

NOTE Q - CONCENTRATIONS OF CREDIT RISK

Virtua Health grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of accounts receivable from patients and third-party payers at December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Managed care	50%	45%
Medicare and Medicaid	23	23
Self-pay	10	14
Other third-party payers	17	18
	<u>100%</u>	<u>100%</u>

Virtua Health, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021
(Dollar amounts in thousands)

NOTE R - FUNCTIONAL EXPENSES

Virtua Health's primary mission is to provide health care services to its patients. The majority of all operating expenses incurred by Virtua Health are related to the provision of health care services. Virtua Health provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2022 and 2021, are as follows:

	Healthcare Services	General and Administrative	Total
<u>2022</u>			
Salaries and wages	\$ 900,007	\$ 181,349	\$ 1,081,356
Professional fees	47,197	1,063	48,260
Employers' fringe benefits	178,081	38,047	216,128
Other operating expenses	785,718	103,434	889,152
Interest	17,820	15	17,835
Depreciation and amortization	105,335	24,273	129,608
	<u>\$ 2,034,158</u>	<u>\$ 348,181</u>	<u>\$ 2,382,339</u>
	Healthcare Services	General and Administrative	Total
<u>2021</u>			
Salaries and wages	\$ 806,892	\$ 168,346	\$ 975,238
Professional fees	31,377	572	31,949
Employers' fringe benefits	161,090	44,992	206,082
Other operating expenses	708,941	95,696	804,637
Interest	16,938	4	16,942
Depreciation and amortization	101,212	25,364	126,576
	<u>\$ 1,826,450</u>	<u>\$ 334,974</u>	<u>\$ 2,161,424</u>

NOTE S - SUBSEQUENT EVENTS

Virtua Health has evaluated its December 31, 2022 consolidated financial statements for subsequent events through April 28, 2023, the date the consolidated financial statements were issued. Virtua Health is not aware of any subsequent events, which require recognition or disclosure in the consolidated financial statements in the notes to the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Virtua Health, Inc.

CONSOLIDATED BALANCE SHEETS INFORMATION - VIRTUA HEALTH, INC.

December 31, 2022

	Virtua Health, Inc. Consolidated	Reclassifying/ Eliminating Entries	Total	Lourdes Health Care Services	Virtua Obligated Group	Lourdes Hospital Group	Virtua Ambulatory Group	Virtua Medical Group	Population Health Management Group	Virtua Health Foundation Group	Virtua Assurance
ASSETS											
Current assets											
Cash and cash equivalents	\$ 62,881	\$ -	\$ 62,881	\$ -	\$ 37,373	\$ 30	\$ 42	\$ 16,142	\$ 4,813	\$ 1,169	\$ 3,312
Assets limited as to use	23,956	-	23,956	-	7,841	-	-	-	-	-	16,115
Patient accounts receivable	230,379	-	230,379	-	150,699	58,327	-	21,353	-	-	-
Due from affiliate, net	-	(264,589)	264,589	-	263,402	-	1,187	-	-	-	-
Other current assets	115,932	-	115,932	-	89,157	18,373	266	2,994	490	1,659	2,993
Total current assets	433,148	(264,589)	697,737	-	548,472	76,730	1,495	40,489	5,303	2,828	22,420
Assets limited as to use											
By Board of Trustees' designation	1,770,272	-	1,770,272	-	1,707,955	-	-	-	-	62,317	-
Insurance funds	37,314	-	37,314	-	1,347	-	-	-	-	-	35,967
Restricted funds	24,198	-	24,198	-	1,369	-	-	-	-	22,829	-
	1,831,784	-	1,831,784	-	1,710,671	-	-	-	-	85,146	35,967
Property, plant, and equipment, net	1,038,479	-	1,038,479	-	717,343	252,261	7	68,861	-	7	-
Right of use assets	174,906	-	174,906	-	118,894	11,565	-	44,447	-	-	-
Other long-term assets											
Due from affiliates, net	-	(66,282)	66,282	-	63,882	2,329	-	71	-	-	-
Investment in unconsolidated joint ventures	206,834	-	206,834	-	186,492	8,543	972	10,827	-	-	-
Goodwill and other intangibles, net	404,232	-	404,232	-	380,771	19,719	-	3,742	-	-	-
Other assets	24,924	-	24,924	-	22,749	414	-	164	-	1,597	-
Beneficial interest in perpetual trust	7,826	(7,826)	15,652	-	7,826	-	-	-	-	7,826	-
	643,816	(74,108)	717,924	-	661,720	31,005	972	14,804	-	9,423	-
Total assets	<u>\$ 4,122,133</u>	<u>\$ (338,697)</u>	<u>\$ 4,460,830</u>	<u>\$ -</u>	<u>\$ 3,757,100</u>	<u>\$ 371,561</u>	<u>\$ 2,474</u>	<u>\$ 168,601</u>	<u>\$ 5,303</u>	<u>\$ 97,404</u>	<u>\$ 58,387</u>

Virtua Health, Inc.

CONSOLIDATED BALANCE SHEETS INFORMATION - VIRTUA HEALTH, INC.

December 31, 2022

	Virtua Health, Inc. Consolidated	Reclassifying/ Eliminating Entries	Total	Lourdes Health Care Services	Virtua Obligated Group	Lourdes Hospital Group	Virtua Ambulatory Group	Virtua Medical Group	Population Health Management Group	Virtua Health Foundation Group	Virtua Assurance
LIABILITIES AND NET ASSETS											
Current liabilities											
Current maturities of long-term debt	\$ 49,627	\$ -	\$ 49,627	\$ -	\$ 49,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current maturities of lease liability	28,630	-	28,630	-	15,967	2,607	-	10,056	-	-	-
Accounts payable and accrued expenses	225,175	(16,103)	241,278	-	173,395	31,877	2,225	12,692	625	220	20,244
Due to affiliates, net	-	(264,589)	264,589	-	-	156,504	-	28,066	26,190	53,683	146
Accrued compensation and related liabilities	102,943	-	102,943	-	63,256	10,374	172	28,783	358	-	-
Accrued interest payable	3,625	-	3,625	-	3,625	-	-	-	-	-	-
Estimated settlements due to third-party payers	16,926	-	16,926	-	12,983	3,923	-	20	-	-	-
Total current liabilities	426,926	(280,692)	707,618	-	318,853	205,285	2,397	79,617	27,173	53,903	20,390
Long-term liabilities											
Estimated settlements due to third-party payers	17,929	-	17,929	-	9,023	8,793	113	-	-	-	-
Self insurance liabilities	62,033	(29,033)	91,066	-	62,033	-	-	-	-	-	29,033
Accrued retirement benefits	15,641	-	15,641	-	15,641	-	-	-	-	-	-
Due to affiliates, net	-	(21,146)	21,146	-	-	-	-	-	-	21,146	-
Long-term debt, net of current maturities	655,509	-	655,509	-	655,509	-	-	-	-	-	-
Lease liability, net of current maturities	159,214	-	159,214	-	111,154	9,408	-	38,652	-	-	-
Other liabilities	11,083	-	11,083	-	9,018	1,471	198	365	31	-	-
Total liabilities	1,348,335	(330,871)	1,679,206	-	1,181,231	224,957	2,708	118,634	27,204	75,049	49,423
Net assets (deficiency)											
Without donor restrictions											
Virtua Health, Inc.	2,429,215	-	2,429,215	-	2,235,640	144,215	(234)	49,896	(21,901)	12,635	8,964
Noncontrolling interests	309,661	-	309,661	-	309,661	-	-	-	-	-	-
Total net assets without donor restrictions	2,738,876	-	2,738,876	-	2,545,301	144,215	(234)	49,896	(21,901)	12,635	8,964
With donor restrictions											
	34,922	(7,826)	42,748	-	30,568	2,389	-	71	-	9,720	-
Total net assets (deficiency)	2,773,798	(7,826)	2,781,624	-	2,575,869	146,604	(234)	49,967	(21,901)	22,355	8,964
Total liabilities and net assets (deficiency)	\$ 4,122,133	\$ (338,697)	\$ 4,460,830	\$ -	\$ 3,757,100	\$ 371,561	\$ 2,474	\$ 168,601	\$ 5,303	\$ 97,404	\$ 58,387

Virtua Health, Inc.

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA HEALTH, INC.

For the year ended December 31, 2022

	Virtua Health Inc. Consolidated	Reclassifying/ Eliminating Entries	Total	Lourdes Health Care Services	Virtua Obligated Group	Lourdes Hospital Group	Virtua Ambulatory Group	Virtua Medical Group	Population Health Management Group	Virtua Health Foundation Group	Virtua Assurance
Net assets without donor restrictions											
Revenue:											
Patient service revenue	\$ 2,316,432	\$ -	\$ 2,316,432	\$ -	\$ 1,462,357	\$ 558,869	\$ 7,095	\$ 288,111	\$ -	\$ -	\$ -
Other revenue	176,145	(220,288)	396,433	-	283,974	13,187	3,087	73,791	7,415	52	14,927
Equity in income of unconsolidated joint ventures	68,932	-	68,932	-	63,325	2,705	2,831	71	-	-	-
Total revenue	2,561,509	(220,288)	2,781,797	-	1,809,656	574,761	13,013	361,973	7,415	52	14,927
Expenses:											
Salaries and wages	1,081,356	(885)	1,082,241	-	633,771	164,372	6,114	273,865	4,119	-	-
Professional fees	48,260	(50,028)	98,288	-	45,591	46,815	14	2,823	3,045	-	-
Employees' fringe benefits	216,128	(48,956)	265,084	-	185,194	35,313	2,009	41,163	1,405	-	-
Other operating expenses	889,152	(120,341)	1,009,493	-	550,658	278,340	7,458	133,914	703	27,342	11,078
Interest	17,835	(78)	17,913	-	17,835	-	78	-	-	-	-
Depreciation and amortization	129,608	-	129,608	-	95,157	23,436	5	11,005	-	5	-
Total expenses	2,382,339	(220,288)	2,602,627	-	1,628,206	548,276	15,678	462,770	9,272	27,347	11,078
Income (loss) from operations (includes \$71,933 of income attributed to noncontrolling interest)	179,170	-	179,170	-	281,450	26,485	(2,665)	(100,797)	(1,857)	(27,295)	3,849
Nonoperating gains and losses											
Investment return, net	(270,539)	-	(270,539)	-	(252,753)	-	-	-	-	(10,550)	(7,236)
Gain on sale of assets, net	36,553	-	36,553	-	-	-	36,553	-	-	-	-
Other accrued retirement costs	1,345	-	1,345	-	1,345	-	-	-	-	-	-
Total nonoperating (losses) gains, net	(232,641)	-	(232,641)	-	(251,408)	-	36,553	-	-	(10,550)	(7,236)
(Deficiency in) excess of revenue and gains over expenses and losses	(53,471)	-	(53,471)	-	30,042	26,485	33,888	(100,797)	(1,857)	(37,845)	(3,387)
Excess of revenue and gains over expenses and losses attributed to noncontrolling interests	(71,933)	-	(71,933)	-	(71,933)	-	-	-	-	-	-
(Deficiency in) excess of revenue and gains over expenses and losses attributed to Virtua Health, Inc.	(125,404)	-	(125,404)	-	(41,891)	26,485	33,888	(100,797)	(1,857)	(37,845)	(3,387)

Virtua Health, Inc.

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA HEALTH, INC.

For the year ended December 31, 2022

	Virtua Health Inc. Consolidated	Reclassifying/ Eliminating Entries	Total	Lourdes Health Care Services	Virtua Obligated Group	Lourdes Hospital Group	Virtua Ambulatory Group	Virtua Medical Group	Population Health Management Group	Virtua Health Foundation Group	Virtua Assurance
(Deficiency in) excess of revenue and gains over expenses and losses attributed to Virtua Health, Inc.	\$ (125,404)	\$ -	\$ (125,404)	\$ -	\$ (41,891)	\$ 26,485	\$ 33,888	\$ (100,797)	\$ (1,857)	\$ (37,845)	\$ (3,387)
Other changes in net assets without donor restrictions - Virtua Health, Inc.											
Restricted net assets released for property, plant, and equipment	393	-	393	-	234	107	52	-	-	-	-
Other changes in accrued retirement benefits	3,419	-	3,419	-	3,419	-	-	-	-	-	-
Transfers with affiliates, net	-	-	-	3,808	(95,582)	3,046	(31,961)	120,689	-	-	-
(Decrease) increase in net assets without donor restrictions - Virtua Health, Inc.	(121,592)	-	(121,592)	3,808	(133,820)	29,638	1,979	19,892	(1,857)	(37,845)	(3,387)
Noncontrolling interests											
Excess of revenues and gains over expenses and losses attributable to noncontrolling interests	71,933	-	71,933	-	71,933	-	-	-	-	-	-
Distributions	(32,985)	-	(32,985)	-	(32,985)	-	-	-	-	-	-
Membership interest changes	63,293	-	63,293	-	63,293	-	-	-	-	-	-
Increase in net assets without donor restrictions - noncontrolling interests	102,241	-	102,241	-	102,241	-	-	-	-	-	-
Net assets with donor restrictions											
Contributions, net	5,824	-	5,824	-	4,745	1,045	-	3	-	31	-
Investment return, net	(333)	-	(333)	-	1	-	-	-	-	(334)	-
(Decrease) increase in beneficial interest in perpetual trust	(1,986)	1,986	(3,972)	-	(1,986)	-	-	-	-	(1,986)	-
Net assets released from restrictions for operations	(2,875)	-	(2,875)	-	(2,726)	(149)	-	-	-	-	-
Net assets released from restrictions for property, plant, and equipment	(393)	-	(393)	-	(234)	(107)	(52)	-	-	-	-
Transfers with affiliates, net	-	-	-	-	(55)	103	(48)	-	-	-	-
Increase (decrease) in net assets with donor restrictions	237	1,986	(1,749)	-	(255)	892	(100)	3	-	(2,289)	-
(DECREASE) INCREASE IN NET ASSETS	(19,114)	1,986	(21,100)	3,808	(31,834)	30,530	1,879	19,895	(1,857)	(40,134)	(3,387)
Net assets (deficiency) - beginning of year	2,792,912	(9,812)	2,802,724	(3,808)	2,607,703	116,074	(2,113)	30,072	(20,044)	62,489	12,351
Net assets (deficiency) - end of year	\$ 2,773,798	\$ (7,826)	\$ 2,781,624	\$ -	\$ 2,575,869	\$ 146,604	\$ (234)	\$ 49,967	\$ (21,901)	\$ 22,355	\$ 8,964

Virtua Health, Inc.

COMBINING BALANCE SHEET INFORMATION - VIRTUA OBLIGATED GROUP

December 31, 2022

	Virtua Obligated Group	Reclassifying/ Eliminating Entries	Total	Virtua Health, Inc.	Virtua-Memorial Hospital of Burlington County, Inc.	Virtua- West Jersey Health System, Inc.
ASSETS						
Current assets						
Cash and cash equivalents	\$ 37,373	\$ -	\$ 37,373	\$ 377	\$ 18,297	\$ 18,699
Assets limited as to use	7,841	(7,841)	15,682	7,841	570	7,271
Patient accounts receivable	150,699	-	150,699	-	57,027	93,672
Due from affiliate, net	263,402	(157,385)	420,787	414,722	6,065	-
Other current assets	89,157	(29)	89,186	51,213	9,831	28,142
Total current assets	548,472	(165,255)	713,727	474,153	91,790	147,784
Assets limited as to use						
By Board of Trustees' designation	1,707,955	-	1,707,955	66,320	157,645	1,483,990
Insurance funds	1,347	-	1,347	1,347	-	-
Restricted funds	1,369	-	1,369	-	1,369	-
	1,710,671	-	1,710,671	67,667	159,014	1,483,990
Property, plant, and equipment, net	717,343	-	717,343	-	143,036	574,307
Right of use assets	118,894	-	118,894	17,628	51,052	50,214
Other long-term assets						
Due from affiliates, net	63,882	(493,277)	557,159	90,463	433,815	32,881
Investment in unconsolidated joint ventures	186,492	(8,964)	195,456	8,964	27,801	158,691
Goodwill and other intangibles, net	380,771	-	380,771	-	341,828	38,943
Other assets	22,749	-	22,749	22,186	516	47
Beneficial interest in perpetual trust	7,826	-	7,826	-	7,826	-
	661,720	(502,241)	1,163,961	121,613	811,786	230,562
Total assets	\$ 3,757,100	\$ (667,496)	\$ 4,424,596	\$ 681,061	\$ 1,256,678	\$ 2,486,857
LIABILITIES AND NET ASSETS						
Current liabilities						
Current maturities of long-term debt	\$ 49,627	\$ (13,195)	\$ 62,822	\$ 48,045	\$ 2,256	\$ 12,521
Current maturities of lease liability	15,967	-	15,967	4,561	4,893	6,513
Accounts payable and accrued expenses	173,395	(29)	173,424	79,484	20,381	73,559
Due to affiliates, net	-	(139,015)	139,015	-	-	139,015
Accrued compensation and related liabilities	63,256	-	63,256	31,090	11,135	21,031
Accrued interest payable	3,625	(3,240)	6,865	3,613	153	3,099
Estimated settlements due to third-party payers	12,983	-	12,983	10,027	1,407	1,549
Total current liabilities	318,853	(155,479)	474,332	176,820	40,225	257,287
Long-term liabilities						
Estimated settlements due to third-party payers	9,023	-	9,023	-	3,009	6,014
Self insurance liabilities	62,033	-	62,033	62,033	-	-
Accrued retirement benefits	15,641	-	15,641	15,054	-	587
Long-term debt, net of current maturities	655,509	(503,053)	1,158,562	650,720	10,200	497,642
Lease liability, net of current maturities	111,154	-	111,154	16,134	49,661	45,359
Other liabilities	9,018	-	9,018	2,725	3,092	3,201
Total liabilities	1,181,231	(658,532)	1,839,763	923,486	106,187	810,090
Net assets (deficiency)						
Without donor restrictions						
Virtua Obligated Group	2,235,640	(8,964)	2,244,604	(253,922)	875,515	1,623,011
Noncontrolling interests	309,661	-	309,661	-	258,726	50,935
Total net assets (deficiency) without donor restrictions	2,545,301	(8,964)	2,554,265	(253,922)	1,134,241	1,673,946
With donor restrictions	30,568	-	30,568	11,497	16,250	2,821
Total net assets (deficiency)	2,575,869	(8,964)	2,584,833	(242,425)	1,150,491	1,676,767
Total liabilities and net assets (deficiency)	\$ 3,757,100	\$ (667,496)	\$ 4,424,596	\$ 681,061	\$ 1,256,678	\$ 2,486,857

Virtua Health, Inc.

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA OBLIGATED GROUP

For the year ended December 31, 2022

	Virtua Obligated Group	Eliminating Entries	Total	Virtua Health, Inc.	Virtua-Memorial Hospital Burlington County, Inc.	Total	Virtua-West Jersey Health System, Inc. Voorhees	Marlton
Net assets without donor restrictions								
Revenue								
Patient service revenue	\$ 1,462,357	\$ -	\$ 1,462,357	\$ -	\$ 480,076	\$ 982,281	\$ 809,612	\$ 172,669
Other revenue	283,974	(281,777)	565,751	461,471	68,393	35,887	33,787	2,100
Equity in income of unconsolidated joint ventures	63,325	-	63,325	-	10,251	53,074	45,633	7,441
Total revenue	1,809,656	(281,777)	2,091,433	461,471	558,720	1,071,242	889,032	182,210
Expenses:								
Salaries and wages	633,771	(205)	633,976	169,324	152,998	311,654	250,292	61,362
Professional fees	45,591	-	45,591	764	15,471	29,356	22,530	6,825
Employees' fringe benefits	185,194	(57,745)	242,939	141,411	33,600	67,928	57,217	10,711
Other operating expenses	550,658	(211,078)	761,736	132,270	212,922	416,544	342,336	74,208
Interest	17,835	(12,749)	30,584	17,702	389	12,493	10,766	1,727
Depreciation and amortization	95,157	-	95,157	-	23,597	71,560	61,684	9,876
Total expenses	1,528,206	(281,777)	1,809,983	461,471	438,977	909,535	744,825	164,710
Income from operations (includes \$71,933 of income attributed to noncontrolling interests)	281,450	-	281,450	-	119,743	161,707	144,207	17,500
Nonoperating gains and losses								
Investment return, net	(252,753)	3,387	(256,140)	(9,522)	(24,058)	(222,560)	(191,357)	(31,203)
Other accrued retirement costs	1,345	-	1,345	1,345	-	-	-	-
Total nonoperating (losses), net	(251,408)	3,387	(254,795)	(8,177)	(24,058)	(222,560)	(191,357)	(31,203)
Excess of (deficiency in) revenue and gains over expenses and losses	30,042	3,387	26,655	(8,177)	95,685	(60,853)	(47,150)	(13,703)
Excess of revenue and gains over expenses and losses attributed to noncontrolling interests								
	(71,933)	-	(71,933)	-	(57,507)	(14,426)	(12,403)	(2,023)
(Deficiency in) excess of revenue and gains over expenses and losses attributed to Virtua Obligated Group								
	(41,891)	3,387	(45,278)	(8,177)	38,178	(75,279)	(59,553)	(15,726)
Other changes in net assets without donor restrictions - Virtua Obligated Group								
Net assets released for property, plant, and equipment	234	-	234	-	100	134	115	19
Other changes in accrued retirement benefits	3,419	-	3,419	3,419	-	-	-	-
Transfers with affiliates, net	(95,582)	-	(95,582)	(50,127)	8,869	(54,324)	(46,708)	(7,616)
(Decrease) increase in net assets without donor restrictions - Virtua Obligated Group	(133,820)	3,387	(137,207)	(54,885)	47,147	(129,469)	(106,146)	(23,323)
Noncontrolling interests								
Excess of revenues and nonoperating gains, net over expenses and losses attributable to noncontrolling interests								
	71,933	-	71,933	-	57,507	14,426	12,403	2,023
Distributions	(32,985)	-	(32,985)	-	(19,841)	(13,144)	(11,301)	(1,843)
Membership interest changes	63,293	-	63,293	-	63,415	(122)	(105)	(17)
Increase in net assets without donor restrictions - noncontrolling interests	102,241	-	102,241	-	101,081	1,160	997	163
Net assets with donor restrictions								
Contributions, net								
Investment return, net	4,745	-	4,745	2,728	1,704	313	269	44
Decrease in beneficial interest in perpetual trust	1	-	1	-	1	-	-	-
Net assets released from restrictions for operations	(1,986)	-	(1,986)	-	(1,986)	-	-	-
Net assets released from restrictions for operations	(2,726)	-	(2,726)	(2,557)	(100)	(69)	(59)	(10)
Net assets released from restrictions for property, plant, and equipment	(234)	-	(234)	-	(100)	(134)	(115)	(19)
Transfers with affiliates, net	(55)	-	(55)	(160)	(20)	125	107	18
(Decrease) increase in net assets with donor restrictions	(255)	-	(255)	11	(501)	235	202	33
(DECREASE) INCREASE IN NET ASSETS	(31,834)	3,387	(35,221)	(54,874)	147,727	(128,074)	(104,947)	(23,127)
Net assets (deficiency) - beginning of year	2,607,703	(12,351)	2,620,054	(187,551)	1,002,764	1,804,841	1,511,787	293,054
Net assets (deficiency) - end of year	\$ 2,575,869	\$ (8,964)	\$ 2,584,833	\$ (242,425)	\$ 1,150,491	\$ 1,676,767	\$ 1,406,840	\$ 269,927

Virtua Health, Inc.

COMBINING BALANCE SHEET INFORMATION - VIRTUA-MEMORIAL HOSPITAL BURLINGTON COUNTY, INC.

December 31, 2022

	Virtua-Memorial Hospital Burlington County, Inc.	Reclassifying/ Eliminating Entries	Total	Virtua-Memorial Hospital of Burlington County	Memorial ASC	Virtua SCA Holdings, LLC	Virtua SCA Holdings II, LLC	Emmaus Holdings, LLC	Virtua-USP Princeton, LLC	Endo Surgi Center of Old Bridge, LLC
ASSETS										
Current assets										
Cash and cash equivalents	\$ 18,297	\$ -	\$ 18,297	\$ 235	\$ 1,058	\$ 9,837	\$ 6,222	\$ 443	\$ -	\$ 502
Assets limited as to use	570	-	570	570	-	-	-	-	-	-
Patient accounts receivable	57,027	-	57,027	42,302	886	7,536	5,713	-	-	590
Due from affiliate, net	6,065	-	6,065	6,065	-	-	-	-	-	-
Other current assets	9,831	(1,827)	11,658	9,036	318	659	661	-	837	147
Total current assets	91,790	(1,827)	93,617	58,208	2,262	18,032	12,596	443	837	1,239
Assets limited as to use										
By Board of Trustees' designation	157,645	-	157,645	157,645	-	-	-	-	-	-
Restricted funds	1,369	-	1,369	1,369	-	-	-	-	-	-
	159,014	-	159,014	159,014	-	-	-	-	-	-
Property, plant, and equipment, net	143,036	-	143,036	121,449	447	16,300	4,722	-	-	118
Right of use assets	51,052	-	51,052	12,816	91	18,136	18,656	-	-	1,353
Other long-term assets										
Due from affiliates, net	433,815	-	433,815	433,815	-	-	-	-	-	-
Investment in unconsolidated joint ventures	27,801	(139,011)	166,812	148,983	-	-	198	6,933	10,698	-
Goodwill and other intangibles, net	341,828	-	341,828	-	668	193,572	126,641	-	-	20,947
Other assets	516	-	516	-	-	501	15	-	-	-
Beneficial interest in perpetual trust	7,826	-	7,826	7,826	-	-	-	-	-	-
	811,786	(139,011)	950,797	590,624	668	194,073	126,854	6,933	10,698	20,947
Total assets	\$ 1,256,678	\$ (140,838)	1,397,516	\$ 942,111	\$ 3,468	246,541	\$ 162,828	7,376	\$ 11,535	\$ 23,657

Virtua Health, Inc.

COMBINING BALANCE SHEET INFORMATION - VIRTUA-MEMORIAL HOSPITAL BURLINGTON COUNTY, INC.

December 31, 2022

	Virtua-Memorial Hospital Burlington County, Inc.	Reclassifying/ Eliminating Entries	Total	Virtua-Memorial Hospital of Burlington County	Memorial ASC	Virtua SCA Holdings, LLC	Virtua SCA Holdings II, LLC	Emmaus Holdings, LLC	Virtua-USP Princeton, LLC	Endo Surgi Center of Old Bridge, LLC
LIABILITIES AND NET ASSETS										
Current liabilities										
Current maturities of long-term debt	\$ 2,256	\$ -	\$ 2,256	\$ 882	\$ 75	\$ 992	\$ 307	\$ -	\$ -	\$ -
Current maturities of lease liability	4,893	-	4,893	1,390	96	1,843	1,428	-	-	136
Accounts payable and accrued expenses	20,381	(1,827)	22,208	12,866	2,073	3,862	3,228	-	-	179
Accrued compensation and related liabilities	11,135	-	11,135	8,630	99	1,298	1,034	-	-	74
Accrued interest payable	153	-	153	141	-	12	-	-	-	-
Estimated settlements due to third-party payers	1,407	-	1,407	1,407	-	-	-	-	-	-
Total current liabilities	40,225	(1,827)	42,052	25,316	2,343	8,007	5,997	-	-	389
Long-term liabilities										
Estimated settlements due to third-party payers	3,009	-	3,009	3,009	-	-	-	-	-	-
Long-term debt, net of current maturities	10,200	-	10,200	5,563	-	4,144	493	-	-	-
Lease liability, net of current maturities	49,661	-	49,661	13,366	-	17,550	17,528	-	-	1,217
Other liabilities	3,092	-	3,092	3,092	-	-	-	-	-	-
Total liabilities	106,187	(1,827)	108,014	50,346	2,343	29,701	24,018	-	-	1,606
Member equity										
Retained earnings	-	(197,650)	197,650	-	-	87,421	73,742	5,991	8,863	21,633
Total equity	-	(248,736)	248,736	-	-	127,826	79,948	7,376	11,535	22,051
Net assets										
Without donor restrictions										
Virtua-Memorial Hospital of Burlington County, Inc.	875,515	(1,125)	876,640	875,515	1,125	-	-	-	-	-
Noncontrolling interests	258,726	110,850	147,876	-	-	89,014	58,862	-	-	-
Total net assets without donor restrictions	1,134,241	109,725	1,024,516	875,515	1,125	89,014	58,862	-	-	-
With donor restrictions										
Total net assets	16,250	-	16,250	16,250	-	-	-	-	-	-
Total net assets	1,150,491	109,725	1,040,766	891,765	1,125	89,014	58,862	-	-	-
Total liabilities and net assets	\$ 1,256,678	\$ (140,838)	\$ 1,397,516	\$ 942,111	\$ 3,468	\$ 246,541	\$ 162,828	\$ 7,376	\$ 11,535	\$ 23,657

Virtua Health, Inc.

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA - MEMORIAL HOSPITAL BURLINGTON COUNTY, INC.

For the year ended December 31, 2022

	Virtua-Memorial Hospital Burlington County, Inc.	Reclassifying/ Eliminating Entries	Total	Virtua-Memorial Hospital Burlington County	Memorial ASC	Virtua SCA Holdings, LLC	Virtua SCA Holdings II, LLC	Emmaus Holdings, LLC	Virtua-USP Princeton, LLC	Endo Surgi Center of Old Bridge, LLC
Net assets without donor restrictions										
Revenue										
Patient service revenue	\$ 480,076	\$ -	\$ 480,076	\$ 371,798	\$ 6,880	\$ 55,646	\$ 44,755	\$ -	\$ -	\$ 997
Other revenue	68,393	(18,214)	86,607	34,203	519	51,376	493	-	16	-
Equity in income of unconsolidated joint ventures	10,251	(12,976)	23,227	17,126	-	2,029	18	1,393	2,661	-
Total revenue	558,720	(31,190)	589,910	423,127	7,399	109,051	45,266	1,393	2,677	997
Expenses:										
Salaries and wages	152,998	(2,172)	155,170	131,658	2,172	10,588	10,491	-	-	261
Professional fees	15,471	-	15,471	14,547	40	487	356	8	-	33
Employees' fringe benefits	33,600	(668)	34,268	28,586	668	2,843	2,137	-	-	34
Other operating expenses	212,922	(646)	213,568	166,117	4,661	22,716	19,819	-	5	250
Interest	389	-	389	308	7	43	31	-	-	-
Depreciation and amortization	23,597	-	23,597	19,361	165	2,285	1,785	-	-	1
Total expenses	438,977	(3,486)	442,463	360,577	7,713	38,962	34,619	8	5	579
Income (loss) from operations (includes \$57,505 of income attributed to noncontrolling interests)	119,743	(27,704)	147,447	62,550	(314)	70,089	10,647	1,385	2,672	418
Nonoperating losses										
Investment return, net	(24,058)	314	(24,372)	(24,372)	-	-	-	-	-	-
Total nonoperating losses, net	(24,058)	314	(24,372)	(24,372)	-	-	-	-	-	-
Excess of (deficiency in) revenue over expenses and losses	95,685	(27,390)	123,075	38,178	(314)	70,089	10,647	1,385	2,672	418
Excess of revenue and losses over expenses and losses attributed to noncontrolling interests	(57,507)	(23,382)	(34,125)	-	-	(29,684)	(4,441)	-	-	-
Excess of (deficiency in) revenue and over expenses and losses attributed to Virtua-Memorial Hospital Burlington County, Inc.	38,178	(50,772)	88,950	38,178	(314)	40,405	6,206	1,385	2,672	418

Virtua Health, Inc.

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA - MEMORIAL HOSPITAL BURLINGTON COUNTY, INC.

For the year ended December 31, 2022

	Virtua-Memorial Hospital Burlington County, Inc.	Reclassifying/ Eliminating Entries	Total	Virtua-Memorial Hospital Burlington County	Memorial ASC	Virtua SCA Holdings, LLC	Virtua SCA Holdings II, LLC	Emmaus Holdings, LLC	Virtua-USP Princeton, LLC	Endo Surgi Center of Old Bridge, LLC
Excess of (deficiency in) revenue and over expenses and losses attributed to Virtua-Memorial Hospital Burlington County, Inc.	\$ 38,178	\$ (50,772)	\$ 88,950	\$ 38,178	\$ (314)	\$ 40,405	\$ 6,206	\$ 1,385	\$ 2,672	\$ 418
Other changes in net assets without donor restrictions - Virtua-Memorial Hospital Burlington County, Inc.										
Restricted net assets released for property, plant, and equipment	100	-	100	100	-	-	-	-	-	-
Transfers with affiliates, net	8,869	-	8,869	8,869	-	-	-	-	-	-
Paid-in capital	-	(36,874)	36,874	-	-	7,620	16,274	-	-	12,980
Income distributions	-	10,790	(10,790)	-	-	(5,218)	(2,471)	(1,021)	(2,080)	-
Others	-	(1,157)	1,157	-	-	1,201	(42)	-	(2)	-
Increase (decrease) in net assets without donor restrictions - Virtua-Memorial Hospital Burlington County, Inc.	47,147	(78,013)	125,160	47,147	(314)	44,008	19,967	364	590	13,398
Noncontrolling interests										
Excess of revenues, net over expenses and losses attributable to noncontrolling interests	57,507	23,382	34,125	-	-	29,684	4,441	-	-	-
Distributions	(19,841)	-	(19,841)	-	-	(11,547)	(6,307)	(1,017)	(970)	-
Membership interest changes	63,415	-	63,415	-	-	19,966	34,794	-	2	8,653
Increase (decrease) in net assets without donor restrictions - noncontrolling interests	101,081	23,382	77,699	-	-	38,103	32,928	(1,017)	(968)	8,653
Net assets with donor restrictions										
Contributions, net	1,704	-	1,704	1,704	-	-	-	-	-	-
Investment return, net	1	-	1	1	-	-	-	-	-	-
Decrease in beneficial interest in perpetual trust	(1,986)	-	(1,986)	(1,986)	-	-	-	-	-	-
Net assets released from restrictions for operations	(100)	-	(100)	(100)	-	-	-	-	-	-
Net assets released from restrictions for property, plant, and equipment	(100)	-	(100)	(100)	-	-	-	-	-	-
Transfers with affiliates, net	(20)	-	(20)	(20)	-	-	-	-	-	-
Decrease in net assets with donor restrictions	(501)	-	(501)	(501)	-	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	147,727	(54,631)	202,358	46,646	(314)	82,111	52,895	(653)	(378)	22,051
Net assets - beginning of year	1,002,764	(84,380)	1,087,144	845,119	1,439	134,729	85,915	8,029	11,913	-
Net assets - end of year	\$ 1,150,491	\$ (139,011)	\$ 1,289,502	\$ 891,765	\$ 1,125	\$ 216,840	\$ 138,810	\$ 7,376	\$ 11,535	\$ 22,051

Virtua Health, Inc.

COMBINING BALANCE SHEET INFORMATION - VIRTUA-WEST JERSEY HEALTH SYSTEM, INC.

December 31, 2022

	Total	Reclassifying/ Eliminating Entries	Total	Virtua- West Jersey Health System	Voorhees Endoscopy Holding Co., LLC	River Drive Holding Co., LLC	Access Holding Co., LLC	Virtua Campus Holdings, LLC	South Jersey Vascular Management
ASSETS									
Current assets									
Cash and cash equivalents	\$ 18,699	\$ -	\$ 18,699	\$ 16,773	\$ 1	\$ 2	\$ 509	\$ 1,156	\$ 258
Assets limited as to use	7,271	-	7,271	7,271	-	-	-	-	-
Patient accounts receivable	93,672	-	93,672	91,717	-	-	735	851	369
Other current assets	28,142	-	28,142	27,116	-	-	80	341	605
Total current assets	147,784	-	147,784	142,877	1	2	1,324	2,348	1,232
Assets limited as to use									
By Board of Trustees' designation	1,483,990	-	1,483,990	1,483,990	-	-	-	-	-
	1,483,990	-	1,483,990	1,483,990	-	-	-	-	-
Property, plant, and equipment, net	574,307	-	574,307	573,076	-	-	159	739	333
Right of use assets	50,214	-	50,214	44,245	-	-	4,875	-	1,094
Other long-term assets									
Due from affiliates, net	32,881	-	32,881	32,881	-	-	-	-	-
Investment in unconsolidated joint ventures	158,691	(43,697)	202,388	143,362	12,911	46,115	-	-	-
Goodwill and other intangibles, net	38,943	-	38,943	7,386	-	-	4,379	24,496	2,682
Other assets	47	-	47	46	-	-	1	-	-
	230,562	(43,697)	274,259	183,675	12,911	46,115	4,380	24,496	2,682
Total assets	\$ 2,486,857	\$ (43,697)	\$ 2,530,554	\$ 2,427,863	\$ 12,912	\$ 46,117	\$ 10,738	\$ 27,583	\$ 5,341

Virtua Health, Inc.

COMBINING BALANCE SHEET INFORMATION - VIRTUA-WEST JERSEY HEALTH SYSTEM, INC.

December 31, 2022

	Total	Reclassifying/ Eliminating Entries	Total	Virtua- West Jersey Health System	Voorhees Endoscopy Holding Co., LLC	River Drive Holding Co., LLC	Access Holding Co., LLC	Virtua Campus Holdings, LLC	South Jersey Vascular Management
LIABILITIES AND NET ASSETS									
Current liabilities									
Current maturities of long-term debt	\$ 12,521	\$ -	\$ 12,521	\$ 12,509	\$ -	\$ -	\$ 12	\$ -	\$ -
Current maturities of lease liability	6,513	-	6,513	6,073	-	-	256	-	184
Accounts payable and accrued expenses	73,559	-	73,559	72,061	-	-	514	704	280
Due to affiliates, net	139,015	-	139,015	139,015	-	-	-	-	-
Accrued compensation and related liabilities	21,031	-	21,031	20,787	-	-	-	184	60
Accrued interest payable	3,099	-	3,099	3,099	-	-	-	-	-
Estimated settlements due to third-party payers	1,549	-	1,549	1,549	-	-	-	-	-
Total current liabilities	257,287	-	257,287	255,093	-	-	782	888	524
Long-term liabilities									
Estimated settlements due to third-party payers	6,014	-	6,014	6,014	-	-	-	-	-
Accrued retirement benefits	587	-	587	587	-	-	-	-	-
Long-term debt, net of current maturities	497,642	-	497,642	497,642	-	-	-	-	-
Lease liability, net of current maturities	45,359	-	45,359	39,494	-	-	4,868	-	997
Other liabilities	3,201	-	3,201	3,201	-	-	-	-	-
Total liabilities	810,090	-	810,090	802,031	-	-	5,650	888	1,521
Member equity	-	(59,240)	59,240	-	2,806	34,065	3,164	15,947	3,258
Retained earnings	-	(25,690)	25,690	-	10,106	12,052	1,569	1,401	562
Total equity	-	(84,930)	84,930	-	12,912	46,117	4,733	17,348	3,820
Net assets									
Without donor restrictions :									
Virtua-West Jersey Health System, Inc.	1,623,011	-	1,623,011	1,623,011	-	-	-	-	-
Noncontrolling interests	50,935	41,233	9,702	-	-	-	355	9,347	-
Total net assets without donor restrictions	1,673,946	41,233	1,632,713	1,623,011	-	-	355	9,347	-
With donor restrictions	2,821	-	2,821	2,821	-	-	-	-	-
Total net assets	1,676,767	41,233	1,635,534	1,625,832	-	-	355	9,347	-
Total liabilities and net assets	\$ 2,486,857	\$ (43,697)	\$ 2,530,554	\$ 2,427,863	\$ 12,912	\$ 46,117	\$ 10,738	\$ 27,583	\$ 5,341

Virtua Health, Inc.

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA - WEST JERSEY HEALTH SYSTEM, INC.

For the year ended December 31, 2022

	Virtua-West Jersey Health System, Inc.		Virtua-West Jersey Health System, Inc.	Reclassifying/ Eliminating Entries	Total	Virtua-West Jersey Health System		Voorhees Endoscopy Holding Co., LLC	River Drive Holding Co., LLC	Access Holding Co., LLC	Virtua Campus Holdings, LLC	South Jersey Vascular Management
	Voorhees Division	Marlton Division				Voorhees	Marlton					
Net assets without donor restrictions												
Revenue												
Patient service revenue	\$ 809,612	\$ 172,669	\$ 982,281	\$ -	\$ 982,281	\$ 789,109	\$ 169,326	\$ -	\$ -	\$ 9,615	\$ 11,084	\$ 3,147
Other revenue	33,787	2,100	35,887	(1,394)	37,281	32,946	1,963	-	-	4	-	2,368
Equity in income of unconsolidated joint ventures	45,633	7,441	53,074	(13,198)	66,272	37,923	6,184	10,106	12,059	-	-	-
Total revenue	889,032	182,210	1,071,242	(14,592)	1,085,834	859,978	177,473	10,106	12,059	9,619	11,084	5,515
Expenses:												
Salaries and wages	250,292	61,362	311,654	-	311,654	245,711	60,615	-	-	2,420	1,989	919
Professional fees	22,530	6,826	29,356	-	29,356	21,339	6,632	-	-	626	78	681
Employees' fringe benefits	57,217	10,711	67,928	-	67,928	56,616	10,613	-	-	302	315	82
Other operating expenses	342,336	74,208	416,544	(1,394)	417,938	332,333	72,577	-	7	3,478	6,358	3,185
Interest	10,766	1,727	12,493	-	12,493	10,766	1,727	-	-	-	-	-
Depreciation and amortization	61,684	9,876	71,560	-	71,560	61,410	9,831	-	-	50	183	86
Total expenses	744,825	164,710	909,535	(1,394)	910,929	728,175	161,995	-	7	6,876	8,923	4,953
Income from operations (includes \$12,403 of income attributed to noncontrolling interests)	144,207	17,500	161,707	(13,198)	174,905	131,803	15,478	10,106	12,052	2,743	2,161	562
Nonoperating losses												
Investment return, net	(191,357)	(31,203)	(222,560)	-	(222,560)	(191,357)	(31,203)	-	-	-	-	-
Total nonoperating losses, net	(191,357)	(31,203)	(222,560)	-	(222,560)	(191,357)	(31,203)	-	-	-	-	-
(Deficiency in) excess of revenue and over expenses and losses	(47,150)	(13,703)	(60,853)	(13,198)	(47,655)	(59,554)	(15,725)	10,106	12,052	2,743	2,161	562
Excess of revenue, net over expenses and losses attributed to noncontrolling interests	(12,403)	(2,023)	(14,426)	(12,492)	(1,934)	-	-	-	-	(1,173)	(761)	-
(Deficiency in) excess of revenue over expenses and losses attributed to Virtua-West Jersey Health System, Inc.	(59,553)	(15,726)	(75,279)	(25,690)	(49,589)	(59,554)	(15,725)	10,106	12,052	1,570	1,400	562
Other changes in net assets without donor restrictions - Virtua-West Jersey Health, Inc.												
Restricted net assets released for property, plant, and equipment	115	19	134	-	134	115	19	-	-	-	-	-
Transfers with affiliates, net	(46,708)	(7,616)	(54,324)	-	(54,324)	(46,708)	(7,616)	-	-	-	-	-
Income distributions	-	-	-	12,433	(12,433)	-	-	(5,419)	(5,921)	(757)	(336)	-
Others	-	-	-	127	(127)	-	-	-	-	-	-	(127)
(Decrease) increase in net assets without donor restrictions - Virtua-West Jersey Health System, Inc.	(106,146)	(23,323)	(129,469)	(13,130)	(116,339)	(106,147)	(23,322)	4,687	6,131	813	1,064	435
Noncontrolling interests												
Excess of revenues over expenses and losses attributable to noncontrolling interests	12,403	2,023	14,426	12,492	1,934	-	-	-	-	1,173	761	-
Distributions	(11,301)	(1,843)	(13,144)	-	(13,144)	-	-	(5,207)	(5,688)	(1,585)	(664)	-
Membership interest transfer	(105)	(17)	(122)	-	(122)	-	-	-	-	-	-	(122)
Increase (decrease) in net assets without donor restrictions - noncontrolling interests	97	163	1,160	12,492	(11,332)	-	-	(5,207)	(5,688)	(412)	97	(122)
Net assets with donor restrictions												
Contributions, net	269	44	313	-	313	269	44	-	-	-	-	-
Net assets released from restrictions for operations	(59)	(10)	(69)	-	(69)	(59)	(10)	-	-	-	-	-
Net assets released from restrictions for property, plant, and equipment	(115)	(19)	(134)	-	(134)	(115)	(19)	-	-	-	-	-
Transfers with affiliates, net	107	18	125	-	125	107	18	-	-	-	-	-
Increase in net assets with donor restrictions	202	33	235	-	235	202	33	-	-	-	-	-
(DECREASE) INCREASE IN NET ASSETS	(104,947)	(23,127)	(128,074)	(638)	(127,436)	(105,945)	(23,289)	(520)	443	401	1,161	313
Net assets - beginning of year	1,511,787	293,054	1,804,841	(43,059)	1,847,900	1,467,808	287,258	13,432	45,674	4,687	25,534	3,507
Net assets - end of year	\$ 1,406,840	\$ 269,927	\$ 1,676,767	\$ (43,697)	\$ 1,720,464	\$ 1,361,863	\$ 263,969	\$ 12,912	\$ 46,117	\$ 5,088	\$ 26,695	\$ 3,820

Virtua Health

COMBINING BALANCE SHEETS INFORMATION - VIRTUA LOURDES HOSPITAL GROUP

December 31, 2022

	Lourdes Hospital Group	Reclassifying/ Eliminating Entries	Total	Virtua Our Lady of Lourdes Hospital, Inc.	Virtua Willingboro Hospital, Inc.
ASSETS					
Current assets					
Cash and cash equivalents	\$ 30	\$ -	\$ 30	\$ 25	\$ 5
Patient accounts receivable	58,327	-	58,327	45,787	12,540
Other current assets	18,373	-	18,373	15,008	3,365
Total current assets	76,730	-	76,730	60,820	15,910
Property, plant, and equipment, net	252,261	-	252,261	181,683	70,578
Right of use assets	11,565	-	11,565	10,551	1,014
Other long-term assets					
Due from affiliates, net	2,329	-	2,329	2,110	219
Investment in unconsolidated joint ventures	8,543	-	8,543	8,543	-
Goodwill and other intangibles, net	19,719	-	19,719	19,669	50
Other assets	414	-	414	351	63
	31,005	-	31,005	30,673	332
Total assets	<u>\$ 371,561</u>	<u>\$ -</u>	<u>\$ 371,561</u>	<u>\$ 283,727</u>	<u>\$ 87,834</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Current maturities of lease liability	\$ 2,607	\$ -	\$ 2,607	\$ 2,093	\$ 514
Accounts payable and accrued expenses	31,877	-	31,877	27,257	4,620
Due to affiliates, net	156,504	-	156,504	92,262	64,242
Accrued compensation and related liabilities	10,374	-	10,374	7,537	2,837
Estimated settlements due to third-party payers	3,923	-	3,923	3,836	87
Total current liabilities	205,285	-	205,285	132,985	72,300
Long-term liabilities					
Estimated settlements due to third-party payers	8,793	-	8,793	8,099	694
Lease liability, net of current maturities	9,408	-	9,408	8,851	557
Other liabilities	1,471	-	1,471	1,144	327
Total liabilities	224,957	-	224,957	151,079	73,878
Net assets					
Without donor restrictions					
Virtua Health Inc.	144,215	-	144,215	130,485	13,730
Total net assets without donor restrictions	144,215	-	144,215	130,485	13,730
With donor restrictions	2,389	-	2,389	2,163	226
Total net assets	146,604	-	146,604	132,648	13,956
Total liabilities and net assets	<u>\$ 371,561</u>	<u>\$ -</u>	<u>\$ 371,561</u>	<u>\$ 283,727</u>	<u>\$ 87,834</u>

Virtua Health, Inc.

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA LOURDES HOSPITAL GROUP

For the year ended December 31, 2022

	Lourdes Hospital Group	Reclassifying/ Eliminating Entries	Total	Virtua Our Lady of Lourdes Hospital, Inc.	Virtua Willingboro Hospital, Inc.
Net assets without donor restrictions					
Revenue					
Patient service revenue	\$ 558,869	\$ -	\$ 558,869	\$ 445,241	\$ 113,628
Other revenue	13,187	(148)	13,335	10,368	2,967
Equity in income of unconsolidated joint ventures	2,705	-	2,705	2,705	-
Total revenue	574,761	(148)	574,909	458,314	116,595
Expenses					
Salaries and wages	164,372	-	164,372	118,036	46,336
Professional fees	46,815	-	46,815	41,972	4,843
Employees' fringe benefits	35,313	-	35,313	25,414	9,899
Other operating expenses	278,340	(148)	278,488	231,526	46,962
Depreciation and amortization	23,436	-	23,436	17,731	5,705
Total expenses	548,276	(148)	548,424	434,679	113,745
Income from operations and excess of revenue over expenses	26,485	-	26,485	23,635	2,850
Other changes in net assets without donor restrictions - Virtua Lourdes Hospital Group					
Net assets released for property, plant, and equipment	107	-	107	105	2
Transfers with affiliates, net	3,046	-	3,046	1,405	1,641
Increase in net assets without donor restrictions - Virtua Lourdes Hospital Group	29,638	-	29,638	25,145	4,493
Net assets with donor restrictions					
Contributions, net	1,045	-	1,045	896	149
Net assets released from restrictions for operations	(149)	-	(149)	(149)	-
Net assets released from restrictions for property, plant, and equipment	(107)	-	(107)	(105)	(2)
Transfers with affiliates, net	103	-	103	101	2
Increase in net assets with donor restrictions	892	-	892	743	149
INCREASE IN NET ASSETS	30,530	-	30,530	25,888	4,642
Net assets - beginning of year	116,074	-	116,074	106,760	9,314
Net assets - end of year	\$ 146,604	\$ -	\$ 146,604	\$ 132,648	\$ 13,956

Virtua Health, Inc.

COMBINING BALANCE SHEET INFORMATION - VIRTUA AMBULATORY GROUP

December 31, 2022

	Virtua Ambulatory Group	Reclassifying/ Eliminating Entries	Total	Virtua Health and Rehab at Berlin, Inc.	Virtua Health and Rehab at Mt Holly, Inc.	Virtua Community Nursing Services, Inc.	VRI, Inc.
ASSETS							
Current assets							
Cash and cash equivalents	\$ 42	\$ -	\$ 42	\$ 2	\$ -	\$ 14	\$ 26
Due from affiliates - net	1,187	(76)	1,263	-	1,263	-	-
Other current assets	266	-	266	-	-	161	105
Total current assets	1,495	(76)	1,571	2	1,263	175	131
Property, plant, and equipment, net	7	-	7	-	-	-	7
Other long-term assets							
Investment in unconsolidated joint ventures	972	(6,822)	7,794	-	-	6,822	972
	972	(6,822)	7,794	-	-	6,822	972
Total assets	<u>\$ 2,474</u>	<u>\$ (6,898)</u>	<u>\$ 9,372</u>	<u>\$ 2</u>	<u>\$ 1,263</u>	<u>\$ 6,997</u>	<u>\$ 1,110</u>
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	\$ 2,225	\$ -	\$ 2,225	\$ 45	\$ 150	\$ 148	\$ 1,882
Due to affiliates - net	-	(76)	76	66	-	-	10
Accrued compensation and related liabilities	172	-	172	-	-	168	4
Total current liabilities	2,397	(76)	2,473	111	150	316	1,896
Long-term liabilities							
Estimated settlements due to third-party payers	113	-	113	52	61	-	-
Other liabilities	198	-	198	-	-	198	-
Total liabilities	2,708	(76)	2,784	163	211	514	1,896
Net assets (deficiency)							
Without donor restrictions							
Virtua Ambulatory Group	(234)	(6,822)	6,588	(161)	1,052	6,483	(786)
Total net assets (deficiency) without donor restrictions	(234)	(6,822)	6,588	(161)	1,052	6,483	(786)
Total net assets (deficiency)	(234)	(6,822)	6,588	(161)	1,052	6,483	(786)
Total liabilities and net assets (deficiency)	<u>\$ 2,474</u>	<u>\$ (6,898)</u>	<u>\$ 9,372</u>	<u>\$ 2</u>	<u>\$ 1,263</u>	<u>\$ 6,997</u>	<u>\$ 1,110</u>

Virtua Health, Inc.

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA AMBULATORY GROUP

For the year ended December 31, 2022

	Virtua Ambulatory Group	Reclassifying/ Eliminating Entries	Total	Virtua Health and Rehab at Berlin, Inc.	Virtua Health and Rehab at Mt Holly, Inc.	Virtua Community Nursing Services, Inc.	VRI, Inc.
Net assets without donor restrictions							
Revenue							
Patient service revenue	\$ 7,095	\$ -	\$ 7,095	\$ 3,343	\$ 3,752	\$ -	\$ -
Other revenue	3,087	-	3,087	565	753	1,467	302
Equity in income of unconsolidated joint ventures	2,831	(800)	3,631	-	-	800	2,831
Total revenue	13,013	(800)	13,813	3,908	4,505	2,267	3,133
Expenses:							
Salaries and wages	6,114	-	6,114	2,410	2,238	1,124	342
Professional fees	14	-	14	7	7	-	-
Employees' fringe benefits	2,009	-	2,009	796	735	367	111
Other operating expenses	7,458	-	7,458	2,320	2,967	296	1,875
Interest	78	-	78	57	21	-	-
Depreciation and amortization	5	-	5	-	-	-	5
Total expenses	15,678	-	15,678	5,590	5,968	1,787	2,333
(Loss) income from operations and (deficiency in) excess of revenue over expenses	(2,665)	(800)	(1,865)	(1,682)	(1,463)	480	800
Nonoperating gains and losses							
Gain or loss from sale of assets	36,553	-	36,553	16,457	20,096	-	-
Total nonoperating gains, net	36,553	-	36,553	16,457	20,096	-	-
Excess of revenue and nonoperating gains, over expense: attributed to Virtua Ambulatory Group	33,888	(800)	34,688	14,775	18,633	480	800
Other changes in net assets without donor restrictions:							
Virtua Ambulatory Group							
Net assets released from restrictions for property, plant, and equipment	52	-	52	32	20	-	-
Transfers with affiliates, net	(31,961)	-	(31,961)	(14,370)	(18,990)	961	438
Paid-in capital	-	(1,000)	1,000	-	-	-	1,000
Increase (decrease) in net assets without donor restrictions - Virtua Ambulatory Group	1,979	(1,800)	3,779	437	(337)	1,441	2,238
Net assets with donor restrictions							
Net assets released from restrictions for property, plant, and equipment	(52)	-	(52)	(32)	(20)	-	-
Transfers with affiliates, net	(48)	-	(48)	-	(48)	-	-
Decrease in net assets with donor restrictions	(100)	-	(100)	(32)	(68)	-	-
INCREASE (DECREASE) IN NET ASSETS	1,879	(1,800)	3,679	405	(405)	1,441	2,238
Net assets (deficiency) - beginning of year	(2,113)	(5,022)	2,909	(566)	1,457	5,042	(3,024)
Net assets (deficiency) - end of year	<u>\$ (234)</u>	<u>\$ (6,822)</u>	<u>\$ 6,588</u>	<u>\$ (161)</u>	<u>\$ 1,052</u>	<u>\$ 6,483</u>	<u>\$ (786)</u>

Virtua Health, Inc.

COMBINING BALANCE SHEETS INFORMATION - VIRTUA MEDICAL GROUP

December 31, 2022

	Virtua Medical Group Consolidated	Reclassifying/ Eliminating Entries	Total	Virtua Medical Group, PA	Health Management Services Organization, Inc.	Lourdes Medical Associates, P.A.	Lourdes Cardiology Services, P.C.
ASSETS							
Current assets							
Cash and cash equivalents	\$ 16,142	\$ -	\$ 16,142	\$ 16,142	\$ -	\$ -	\$ -
Patient accounts receivable	21,353	-	21,353	21,353	-	-	-
Due from affiliate, net	-	(742)	742	-	-	-	742
Other current assets	2,994	-	2,994	2,965	-	-	29
Total current assets	40,489	(742)	41,231	40,460	-	-	771
Property, plant, and equipment, net	68,861	-	68,861	68,861	-	-	-
Right of use assets	44,447	-	44,447	44,447	-	-	-
Other long-term assets							
Due from affiliates, net	71	-	71	71	-	-	-
Investment in unconsolidated joint ventures	10,827	-	10,827	-	10,827	-	-
Goodwill and other intangibles, net	3,742	-	3,742	3,742	-	-	-
Other assets	164	-	164	164	-	-	-
	14,804	-	14,804	3,977	10,827	-	-
Total assets	\$ 168,601	\$ (742)	\$ 169,343	\$ 157,745	\$ 10,827	\$ -	\$ 771

Virtua Health, Inc.

COMBINING BALANCE SHEETS INFORMATION - VIRTUA MEDICAL GROUP

December 31, 2022

	Virtua Medical Group Consolidated	Reclassifying/ Eliminating Entries	Total	Virtua Medical Group, PA	Health Management Services Organization, Inc.	Lourdes Medical Associates, P.A.	Lourdes Cardiology Services, P.C.
LIABILITIES AND NET ASSETS							
Current liabilities							
Current maturities of lease liability	\$ 10,056	\$ -	\$ 10,056	\$ 10,056	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	12,692	-	12,692	12,678	-	-	14
Due to affiliates, net	28,066	(742)	28,808	18,001	10,807	-	-
Accrued compensation and related liabilities	28,783	-	28,783	28,071	-	-	712
Estimated settlements due to third-party payers	20	-	20	-	-	-	20
	<u>79,617</u>	<u>(742)</u>	<u>80,359</u>	<u>68,806</u>	<u>10,807</u>	<u>-</u>	<u>746</u>
Long-term liabilities							
Lease liability, net of current maturities	38,652	-	38,652	38,652	-	-	-
Other liabilities	365	-	365	361	-	-	4
	<u>118,634</u>	<u>(742)</u>	<u>119,376</u>	<u>107,819</u>	<u>10,807</u>	<u>-</u>	<u>750</u>
Net assets							
Without donor restrictions :							
Virtua Medical Group	49,896	-	49,896	49,855	20	-	21
	<u>49,896</u>	<u>-</u>	<u>49,896</u>	<u>49,855</u>	<u>20</u>	<u>-</u>	<u>21</u>
With donor restrictions	71	-	71	71	-	-	-
	<u>49,967</u>	<u>-</u>	<u>49,967</u>	<u>49,926</u>	<u>20</u>	<u>-</u>	<u>21</u>
Total liabilities and net assets	<u>\$ 168,601</u>	<u>\$ (742)</u>	<u>\$ 169,343</u>	<u>\$ 157,745</u>	<u>\$ 10,827</u>	<u>\$ -</u>	<u>\$ 771</u>

Virtua Health, Inc.

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA MEDICAL GROUP

For the year ended December 31, 2022

	Virtua Medical Group Consolidated	Reclassifying/ Eliminating Entries	Total	Virtua Medical Group, PA	Health Management Services Organization, Inc.	Lourdes Medical Associates, P.A.	Lourdes Cardiology Services, P.C.
Net assets without donor restrictions							
Revenue							
Patient service revenue	\$ 288,111	\$ -	\$ 288,111	\$ 288,083	\$ -	\$ -	\$ 28
Other revenue	73,791	(13,761)	87,552	74,011	-	-	13,541
Equity in income of unconsolidated joint ventures	71	-	71	-	71	-	-
Total revenue	361,973	(13,761)	375,734	362,094	71	-	13,569
Expenses							
Salaries and wages	273,865	-	273,865	261,954	-	-	11,911
Professional fees	2,823	(13,761)	16,584	16,584	-	-	-
Employees' fringe benefits	41,163	-	41,163	39,626	1	-	1,536
Other operating expenses	133,914	-	133,914	133,787	5	-	122
Depreciation and amortization	11,005	-	11,005	11,005	-	-	-
Total expenses	462,770	(13,761)	476,531	462,956	6	-	13,569
(Loss) income from operations and (deficiency in) excess of revenue over expenses	(100,797)	-	(100,797)	(100,862)	65	-	-
Other changes in net assets without donor restrictions - Virtua Medical Group							
Transfers with affiliates, net	120,689	-	120,689	86,257	(1,548)	32,129	3,851
Increase (decrease) in net assets without donor restrictions Virtua Medical Group	19,892	-	19,892	(14,605)	(1,483)	32,129	3,851
Net assets with donor restrictions							
Contributions, net	3	-	3	3	-	-	-
Increase in net assets with donor restrictions	3	-	3	3	-	-	-
INCREASE (DECREASE) IN NET ASSETS	19,895	-	19,895	(14,602)	(1,483)	32,129	3,851
Net assets (deficiency)- beginning of year	30,072	-	30,072	64,528	1,503	(32,129)	(3,830)
Net assets - end of year	\$ 49,967	\$ -	\$ 49,967	\$ 49,926	\$ 20	\$ -	\$ 21

Virtua Health

COMBINING BALANCE SHEETS INFORMATION - POPULATION HEALTH MANAGEMENT GROUP

December 31, 2022

	Population Health Management Group	Reclassifying/ Eliminating Entries	Total	LHS Health Network, Inc.	Virtua- Physician- Partners, LLC
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,813	\$ -	\$ 4,813	\$ 768	\$ 4,045
Other current assets	490	-	490	490	-
Total current assets	5,303	-	5,303	1,258	4,045
Total assets	<u>\$ 5,303</u>	<u>\$ -</u>	<u>\$ 5,303</u>	<u>\$ 1,258</u>	<u>\$ 4,045</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued expenses	\$ 625	\$ -	\$ 625	\$ 625	\$ -
Due to affiliates, net	26,190	-	26,190	7,184	19,006
Accrued compensation and related liabilities	358	-	358	358	-
Total current liabilities	27,173	-	27,173	8,167	19,006
Long-term liabilities					
Other liabilities	31	-	31	31	-
Total liabilities	27,204	-	27,204	8,198	19,006
Net assets (deficiency)					
Without donor restrictions :					
Population Health Management Group	(21,901)	-	(21,901)	(6,940)	(14,961)
Total net assets (deficiency)	(21,901)	-	(21,901)	(6,940)	(14,961)
Total liabilities and net assets	<u>\$ 5,303</u>	<u>\$ -</u>	<u>\$ 5,303</u>	<u>\$ 1,258</u>	<u>\$ 4,045</u>

Virtua Health, Inc.

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
POPULATION HEALTH MANAGEMENT GROUP

For the year ended December 31, 2022

	Population Health Management Group	Reclassifying/ Eliminating Entries	Total	LHS Health Network, Inc.	Virtua- Physician- Partners, LLC
Net assets without donor restrictions					
Revenue					
Other revenue	\$ 7,415	\$ -	\$ 7,415	\$ 7,415	\$ -
Total revenue	7,415	-	7,415	7,415	-
Expenses					
Salaries and wages	4,119	-	4,119	4,119	-
Professional fees	3,045	-	3,045	3,045	-
Employees' fringe benefits	1,405	-	1,405	1,405	-
Other operating expenses	703	-	703	703	-
Total expenses	9,272	-	9,272	9,272	-
Loss from operations and deficiency in revenue over expenses	(1,857)	-	(1,857)	(1,857)	-
(DECREASE) IN NET ASSETS	(1,857)	-	(1,857)	(1,857)	-
Net assets (deficiency) - beginning of year	(20,044)	-	(20,044)	(5,083)	(14,961)
Net assets (deficiency) - end of year	<u>\$ (21,901)</u>	<u>\$ -</u>	<u>\$ (21,901)</u>	<u>\$ (6,940)</u>	<u>\$ (14,961)</u>

Virtua Health, Inc.

COMBINING BALANCE SHEETS INFORMATION - VIRTUA HEALTH FOUNDATION GROUP

December 31, 2022

	Virtua Health Foundation Consolidated	Reclassifying/ Eliminating Entries	Total	Virtua Health Foundation, Inc.	Our Lady of Lourdes Health Foundation, Inc.
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,169	\$ -	\$ 1,169	\$ 1,169	\$ -
Other current assets	1,659	-	1,659	1,659	-
Total current assets	2,828	-	2,828	2,828	-
Assets limited as to use					
By Board of Trustees' designation	62,317	-	62,317	62,317	-
Donor-restricted funds	22,829	-	22,829	22,829	-
	85,146	-	85,146	85,146	-
Property, plant, and equipment, net	7		7	7	
Other long-term assets					
Other assets	1,597	-	1,597	1,597	-
Beneficial interest in perpetual trust	7,826	-	7,826	7,826	-
	9,423	-	9,423	9,423	-
Total assets	<u>\$ 97,404</u>	<u>\$ -</u>	<u>\$ 97,404</u>	<u>\$ 97,404</u>	<u>\$ -</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued expenses	\$ 220	\$ -	\$ 220	\$ 220	\$ -
Due to affiliates, net	53,683	-	53,683	53,683	-
Total current liabilities	53,903	-	53,903	53,903	-
Long-term liabilities					
Due to affiliates, net	21,146	-	21,146	21,146	-
Total liabilities	75,049	-	75,049	75,049	-
Net assets					
Without donor restrictions					
Virtua Health Foundation Group	12,635	-	12,635	12,635	-
Total net assets without donor restrictions	12,635	-	12,635	12,635	-
With donor restrictions	9,720	-	9,720	9,720	-
Total net assets	22,355	-	22,355	22,355	-
Total liabilities and net assets	<u>\$ 97,404</u>	<u>\$ -</u>	<u>\$ 97,404</u>	<u>\$ 97,404</u>	<u>\$ -</u>

Virtua Health, Inc.

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION -
VIRTUA HEALTH FOUNDATION GROUP

For the year ended December 31, 2022

	Virtua Health Foundation Consolidated	Reclassifying/ Eliminating Entries	Total	Virtua Health Foundation, Inc.	Our Lady of Lourdes Health Foundation, Inc.
Net assets without donor restrictions					
Revenue					
Other revenue	\$ 52	\$ -	\$ 52	\$ 52	\$ -
Total revenue	52	-	52	52	-
Expenses					
Other operating expenses	27,342	-	27,342	27,226	116
Depreciation and amortization	5	-	5	5	-
Total expenses	27,347	-	27,347	27,231	116
Loss from operations and deficiency in revenue over expenses	(27,295)	-	(27,295)	(27,179)	(116)
Nonoperating losses					
Investment return, net	(10,550)	-	(10,550)	(10,550)	-
Total nonoperating losses, net	(10,550)	-	(10,550)	(10,550)	-
Deficit in revenue and nonoperating losses, net over expenses attributed to Virtua Health Foundation Group	(37,845)	-	(37,845)	(37,729)	(116)
Other changes in net assets without donor restrictions - Virtua Health Foundation Group					
Transfers with affiliates, net	-	-	-	(1,441)	1,441
(Decrease) increase in net assets without donor restrictions - Virtua Health Foundation Group	(37,845)	-	(37,845)	(39,170)	1,325
Net assets with donor restrictions					
Contributions, net	31	-	31	31	-
Investment income, net	(334)	-	(334)	(334)	-
Decrease in beneficial interest in perpetual trust	(1,986)	-	(1,986)	(1,986)	-
Transfers with affiliates, net	-	-	-	10	(10)
Decrease in net assets with donor restrictions	(2,289)	-	(2,289)	(2,279)	(10)
(DECREASE) INCREASE IN NET ASSETS	(40,134)	-	(40,134)	(41,449)	1,315
Net assets (deficiency) - beginning of year	62,489	-	62,489	63,804	(1,315)
Net assets - end of year	<u>\$ 22,355</u>	<u>\$ -</u>	<u>\$ 22,355</u>	<u>\$ 22,355</u>	<u>\$ -</u>