

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

CentraState Healthcare System, Inc.  
Years Ended December 31, 2023 and 2022  
With Report of Independent Auditors

Ernst & Young LLP



CentraState Healthcare System, Inc.

Consolidated Financial Statements  
and Supplementary Information

Years Ended December 31, 2023 and 2022

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## Report of Independent Auditors

The Board of Trustees  
CentraState Healthcare System, Inc.

### **Opinion**

We have audited the consolidated financial statements of CentraState Healthcare System, Inc. (the System), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

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

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2023, and the consolidating statements of operations and changes in net assets for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Ernst + Young LLP*

April 25, 2024

CentraState Healthcare System, Inc.

Consolidated Balance Sheets  
(In Thousands)

	December 31	
	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents <i>(Note 1)</i>	\$ 25,110	\$ 27,110
Short-term investments <i>(Note 4)</i>	130,059	127,067
Assets limited as to use that are required for current liabilities <i>(Note 4)</i>	737	634
Patient accounts receivable, net	38,604	36,430
Due from affiliates <i>(Note 11)</i>	2,689	–
Other current assets	10,422	7,705
Total current assets	<u>207,621</u>	<u>198,946</u>
Assets limited as to use – noncurrent <i>(Note 4)</i>	23,980	27,123
Property, plant, and equipment, net <i>(Note 6)</i>	278,483	251,414
Operating lease assets <i>(Note 8)</i>	9,557	11,231
Noncurrent assets <i>(Note 5)</i>	9,071	4,689
Total assets	<u>\$ 528,712</u>	<u>\$ 493,403</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current maturities of long-term debt and finance lease obligations <i>(Note 7)</i>	\$ 294	\$ 48
Accounts payable and accrued expenses	59,160	55,881
Estimated third-party payor settlements – current <i>(Note 3)</i>	14	–
Operating lease liability – current <i>(Note 8)</i>	1,505	1,674
Other current liabilities	276	260
Total current liabilities	<u>61,249</u>	<u>57,863</u>
Long-term debt and finance lease obligations, excluding current maturities <i>(Note 7)</i>	115,870	104,443
Professional liability insurance and other noncurrent liabilities <i>(Note 9)</i>	6,249	5,562
Estimated third-party payor settlements – noncurrent <i>(Note 3)</i>	19,889	19,418
Due to affiliates <i>(Note 11)</i>	10,805	3,080
Operating lease liability – noncurrent <i>(Note 8)</i>	8,052	9,557
Deferred revenue and refundable advance fees	48,794	47,893
Total liabilities	<u>270,908</u>	<u>247,816</u>
Commitments and contingencies <i>(Note 13)</i>		
Net assets:		
Net assets without donor restrictions	234,542	225,749
Net assets with donor restrictions	23,262	19,838
Total net assets	<u>257,804</u>	<u>245,587</u>
	<u>\$ 528,712</u>	<u>\$ 493,403</u>

See accompanying notes.

CentraState Healthcare System, Inc.

Consolidated Statements of Operations  
(In Thousands)

	<b>Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue:		
Net patient service revenue (Note 3)	\$ 360,516	\$ 323,825
Other revenue (Note 14)	66,534	66,656
Investment return (Note 4)	5,834	13,391
Total revenue	<u>432,884</u>	<u>403,872</u>
Expenses:		
Salaries and wages	162,779	151,570
Employee benefits	39,795	37,284
Professional fees	10,203	8,445
Supplies and other expenses	213,090	223,833
Depreciation and amortization	22,953	20,024
Interest expense and amortization of financing costs	3,293	2,942
Total expenses	<u>452,113</u>	<u>444,098</u>
Loss from operations	(19,229)	(40,226)
Loss on early extinguishment of debt (Note 7)	—	(505)
Net change in unrealized gains and losses on investments (Note 4)	8,777	(31,546)
Deficiency of revenue over expenses	<u>(10,452)</u>	<u>(72,277)</u>
Net assets released from restrictions for capital purposes	3,699	1,563
Grant receipts for purchase of fixed assets	2,395	1,417
Net assets transfer to AHS Insurance Company, Ltd. (Note 9)	(1,903)	—
Net assets transfer from Atlantic Health System (Note 11)	15,054	61,107
Change in net assets without donor restrictions	<u>\$ 8,793</u>	<u>\$ (8,190)</u>

See accompanying notes.

CentraState Healthcare System, Inc.

Consolidated Statements of Changes in Net Assets  
(In Thousands)

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at January 1, 2022 <i>(Note 1)</i>	\$ 233,939	\$ 22,732	\$ 256,671
Change in net assets without donor restrictions	(8,190)	–	(8,190)
Contributions, investment return and other	–	1,322	1,322
Net assets released from restrictions for operations	–	(2,653)	(2,653)
Net assets released from restrictions for capital purposes	–	(1,563)	(1,563)
Decrease in net assets	(8,190)	(2,894)	(11,084)
Net assets at December 31, 2022	225,749	19,838	245,587
Change in net assets without donor restrictions	<b>8,793</b>	–	<b>8,793</b>
Contributions, investment return and other	–	<b>9,326</b>	<b>9,326</b>
Net assets released from restrictions for operations	–	<b>(2,203)</b>	<b>(2,203)</b>
Net assets released from restrictions for capital purposes	–	<b>(3,699)</b>	<b>(3,699)</b>
Increase in net assets	<b>8,793</b>	<b>3,424</b>	<b>12,217</b>
Net assets at December 31, 2023	<b>\$ 234,542</b>	<b>\$ 23,262</b>	<b>\$ 257,804</b>

See accompanying notes.



CentraState Healthcare System, Inc.

Consolidated Statements of Cash Flows  
(In Thousands)

	Year Ended December 31	
	2023	2022
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 12,217	\$ (11,084)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	22,953	20,024
Loss on disposal of fixed assets	120	88
Cash received under nonrefundable advance fee plans, net of refunds	4,113	4,473
Amortization of advance fees	(5,032)	(4,327)
Net realized gains and losses on investments, income in equity of joint ventures and change in unrealized gains and losses on investments	(10,893)	24,069
Net assets released, grant receipts and transfers for capital purposes	(19,245)	(56,376)
Loss on early extinguishment of debt	—	505
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(2,174)	(4,123)
Other assets	(7,205)	4,992
Accounts payable and accrued expenses	3,279	2,950
Due to and from affiliates, net	5,036	3,080
Professional liability insurance and other liabilities	703	(4,074)
Estimated third-party payor settlements	485	(21,176)
Net cash provided by operating activities	4,357	(40,979)
<b>Investing activities</b>		
Acquisitions of property, plant, and equipment, net	(50,018)	(66,791)
Short-term investments redeemed, net	6,589	38,934
Assets limited as to use redeemed, net	3,040	5,417
Distributions from investment in joint ventures, net	1,418	1,560
Net cash used in investing activities	(38,971)	(20,880)
<b>Financing activities</b>		
Proceeds from issuance of long-term debt and line of credit advances	11,597	104,443
Payments of long-term debt and finance lease obligations	(48)	(106,713)
Net assets released, grant receipts and transfers for capital purposes	19,245	56,376
Cash received under refundable advance fee plans, net of refunds	1,820	983
Net cash provided by financing activities	32,614	55,089
Net decrease in cash and cash equivalents	(2,000)	(6,770)
Cash and cash equivalents at beginning of year	27,110	33,880
Cash and cash equivalents at end of year	\$ 25,110	\$ 27,110
<b>Supplemental disclosure of cash flow information</b>		
Assets acquired under finance lease obligations	\$ 124	\$ —

See accompanying notes.

# CentraState Healthcare System, Inc.

## Notes to Consolidated Financial Statements (In Thousands)

December 31, 2023

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

CentraState Healthcare System, Inc. (CSHS), located in Freehold, New Jersey, is a not-for-profit holding corporation. Through December 31, 2021, CSHS had no members and was governed by its Board of Trustees. Effective January 1, 2022 (the Affiliation Date), Atlantic Health System (Atlantic Health) and CentraState Holding Company, Inc. hold membership interests in CSHS of 51% and 49%, respectively (see “Atlantic Health Affiliation” section below).

The accompanying consolidated financial statements include the accounts of CSHS and its wholly owned or wholly controlled subsidiary corporations and not-for-profit entities. CSHS is the sole member of the following not-for-profit corporations: CentraState Medical Center, Inc. (the Medical Center); CentraState Healthcare Affiliates, Inc. d/b/a The Manor (The Manor); CentraState Assisted Living, Inc. d/b/a Monmouth Crossing (Monmouth Crossing); CentraState Healthcare Foundation, Inc. (the Foundation); and Center for Aging, Inc. d/b/a Applewood (Applewood). CSHS is the sole stockholder of CentraState Healthcare Services, Inc. (Healthcare Services), a for-profit corporation. Healthcare Services owns all the membership interests of CentraState Medical Arts Building LLC (MAB), a limited liability company. CentraState Medical Associates, P.C. (Medical Associates), CentraState Specialists, P.C., and CentraState Cardiology, P.C., for-profit companies, are controlled subsidiaries of the Medical Center. In 2012, the System formed a captive insurance company domiciled in the Cayman Islands, CentraState Captive Insurance Company Ltd., SPC (the Cayman Captive), a wholly owned subsidiary of the Medical Center.

The reporting entity resulting from the consolidation of CSHS and its wholly owned or wholly controlled subsidiary corporations and not-for-profit entities is referred to herein as the “System.” All significant intercompany balances and transactions have been eliminated in consolidation. Although these entities have been consolidated for financial statement presentation, there may be limitations on the use of an entity’s funds by another member of the group resulting from the charitable nature of some of the entities or other factors.

Summary information related to the entities follows:

- The Medical Center is an acute care hospital whose mission is to provide the highest quality patient care for the central New Jersey community it serves. The Medical Center has 276 licensed beds.
- The Manor provides skilled nursing services for 123 elderly residential units including sub-acute, rehabilitation and I.V. therapy.

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

- Applewood is a continuing care retirement community consisting of 280 independent apartments, 20 cottages, 40 residential health care units, a 60-bed skilled nursing facility, and an 11 unit memory care. The System plans to transfer Applewood to an unrelated entity; see Note 17.
- Monmouth Crossing is an assisted living facility for the elderly consisting of 76 units with 16 units for memory care.
- The Foundation was established for the purpose of soliciting and investing funds for the benefit of the Medical Center and other not-for-profit entities of the System.
- Healthcare Services was established to provide various health care and related services to the community.
- MAB was organized to construct, develop, equip, and operate a medical arts building which offers state of the art ambulatory clinical programs.
- Medical Associates was established for the purpose of aligning physician practices with the System.
- CentraState Specialists P.C. was formed for the purpose of providing specialized medical services to the community.
- Centrastate Cardiology P.C. was formed for the purpose of providing a medical practice in the specialty of cardiology that includes physician services and diagnostic testing.

#### Atlantic Health Affiliation

In January 2020, the System announced a clinical affiliation with Atlantic Health that will provide enhanced access to high-quality specialty health care services to the communities of central New Jersey. The affiliation will accelerate the growth of the System's oncology and neuroscience programs through linkages with Atlantic Health's nationally recognized specialists and coordination of clinical and research activities. In addition, the System and Atlantic Health will share clinical expertise and best practices and coordinate patient care through a common

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

technology platform. The affiliation will afford the System the opportunity to participate as a Tier 1 hospital in Horizon's OMNIA network effective April 1, 2020. As part of the affiliation, Medical Associates and CentraState Specialists P.C.'s services and employees became part of Atlantic Health's Atlantic Medical Group effective June 20, 2021.

In October 2020, the System and Atlantic Health entered into a co-member affiliation agreement under which Atlantic Health holds a 51% membership interest in CSHS. CentraState Holding Company, Inc. (CHC), a New Jersey not-for-profit corporation, was formed to hold a 49% membership interest in CSHS. The co-member affiliation agreement received federal and New Jersey state regulatory approvals in December 2021 and became effective January 1, 2022.

Effective as of the Affiliation Date, the System elected to apply pushdown accounting, which is the use of acquirer's basis of accounting in the preparation of the acquiree's separate financial statements, consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Update No. (ASU) 2014-17, *Business Combinations (Topic 805): Pushdown Accounting, a consensus of the FASB Emerging Issues Task Force*. In connection with the co-member affiliation, the assets and liabilities of the System were marked to fair value as of the Affiliation Date which resulted in a net decrease of \$6,281 as compared to the historical value of the net assets as reported by the predecessor company. The \$6,281 decrease in the System's net assets was attributable to property, plant and equipment. The System also adopted Atlantic Health's accounting policies as of the Affiliation Date which did not have a significant impact to the System's accompanying consolidated financial statements.

#### **COVID-19 Pandemic and CARES Act Funding**

In response to COVID-19, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. The CARES Act, and subsequent legislation, authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to coronavirus.

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

For the year end December 31, 2022, the System recognized revenue of approximately \$754 related to the Provider Relief Fund (none in 2023), which is included in other revenue in the accompanying consolidated statement of operations. The recognized revenue has been determined based on applicable accounting guidance, Post-Payment Notices of Reporting Requirements and FAQs that the System has interpreted as being applicable to the accompanying consolidated financial statements.

For the year ended December 31, 2022, the System recognized patient service revenue of approximately \$658 (none in 2023), related to the treatment of uninsured patients under the CARES Act Uninsured Relief Fund.

Additionally, the Medical Center has applied for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. During 2023 and 2022, the Medical Center recognized \$15,899 and \$15,818 for FEMA reimbursement within other operating revenue, respectively. Additional costs have been submitted to FEMA and are pending final approval for reimbursement.

#### **Significant Accounting Policies**

A summary of significant accounting policies follows:

##### **Use of Estimates**

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

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

##### **Cash and Cash Equivalents**

The System considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents, except for amounts reported within short-term investments and assets limited as to use as such holdings are within investment portfolios. The System does not hold any money market funds with significant liquidity restrictions that would require the funds to be excluded from cash equivalents. The System does not have any restricted cash and cash equivalents at December 31, 2023 and 2022.

##### **Investments and Investment Return**

Investments in marketable securities are reported in the consolidated balance sheets at fair value based on quoted market prices. Investments that are readily marketable and which are not reported as assets limited as to use are considered short-term investments and are classified as current assets in the accompanying consolidated balance sheets. All investments in marketable securities are classified as trading securities.

All investment transactions are recorded on the dates such trades take place. The realized gain or loss resulting from these transactions is the difference between the proceeds received and the average historical cost of the assets sold. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Investment return and net change in unrealized gains and losses on investments is included in the deficiency of revenue over expenses unless restricted by donor or law.

Investments in joint ventures, which have been entered into by Healthcare Services and the Medical Center, are accounted for using the equity method.

##### **Assets Limited as to Use**

Assets limited as to use include investments internally designated by the Board of Trustees and various external designations. Donor restricted assets limited as to use include assets held under split-interest agreements, such as charitable gift annuity agreements, under which the Foundation pays the designated beneficiaries a predetermined annual annuity amount.

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

##### **Supplies**

Supplies are reported in other current assets in the accompanying consolidated balance sheets and are stated at the lower of cost or net realizable value. Supplies are used in the provision of patient care and are not held for sale.

##### **Pledges Receivable**

Through the fundraising activities of the Foundation, the System is the recipient of pledges which are recorded at the time the unconditional promise to give is made, at estimated net realizable value. The net realizable value of the outstanding pledges of approximately \$551 and \$700 at December 31, 2023 and 2022, respectively, is reported within other current assets in the accompanying consolidated balance sheets. The amount of the allowance for uncollectible pledges is based on management's assessment of historical and expected collections and other collection indicators. Additions to the allowance for uncollectible pledges result from the provision for uncollectible pledges. Pledges written off as uncollectible are deducted from the allowance for uncollectible pledges. Pledges are discounted to net present value based on the scheduled payment terms of each pledge using a discount rate of 2.0% for each of the years ended December 31, 2023 and 2022.

##### **Property, Plant, and Equipment**

Property, plant, and equipment purchased are stated at cost, except for donated equipment which is recorded at fair value at the date of the gift. Property, plant, and equipment existing at the Affiliation Date were recorded at fair value as of that date based upon an independent valuation. The System provides for depreciation on a straight-line basis over the estimated useful lives of such assets or the lease term, whichever is shorter. Amortization of equipment obtained through finance lease obligations is included in depreciation and amortization expense. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations.

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

##### **Marketing Costs**

Marketing and advertising costs incurred by the System are expensed as incurred and amounted to approximately \$2,374 and \$2,300 for the years ended December 31, 2023 and 2022, respectively. Such costs are included in supplies and other expenses on the accompanying consolidated statements of operations.

##### **Professional Liability Insurance**

Through December 31, 2023, the System was insured for professional liability insurance through its wholly owned captive insurance company. Premiums paid by the System to the Cayman Captive insurance company were determined annually based on claims-made coverage for health care professional liability and on an occurrence basis for general liability. Premiums were actuarially determined based on the actual and estimated experience of the System, subject to retrospective adjustment in future periods. Insurance premium revenue and expenses are eliminated in consolidation. As part of the affiliation with Atlantic Health, the assets and liabilities of the Cayman Captive were novated to AHS Insurance Company, Ltd. as of December 31, 2023. Subsequent to the novation, claims insured through AHS Insurance Company, Ltd. are reported as a liability by the System with a corresponding reinsurance receivable on the accompanying consolidated balance sheets (see Note 9).

##### **Retirement Community Obligations**

Residents of Applewood are required to pay a fee to obtain a nontransferable right to lifetime occupancy at Applewood. Current residents have selected one of four continuing care contract options: Traditional Plan, 90% Refund Plan, 50% Refund Plan, or Fee for Service Plan. Applewood also offers a 100% Refund Plan.

The Traditional Plan specifies that advance fees are refundable to the resident on a declining balance basis amortized at 2% per month after residency is established. These advance fees are recorded as refundable advance fees upon receipt and amortized to income as performance obligations are satisfied using the straight-line method over the estimated remaining life expectancy of the resident, adjusted annually at the beginning of each year. The Fee for Service Plan requires residents to pay for health care related services on a fee for service basis.



## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

Under the 90% and 50% Refund Plans, 10% and 50%, respectively, of the advance fees are nonrefundable. Nonrefundable fees are recorded as deferred revenue upon receipt and amortized to income as performance obligations are satisfied using the straight-line method over the estimated remaining life expectancy of the resident, adjusted annually. The refundable portion of these plans are refundable solely from the resale proceeds upon re-occupancy of the resident's unit, reduced by fees earned through the resident's use of Applewood's health center. The refundable portion of fees received is recorded as deferred revenue upon receipt.

Applewood annually calculates the present value (using a discount rate of 5% in 2023 and 2022) of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees and refundable advance fees. No additional liability to provide future services and use of facilities was required to be recorded at December 31, 2023 and 2022.

#### **Classification of Net Assets**

The System separately accounts for and reports net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are not externally restricted for identified purposes by donors. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the System and an outside party other than a donor. Net assets with donor restrictions are those whose use is limited by the donor. When a temporary donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported as net assets released from restriction.

On a stand-alone financial reporting basis, the Medical Center, Applewood, Monmouth Crossing and The Manor recognize the balance and changes in their accumulated interest in the net assets of the Foundation. Amounts reported on a stand-alone basis are eliminated in consolidation.

Net assets with donor restrictions that are perpetual in nature represent assets held in perpetuity by the Foundation on behalf of the Medical Center and Applewood, the proceeds of which are available to support Medical Center and Applewood programs and services. The System follows the requirements of the New Jersey Uniform Prudent Management of Institutional Funds Act (NJ UPMIFA) as they relate to its permanently restricted contributions and net assets.

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

The System's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to the endowment funds.

The System recognizes governmental grants where commensurate value is not exchanged as contributions when conditions and restrictions are satisfied and reports such amounts within other revenue (see Note 14).

#### Functional Expenses

The System provides general health care and other services. Expenses related to providing these services are as follows:

	Hospital Patient Care	Post-Acute and Continuing Care	Ambulatory Physician Practices	Research	Foundation and Fundraising	Management and Administrative	Total
<b>Year ended December 31, 2023</b>							
Salaries and wages	\$ 134,040	\$ 22,600	\$ –	\$ 143	\$ 1,086	\$ 4,910	\$ 162,779
Employee benefits	31,723	6,354	–	40	304	1,374	39,795
Professional fees	10,203	–	–	–	–	–	10,203
Supplies and other expenses	181,576	19,347	7,567	4	1,480	3,116	213,090
Depreciation and amortization	17,707	4,406	153	–	28	659	22,953
Interest	2,182	745	–	–	–	366	3,293
<b>Total</b>	<b>\$ 377,431</b>	<b>\$ 53,452</b>	<b>\$ 7,720</b>	<b>\$ 187</b>	<b>\$ 2,898</b>	<b>\$ 10,425</b>	<b>\$ 452,113</b>

	Hospital Patient Care	Post-Acute and Continuing Care	Ambulatory Physician Practices	Research	Foundation and Fundraising	Management and Administrative	Total
<b>Year ended December 31, 2022</b>							
Salaries and wages	\$ 126,337	\$ 19,589	\$ 462	\$ 171	\$ 926	\$ 4,085	\$ 151,570
Employee benefits	30,337	5,507	157	48	262	973	37,284
Professional fees	8,445	–	–	–	–	–	8,445
Supplies and other expenses	188,083	22,085	9,476	15	1,362	2,812	223,833
Depreciation and amortization	14,833	4,410	71	–	14	696	20,024
Interest	1,985	533	47	–	–	377	2,942
<b>Total</b>	<b>\$ 370,020</b>	<b>\$ 52,124</b>	<b>\$ 10,213</b>	<b>\$ 234</b>	<b>\$ 2,564</b>	<b>\$ 8,943</b>	<b>\$ 444,098</b>

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

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

##### Performance Indicator

The accompanying consolidated statements of operations include deficiency of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator include net assets released from restrictions and grant receipts for capital purposes and permanent transfers of assets from related entities.

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported within loss from operations. Peripheral or incidental transactions are excluded from loss from operations.

##### Income Taxes

The entities comprising the System, with the exception of Healthcare Services, MAB, Medical Associates, CentraState Specialists, P.C., Centrastate Cardiology, P.C. and the Cayman Captive, are not-for-profit organizations 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 organizations are also exempt from state and local income taxes.

Healthcare Services, Medical Associates, CentraState Specialists, P.C. and Centrastate Cardiology, P.C. are for-profit entities; however, income tax expense and income taxes paid in 2023 and 2022 were not significant. MAB is a single member limited liability company that is not recognized as a separate entity for tax purposes. For income tax purposes, the activities of MAB are treated as a division within its parent, Healthcare Services. The Cayman Captive is generally not subject to income taxes under the Cayman Islands tax concessions laws.

The System accounts for deferred tax assets and liabilities based on the differences between the financial reporting and tax basis of assets and liabilities using enacted tax rates and laws that will be in effect when differences are expected to reverse.

As of and for the years ended December 31, 2023 and 2022, the System has made reasonable estimates of the provision for income taxes and deferred tax balances based on accounting guidance included in Accounting Standards Codification 740, *Income Taxes*. The System will continue to refine its calculations in future periods as additional regulations and guidance are issued by the Internal Revenue Service (IRS).

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

##### Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of ASU 2016-13 and related ASU updates is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU are effective for the System for fiscal years beginning after December 15, 2022. The System adopted ASU 2016-13 effective January 1, 2023 with no significant impact on the System's consolidated financial statements.

##### Reclassifications

Reclassifications have been made to certain 2022 amounts in order to conform to the current year presentation.

#### 2. Charity Care

The System provides care to patients who meet certain criteria defined by the New Jersey Department of Health (DOH) without charge or at amounts less than established rates. The Medical Center's records identify and monitor the level of charity care it provides and include the amount of charges foregone for services and supplies furnished. The current DOH charity care guidelines require participation and cooperation of the patient in order to be identified as a charity care account. Management believes that the present charity care guidelines understate the System's reported charity care amounts because of the difficulties involved with obtaining patient cooperation. The cost of charity care includes the direct and indirect cost of providing charity care services. The cost is estimated by utilizing a ratio of cost to standard charges applied to the standard uncompensated charges associated with providing charity care. The cost of charity care provided during the years ended December 31, 2023 and 2022 was approximately \$4,058 and \$5,200, respectively. The System receives partial reimbursement for the charity care it provides (see Note 3).

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) *(In Thousands)*

#### **3. Net Patient Service Revenue**

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes provisions for variable consideration (reductions to revenue) in determining a transaction price.

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

The System's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the System's standard charges.

The System determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the System's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the System determines the transaction price associated with services rendered on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the System's historical collection experience for applicable patient portfolios.

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

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

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

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change.

Changes in the System's estimates of implicit price concessions, discounts, contractual adjustments or other changes to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay based on current or future estimated credit losses (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2023 and 2022 was not significant.

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

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

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

Net patient service revenue disaggregated by payor are as follows:

	<b>Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Medicare	\$ 143,847	\$ 132,249
Medicaid	30,980	25,278
Commercial insurance <sup>(1)</sup>	165,833	149,762
Self-pay patients	7,526	7,531
Other third-party payors	12,330	9,005
	<b>\$ 360,516</b>	<b>\$ 323,825</b>

<sup>(1)</sup> Amounts are inclusive of Medicare and Medicaid program activity administered by managed care organizations.

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

Net patient service revenue, disaggregated by lines of service, is as follows:

	<b>Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Hospital	\$ 344,794	\$ 307,777
Post-acute	10,968	10,899
Physician practices	4,754	5,149
	<b>\$ 360,516</b>	<b>\$ 323,825</b>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

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

Patient accounts receivable, net is comprised of the following components:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Patient receivables	\$ 35,740	\$ 33,108
Contract assets	2,864	3,322
	<b>\$ 38,604</b>	<b>\$ 36,430</b>

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

**Third-Party Payment Programs**

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

*Medicare:* The System is paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data. Medicare cost reports of the System have been audited and settled for years through 2019 at December 31, 2023.

*Medicaid:* Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. The System is reimbursed for outpatient services at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Medicaid cost reports of the System for years through 2020 have been audited and settled.



## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

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

*Other third-party payors:* The System also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

Medicare and Medicaid cost reports, which serve as the basis for final settlement with these programs, have been audited by the applicable fiscal intermediary and settled through years noted above, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlements.

Settlements with third-party payors for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the System's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the year ended December 31, 2023, the net effect of the System's revisions to prior year Medicare and Medicaid settlement estimates resulted in net patient service revenue increasing by approximately \$3,761 (none in 2022).

The System has appealed certain items in audited cost reports. The outcome of these appeals is uncertain and, therefore, potential revenue associated with these appeals is not included within the accompanying consolidated statements of operations.

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

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material adverse effect on its financial statements. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

Commencing July 1, 2023, the System receives additional Medicaid funding under the New Jersey County Option Hospital Fee Program. This program is administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health Services. The program requires that participating hospitals pay quarterly assessed fees based on estimated non-Medicare discharge data within the county, and such payments are then pooled with federal Medicaid matching funds and redistributed to the participating hospitals as State Directed Payments. The State Directed Payments are subject to annual settlement based on actual Medicaid utilization data and other factors. The program resulted in fees paid by the System of \$3,609 (included in supplies and other expenses) and \$6,263 of net patient service revenue for the year ended December 31, 2023.

The New Jersey Health Care Subsidy Fund and other state programs have been established for various purposes including the distribution of charity care payments to hospitals statewide. The following subsidy amounts have been included in net patient service revenue:

	<b>Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Charity care	\$ 633	\$ 695
Special subsidy	1,409	419
Medicaid GME	375	374
	<u>\$ 2,417</u>	<u>\$ 1,488</u>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**4. Investments and Assets Limited as to Use**

**Short-Term Investments**

Short-term investments consist of the following:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
United States government obligations	\$ 12,698	\$ 12,228
Corporate bonds	12,656	14,968
Mutual funds	104,473	99,692
	<b>129,827</b>	126,888
Interest receivable	232	179
	<b>\$ 130,059</b>	<b>\$ 127,067</b>

**Assets Limited as to Use**

Assets limited as to use consist of the following:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 6,951	\$ 7,962
United States government obligations	750	1,899
Corporate bonds	1,225	3,416
Mutual funds	15,791	14,480
Total assets limited as to use	<b>24,717</b>	27,757
Less current portion	737	634
Assets limited as to use – noncurrent	<b>\$ 23,980</b>	<b>\$ 27,123</b>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**4. Investments and Assets Limited as to Use (continued)**

Assets limited as to use are maintained for the following purposes:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
As directed by the Board of Trustees	\$ 4,856	\$ 4,856
Estimated advance fee refunds	3,865	3,812
Supplemental executive retirement plan	924	814
By donor restrictions	15,072	13,227
Assets held in the Cayman Captive (Note 9)	–	5,048
	<b>\$ 24,717</b>	<b>\$ 27,757</b>

**Investment Return**

Investment return included in the deficiency of revenue over expenses without donor restrictions consists of the following:

	<b>Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from operations:		
Interest and dividends	\$ 3,718	\$ 5,914
Net realized gains and losses	804	6,105
Net gain in equity of joint venture investments	1,312	1,372
	<b>5,834</b>	13,391
Nonoperating income:		
Net change in unrealized gains and losses on investments	8,777	(31,546)
Total investment return – without donor restrictions	<b>\$ 14,611</b>	<b>\$ (18,155)</b>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**5. Noncurrent Assets**

Noncurrent assets consist of the following:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Investments in joint ventures	\$ 2,956	\$ 3,062
Professional liabilities insurance recoveries receivable	4,269	–
Other noncurrent assets	1,846	1,627
	<u>\$ 9,071</u>	<u>\$ 4,689</u>

Included in investments in joint ventures under which Healthcare Services holds 50% ownership interests are the following companies: CentraState Fitness & Wellness Center LLC (F&W); Freehold Venture Associates, LLC; and Pier Practice Solutions (terminated on December 31, 2023). F&W leases space from the Medical Center. The remaining term of the lease with the Medical Center is six years, with the option to renew for three terms of ten years each (annual rental payments of approximately \$500 per year). Distributions received from these joint ventures for 2023 and 2022 totaled approximately \$1,463 and \$1,560, respectively. The System paid \$45 for equity contributions in 2023 (none in 2022).

**6. Property, Plant, and Equipment**

Property, plant, and equipment consist of the following:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Land	\$ 30,277	\$ 30,875
Land improvements	7,835	7,805
Buildings and fixtures	159,303	134,287
Equipment	84,451	68,779
	<u>281,866</u>	<u>241,746</u>
Less accumulated depreciation and amortization	42,439	20,024
Add construction in progress (estimated cost to complete approximately \$27,000)	39,056	29,692
	<u>\$ 278,483</u>	<u>\$ 251,414</u>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**7. Long-Term Debt and Finance Lease Obligations**

Long-term debt and finance lease obligations consist of the following:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Secured loan with AHS Hospital Corp. <sup>(a)</sup>	\$ 103,497	\$ 103,497
Engineered Solutions Program Loan <sup>(b)</sup>	2,543	946
Line of Credit with AHS Hospital Corp. <sup>(c)</sup>	10,000	—
Finance lease obligations with rates of 6.5%-2023 and 3.25%-2022, collateralized by leased equipment and facilities maturing through 2026	124	48
	<u>116,164</u>	<u>104,491</u>
Less:		
Current maturities	294	48
Long-term debt and finance lease obligations, excluding current maturities	<u>\$ 115,870</u>	<u>\$ 104,443</u>

<sup>(a)</sup> On August 17, 2022, the Medical Center, Applewood, and MAB, entered into a secured loan agreement with AHS Hospital Corp. (AHSHC), an affiliate of Atlantic Health, for approximately \$103,497. The loan with AHSHC matures on May 31, 2037, with an annual interest rate of 3.21% due monthly. The loan is collateralized by a pledge and security interest in all gross receipts of the Medical Center, Applewood and MAB. The Medical Center, Applewood and MAB formed an obligated debtor group for the purpose of the AHSHC loan and related compliance with the loan's requirements.

<sup>(b)</sup> In 2022, the Medical Center and then in 2023 Applewood, Manor, and Monmouth Crossing participated in the Engineered Solutions Program through a utility company using grant funding (not subject to repayment) combined with a loan to be repaid over 60 months upon the completion of an energy conservation project. As of December 31, 2023, the System has received approximately \$6,392 under the program, of which, \$2,543 is repayable as long-term debt.

<sup>(c)</sup> On September 1, 2023, the Medical Center entered in a \$30,000 line of credit with AHSHC. At December 31, 2023 a balance of \$10,000 was outstanding on the line. Interest on the line is calculated using a 5% annual interest rate. The line of credit matures on August 31, 2028. See Note 17 for additional drawdowns in March 2024.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**7. Long-Term Debt and Finance Lease Obligations (continued)**

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

	<b>Long-Term Debt</b>	<b>Obligations Under Finance Leases</b>	<b>Total</b>
2024	\$ 254	\$ 40	\$ 294
2025	508	42	550
2026	509	32	541
2027	509	10	519
2028	10,509	–	10,509
Thereafter	103,751	–	103,751
	\$ 116,040	\$ 124	\$ 116,164

At December 31, 2023 and 2022, the entities comprising the System were in compliance with the financial covenants of their respective loan agreements.

Interest paid under all borrowings for years ended December 31, 2023 and 2022 aggregated approximately \$3,447 and \$2,800 million, respectively, net of capitalized interest.

**8. Leases**

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

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
*(In Thousands)*

**8. Leases (continued)**

For leases with initial terms greater than a year, the System records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The System's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the System is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the System has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The System does not account for non-lease components together with the related lease components when determining the right-of-use assets and liabilities, except for medical equipment.

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

The following schedules summarize information related to the lease assets and liabilities as of and for the years ended December 31:

	<b>Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Lease cost:		
Finance lease cost:		
Amortization of right-of-use asset	\$ 25	\$ 48
Interest on lease liabilities	1	1
Operating lease cost	<u>2,127</u>	<u>2,133</u>
Total lease cost	<u>\$ 2,153</u>	<u>\$ 2,182</u>



CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**8. Leases (continued)**

	<b>Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Right-of-use assets and liabilities:		
Right-of-use assets – finance leases	\$ 124	\$ 25
Lease liability – finance leases	124	48
Right-of-use assets – operating leases	9,557	11,231
Lease liability – operating leases	9,557	11,231
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 1	\$ 1
Operating cash flows from operating leases	2,127	2,133
Financing cash flows from finance leases	48	51
Right-of-use assets obtained in exchange for new finance lease liabilities	124	–
Right-of-use assets obtained in exchange for new operating lease liabilities	–	1,487
Weighted-average remaining lease term – finance leases	<b>36 months</b>	12 months
Weighted-average remaining lease term – operating leases	<b>8.1 years</b>	8.6 years
Weighted-average discount rate – finance leases	<b>6.5%</b>	3.25%
Weighted-average discount rate – operating leases	<b>4.38%</b>	3.76%

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

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**8. Leases (continued)**

The following table reconciles the undiscounted lease payments to the lease liabilities recorded on the accompanying consolidated balance sheet at December 31, 2023:

	<b>Finance Leases</b>	<b>Operating Leases</b>
2024	\$ 46	\$ 1,893
2025	46	1,754
2026	34	1,309
2027	11	1,339
2028	–	1,261
Thereafter	–	3,800
Total lease payments	137	11,356
Less imputed interest	13	1,799
Total lease obligation	124	9,557
Less current portion	40	1,505
Long-term portion	\$ 84	\$ 8,052

**9. Professional Liability Insurance and Other Noncurrent Liabilities**

Through April 30, 2003, the System maintained claims-made professional liability coverage through a commercial insurance carrier. Subsequently, through December 31, 2023, the System's primary professional and general liability insurance coverage was provided by the Cayman Captive, which was a wholly owned subsidiary of the Medical Center and was included in the System's consolidated financial statements within the Medical Center (December 31, 2022 invested assets of \$5,048 and professional liabilities of \$4,786). Under this program, a self-insured retention existed for primary coverage (\$1,000 for individual claims; \$3,000 aggregate) with a \$20,000 buffer policy and a \$10,000 excess umbrella liability policy with two separate commercial insurance carriers. Additionally, the System recorded a liability related to claims incurred but not reported of approximately \$900 at December 31, 2022.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**9. Professional Liability Insurance and Other Noncurrent Liabilities (continued)**

As described in Note 1, effective December 31, 2023 all of the assets and liabilities of the Cayman Captive were transferred to AHS Insurance Company, Ltd. through a novation. As part of the change in the structure of the program, the System transferred \$1,903 to AHS Insurance Company, Ltd. to address future claim development and unlimited tail coverage. Prior to the novation, the December 31, 2023 professional and general liability and the tail liability exposures were actuarially valued at \$4,269 and \$1,090, respectively. Effective January 1, 2024, the System has similar coverage levels through AHS Insurance Company, Ltd. and unlimited tail liability coverage. Claims insured through AHS Insurance Company, Ltd. totaled approximately \$4,269 at December 31, 2023.

As of January 1, 2012, the System is self-insured for workers' compensation claims through a large deductible, paid loss retro program with a commercial carrier. Prior to January 1, 2012, workers' compensation claims were commercially insured on a fixed cost basis.

Professional liability insurance and other noncurrent liabilities consist of the following:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Other insurance related assets	\$ —	\$ 2,531
Professional liabilities	—	(4,786)
Insurance claims liability	<b>(4,269)</b>	—
Workers' compensation	<b>(1,011)</b>	(1,195)
Other	<b>(969)</b>	(2,112)
	<b>\$ (6,249)</b>	<b>\$ (5,562)</b>

**10. Employee Retirement Plans**

The System sponsors a defined contribution retirement plan (the 401(a) Plan) covering all eligible employees. Employees are eligible to participate in the 401(a) Plan following the completion of one year of service, as defined in the 401(a) Plan document, and the attainment of age 21. The System contributes a percentage of eligible salaries on an annual basis (5% for 2023 and 2022), net of forfeitures. Eligible salaries exclude certain items such as overtime. Additionally, the System sponsors another defined contribution plan (the 403(b) Plan) which prior to 2004 included

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

#### **10. Employee Retirement Plans (continued)**

only employee contributions. Beginning in 2004, the System contributes amounts to the 403(b) Plan based on a match of employee contributions. Expense under both retirement plans aggregated approximately \$6,700 and \$7,100 for the years ended December 31, 2023 and 2022, respectively.

The System also sponsors a defined contribution supplemental executive retirement plan (SERP) for certain employees and a 457(b) eligible deferred compensation plan available to all executives.

Total expense under the SERP plan was approximately \$530 and \$189 for the years ended December 31, 2023 and 2022, respectively.

#### **11. Related-Party Transactions**

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

Refer to Notes 7 and 9 for disclosures regarding long-term debt with AHSHC and the insurance program with AHS Insurance Company, Ltd. Additionally, Atlantic Health provides certain services to the System for information systems, printing services, legal services, bio-medical services, and human resource services. Charges for such services are based on the approximate cost to provide the services and totaled approximately \$5,138 and \$3,080 for the year ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the net balance due to Atlantic Health totaled approximately \$8,116 and \$3,080, respectively. During 2023, Atlantic Health transferred \$15,054 to the System for certain capital costs related to strategic initiatives resulting from the affiliation. During 2022, Atlantic Health transferred \$61,107 to the System for certain costs related to strategic initiatives resulting from the affiliation, including \$53,396 for capital expenditures, \$3,292 for certain agreed-upon shared administrative costs and \$4,419 for physician practice related expenses.

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

#### 12. Concentrations of Credit Risk

At December 31, 2023 and 2022, the System has its cash, including amounts classified within short-term investments, assets limited as to use and other noncurrent assets, deposited in several financial institutions. Investments in money market funds are not guaranteed by the U.S. government. Cash held in certain interest-bearing accounts is not fully insured. Exposure to any individual financial institution does not exceed 71% of the System's total cash balance. Management considers the credit risk related to these deposits to be minimal.

The System's health care providing entities grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. Concentrations of gross accounts receivable from patients and third-party payors were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Medicare	<b>51%</b>	48%
Medicaid	<b>7</b>	10
Managed care – insurance companies	<b>31</b>	32
Other third-party payors	<b>4</b>	4
Patients	<b>7</b>	6
	<b>100%</b>	100%

#### 13. Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are on appeal against the System. Such lawsuits and claims are either specifically covered by insurance, included in estimated liabilities for self-insured exposure levels, or are not material. While the outcome of these lawsuits cannot be determined at this time, management believes that any loss which may arise from the System's actions will not have a material adverse effect on the System's consolidated financial position or results of operations.

Applewood is regulated by the New Jersey Department of Community Affairs pursuant to the Continuing Care Retirement Community Regulation and Financial Disclosure Act (the Act). The Act requires, among other things, that Applewood establish and maintain liquid reserves which

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**13. Commitments and Contingencies (continued)**

generally are equal to the greater of 15% of the projected annual operating expenses (excluding depreciation) or the principal and interest due on long-term debt in the next 12 months. Applewood has complied with that requirement at December 31, 2023 and 2022.

**14. Other Revenue**

Other revenue consists of the following:

	<b>Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Residential services revenue, including amortization income of approximately \$5,032 and \$4,327 in 2023 and 2022, respectively	<b>\$ 31,116</b>	\$ 26,774
Rental income	<b>4,894</b>	3,821
HHS Provider Relief Fund	–	754
FEMA Disaster Relief Fund	<b>15,899</b>	15,818
Grants and community health programs	<b>2,164</b>	1,858
Net assets released from restrictions for operations	<b>2,203</b>	2,653
Food services	<b>1,677</b>	1,433
Vendor rebates	<b>2,078</b>	868
Gain on sale	–	2,555
Other	<b>6,503</b>	10,122
	<b>\$ 66,534</b>	\$ 66,656

Residential services revenue is reported within other revenue at amounts that reflect the consideration the System expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include provisions for variable consideration. Performance obligations are determined based on the nature of the services provided. Resident services revenue including amortization of advance fees are recognized as performance obligations are satisfied.

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

#### **15. Fair Value Measurements**

For assets and liabilities required to be measured at fair value, the System measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the System's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

The System follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 – Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the System uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**15. Fair Value Measurements (continued)**

Financial assets carried at fair value are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
<b>December 31, 2023</b>				
Cash and cash equivalents – held for investments	\$ 6,951	\$ –	\$ –	\$ 6,951
United States government obligations	13,448	–	–	13,448
Corporate bonds	12,612	1,269	–	13,881
Mutual funds:				
Fixed income	54,790	–	–	54,790
Equities – small cap	3,124	–	–	3,124
Equities – large cap	23,799	–	–	23,799
International equity	38,551	–	–	38,551
	<u>\$ 153,275</u>	<u>\$ 1,269</u>	<u>\$ –</u>	<u>\$ 154,544</u>
<b>December 31, 2022</b>				
Cash and cash equivalents – held for investments	\$ 7,962	\$ –	\$ –	\$ 7,962
United States government obligations	14,127	–	–	14,127
Corporate bonds	16,971	1,413	–	18,384
Mutual funds:				
Fixed income	52,696	–	–	52,696
Equities – small cap	2,885	–	–	2,885
Equities – large cap	23,091	–	–	23,091
International equity	35,500	–	–	35,500
	<u>\$ 153,232</u>	<u>\$ 1,413</u>	<u>\$ –</u>	<u>\$ 154,645</u>



CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**15. Fair Value Measurements (continued)**

Fair value for Level 1 is based upon quoted prices in active markets. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. While the System 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 estimate of fair value at the reporting date. A financial instrument's categorization within the three levels of the valuation hierarchy is not indicative of the investment risk associated with the underlying assets.

The carrying values of cash, patient receivables, accounts payable and accrued expenses, other current assets and liabilities are reasonable estimates for fair value due to the short-term nature of these financial instruments.

**16. Liquidity and Available Resources**

The table below represents financial assets available for general expenditures within one year:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 25,110	\$ 27,110
Short-term investments	130,059	127,067
Assets limited as to use	24,717	27,757
Receivables for patient care, net	38,604	36,430
Current portion of pledges receivable, net	549	671
Total financial assets	<u>219,039</u>	<u>219,035</u>
Less amounts not available to be used within one year:		
Assets limited as to use	<u>23,980</u>	27,123
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 195,059</u>	<u>\$ 191,912</u>

## CentraState Healthcare System, Inc.

### Notes to Consolidated Financial Statements (continued) (In Thousands)

#### **16. Liquidity and Available Resources (continued)**

The System has assets limited as to use for donor-restricted purposes, refundable advance fees, supplemental retirement plan and professional liabilities. These assets limited as to use, which are more fully described in Notes 1 and 4 are not available for general expenditure within the next year.

As part of the System's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. Occasionally, the Board of Trustees designates a portion of any operating surplus to an operating reserve, which was approximately \$4,900 as of December 31, 2023 and 2022. This fund established by the Board of Trustees may be drawn upon, if necessary, to meet unexpected liquidity needs.

As of December 31, 2023 and 2022, the System was in compliance with financial covenants of outstanding long-term debt; see Note 7.

#### **17. Events Subsequent to December 31, 2023**

Subsequent events have been evaluated through April 25, 2024 which is the date the accompanying consolidated financial statements were available to be issued. Except as disclosed below, no subsequent events have occurred that require disclosure in or adjustments to the accompanying consolidated financial statements.

In January 2024, the System entered into an agreement to transfer Applewood to an unrelated entity. The transaction is pending regulatory reviews which management believes are expected to be completed during 2024.

On February 21, 2024, Change Healthcare, a subsidiary of UnitedHealth Group, reported a cyber security breach. The System utilizes Change Healthcare in its revenue cycle process for real time eligibility verification, as a clearinghouse for patient billing and cash posting related to certain payors. The System drew a total of \$20,000 on its line of credit in March and April 2024 as a result of payment delays resulting from this incident. The System is in the process of evaluating the impact on its operations and its liquidity, and the ultimate impact of this incident is unknown.

## Supplementary Information

CentraState Healthcare System, Inc.

Consolidating Balance Sheet

December 31, 2023

(With Comparative Consolidated Amounts at December 31, 2022)

(In Thousands)

	CentraState Healthcare System, Inc.	CentraState Medical Center, Inc.	Center for Aging, Inc.	CentraState Healthcare Affiliates, Inc.	CentraState Assisted Living, Inc.	CentraState Healthcare Foundation, Inc.	CentraState Healthcare Services, Inc.	CentraState Medical Arts Building LLC	CentraState Medical Associates, P.C.	CentraState Specialists, P.C.	CentraState Cardiology, P.C.	Eliminations	CentraState Healthcare System, Inc. Consolidated Total	
													2023	2022
<b>Assets</b>														
Current assets:														
Cash and cash equivalents	\$ 37	\$ 12,138	\$ 4,447	\$ 826	\$ 646	\$ 4,365	\$ 549	\$ 1,385	\$ 284	\$ 140	\$ 293	\$ –	\$ 25,110	\$ 27,110
Short-term investments	–	101,383	21,590	6,727	359	–	–	–	–	–	–	–	130,059	127,067
Assets limited as to use that are required for current liabilities	–	–	–	–	–	737	–	–	–	–	–	–	737	634
Patient accounts receivable, net	–	34,964	1,130	1,123	171	–	–	–	–	–	1,216	–	38,604	36,430
Due from affiliates	–	26,783	–	–	–	–	–	–	205	2,583	–	(26,882)	2,689	–
Other current assets	–	8,923	317	186	19	703	109	–	109	56	–	–	10,422	7,705
<b>Total current assets</b>	<b>37</b>	<b>184,191</b>	<b>27,484</b>	<b>8,862</b>	<b>1,195</b>	<b>5,805</b>	<b>658</b>	<b>1,385</b>	<b>598</b>	<b>2,779</b>	<b>1,509</b>	<b>(26,882)</b>	<b>207,621</b>	<b>198,946</b>
Assets limited as to use – noncurrent	–	5,780	3,865	–	–	14,335	–	–	–	–	–	–	23,980	27,123
Due from affiliates – noncurrent	–	4,709	–	–	–	–	–	3,486	–	–	–	(8,195)	–	–
Investment in subsidiary	–	–	–	–	–	–	3,861	–	–	–	–	(3,861)	–	–
Interest in CentraState Healthcare Foundation	–	20,919	2,248	89	6	–	–	–	–	–	–	(23,262)	–	–
Property, plant, and equipment, net	–	216,311	48,980	1,195	5,054	339	779	5,825	–	–	–	–	278,483	251,414
Operating lease assets	–	4,268	–	–	–	–	5,289	–	–	–	–	–	9,557	11,231
Noncurrent assets	–	6,346	–	–	–	653	2,482	–	–	–	–	(410)	9,071	4,689
<b>Total assets</b>	<b>\$ 37</b>	<b>\$ 442,524</b>	<b>\$ 82,577</b>	<b>\$ 10,146</b>	<b>\$ 6,255</b>	<b>\$ 21,132</b>	<b>\$ 13,069</b>	<b>\$ 10,696</b>	<b>\$ 598</b>	<b>\$ 2,779</b>	<b>\$ 1,509</b>	<b>\$ (62,610)</b>	<b>\$ 528,712</b>	<b>\$ 493,403</b>

CentraState Healthcare System, Inc.

Consolidating Balance Sheet (continued)

December 31, 2023

(With Comparative Consolidated Amounts at December 31, 2022)

(In Thousands)

	CentraState Healthcare System, Inc.	CentraState Medical Center, Inc.	Center for Aging, Inc.	CentraState Healthcare Affiliates, Inc.	CentraState Assisted Living, Inc.	CentraState Healthcare Foundation, Inc.	CentraState Healthcare Services, Inc.	CentraState Medical Arts Building LLC	CentraState Medical Associates, P.C.	CentraState Specialists, P.C.	CentraState Cardiology, P.C.	Eliminations	CentraState Healthcare System, Inc. Consolidated Total															
													2023	2022														
<b>Liabilities and net assets</b>																												
Current liabilities:																												
Current maturities of long-term debt and finance lease obligations	\$	–	\$	234	\$	46	\$	4	\$	10	\$	–	\$	–	\$	–	\$	294	\$	48								
Accounts payable and accrued expenses	–	53,031	2,984	1,427	1,119	201	221	58	101	16	2	–	<b>59,160</b>	55,881														
Due to affiliates – current	–	–	5,412	6,887	4,722	495	4,059	–	195	–	5,112	(26,882)	–	–														
Estimated third-party payor settlements – current	–	–	14	–	–	–	–	–	–	–	–	–	<b>14</b>	–														
Operating lease liability – current	–	840	–	–	–	–	665	–	–	–	–	–	<b>1,505</b>	1,674														
Other current liabilities	–	–	149	69	–	58	–	–	–	–	–	–	<b>276</b>	260														
<b>Total current liabilities</b>	–	<b>54,105</b>	<b>8,605</b>	<b>8,387</b>	<b>5,851</b>	<b>754</b>	<b>4,945</b>	<b>58</b>	<b>296</b>	<b>16</b>	<b>5,114</b>	<b>(26,882)</b>	<b>61,249</b>	<b>57,863</b>														
Long-term debt and finance lease obligations, excluding current maturities																												
Professional liability insurance and other noncurrent liabilities	–	91,623	20,091	39	88	–	–	4,029	–	–	–	–	<b>115,870</b>	104,443														
Estimated third-party payor settlements – noncurrent	–	6,249	–	–	–	–	–	–	–	–	–	–	<b>6,249</b>	5,562														
Due to affiliates	–	19,858	–	–	31	–	–	–	–	–	–	–	<b>19,889</b>	19,418														
Operating lease liability – noncurrent	–	14,291	–	–	3,017	–	1,692	–	–	–	–	(8,195)	<b>10,805</b>	3,080														
Deferred revenue and refundable advance fees	–	3,428	–	–	–	–	4,624	–	–	–	–	–	<b>8,052</b>	9,557														
<b>Total liabilities</b>	–	<b>189,554</b>	<b>77,900</b>	<b>8,426</b>	<b>8,987</b>	<b>754</b>	<b>11,261</b>	<b>4,087</b>	<b>296</b>	<b>16</b>	<b>5,114</b>	<b>(35,487)</b>	<b>270,908</b>	<b>247,816</b>														
Net assets:																												
Net assets without donor restrictions	37	232,051	2,429	1,631	(2,738)	(2,884)	1,808	6,609	302	2,763	(3,605)	(3,861)	<b>234,542</b>	225,749														
Net assets with donor restrictions	–	20,919	2,248	89	6	23,262	–	–	–	–	–	(23,262)	<b>23,262</b>	19,838														
<b>Total net assets</b>	<b>37</b>	<b>252,970</b>	<b>4,677</b>	<b>1,720</b>	<b>(2,732)</b>	<b>20,378</b>	<b>1,808</b>	<b>6,609</b>	<b>302</b>	<b>2,763</b>	<b>(3,605)</b>	<b>(27,123)</b>	<b>257,804</b>	<b>245,587</b>														
	\$	37	\$	442,524	\$	82,577	\$	10,146	\$	6,255	\$	21,132	\$	13,069	\$	10,696	\$	598	\$	2,779	\$	1,509	\$	(62,610)	\$	<b>528,712</b>	\$	<b>493,403</b>

CentraState Healthcare System, Inc.

Consolidating Statement of Operations

Year Ended December 31, 2023

(With Comparative Consolidated Amounts for the Year Ended December 31, 2022)

(In Thousands)

	CentraState Medical Center, Inc.	Center for Aging, Inc.	CentraState Healthcare Affiliates, Inc.	CentraState Assisted Living, Inc.	CentraState Healthcare Foundation, Inc.	CentraState Healthcare Services, Inc.	CentraState Medical Arts Building LLC	CentraState Medical Associates, P.C.	CentraState Specialists, P.C.	CentraState Cardiology, P.C.	Eliminations	CentraState Healthcare System, Inc. Consolidated Total	
												2023	2022
Revenue:													
Net patient service revenue	\$ 344,794	\$ –	\$ 10,968	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 75	\$ 4,679	\$ –	\$ 360,516	\$ 323,825
Other revenue	30,677	28,224	224	5,529	397	1,771	1,062	–	–	–	(1,350)	66,534	66,656
Investment return	3,410	951	225	14	344	1,360	35	–	–	–	(505)	5,834	13,391
Total revenue	378,881	29,175	11,417	5,543	741	3,131	1,097	–	75	4,679	(1,855)	432,884	403,872
Expenses:													
Salaries and wages	140,179	11,657	6,985	3,958	–	–	–	–	–	–	–	162,779	151,570
Employee benefits	33,441	3,199	1,994	1,161	–	–	–	–	–	–	–	39,795	37,284
Professional fees	10,203	–	–	–	–	–	–	–	–	–	–	10,203	8,445
Supplies and other expenses	182,930	11,454	6,342	1,551	1,480	2,744	372	–	281	7,286	(1,350)	213,090	223,833
Depreciation and amortization	17,707	3,517	445	444	28	341	318	40	113	–	–	22,953	20,024
Interest expense and amortization of financing costs	2,687	632	–	113	–	237	129	–	–	–	(505)	3,293	2,942
Total expenses	387,147	30,459	15,766	7,227	1,508	3,322	819	40	394	7,286	(1,855)	452,113	444,098
(Loss) income from operations	(8,266)	(1,284)	(4,349)	(1,684)	(767)	(191)	278	(40)	(319)	(2,607)	–	(19,229)	(40,226)
Loss on early extinguishment of debt	–	–	–	–	–	–	–	–	–	–	–	–	(505)
Net change in unrealized gains and losses on investments	6,634	1,691	445	7	–	–	–	–	–	–	–	8,777	(31,546)
(Deficiency) excess of revenue over expenses	(1,632)	407	(3,904)	(1,677)	(767)	(191)	278	(40)	(319)	(2,607)	–	(10,452)	(72,277)
Net assets released from restrictions for capital purposes	3,455	244	–	–	–	–	–	–	–	–	–	3,699	1,563
Grant receipts for purchase of fixed assets	1,500	684	65	146	–	–	–	–	–	–	–	2,395	1,417
Net assets transfer to AHS Insurance Company, Ltd.	(1,903)	–	–	–	–	–	–	–	–	–	–	(1,903)	–
Net assets transfer from Atlantic Health System	15,054	–	–	–	–	–	–	–	–	–	–	15,054	61,107
Change in net assets without donor restrictions	\$ 16,474	\$ 1,335	\$ (3,839)	\$ (1,531)	\$ (767)	\$ (191)	\$ 278	\$ (40)	\$ (319)	\$ (2,607)	\$ –	\$ 8,793	\$ (8,190)

CentraState Healthcare System, Inc.

Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2023

(With Comparative Consolidated Amounts for the Year Ended December 31, 2022)

(In Thousands)

	CentraState	CentraState		CentraState	CentraState	CentraState	CentraState	CentraState	CS Medical	CentraState	CentraState	Eliminations	CentraState Healthcare System, Inc. Consolidated Total		
	Healthcare System, Inc.	Medical Center, Inc.	Center for Aging, Inc.	Healthcare Affiliates, Inc.	Assisted Living, Inc.	Healthcare Foundation, Inc.	Healthcare Services Inc.	Medical Arts Building LLC	Associates, P.C.	Specialists, P.C.	Cardiology, P.C.		2023	2022	
<b>Net Assets Without Donor Restrictions</b>															
Net assets as of beginning of year	\$ 37	\$ 215,577	\$ 1,094	\$ 5,470	\$ (1,207)	\$ (2,117)	\$ 1,999	\$ 6,331	\$ 342	\$ 3,082	\$ (998)	\$ (3,861)	\$ 225,749	\$ 233,939	
Change in net assets without donor restrictions	–	16,474	1,335	(3,839)	(1,531)	(767)	(191)	278	(40)	(319)	(2,607)	–	8,793	(8,190)	
Net assets as of end of year	\$ 37	\$ 232,051	\$ 2,429	\$ 1,631	\$ (2,738)	\$ (2,884)	\$ 1,808	\$ 6,609	\$ 302	\$ 2,763	\$ (3,605)	\$ (3,861)	\$ 234,542	\$ 225,749	
<b>Net Assets With Donor Restrictions</b>															
Net assets as of beginning of year	\$ –	\$ 17,020	\$ 2,724	\$ 88	\$ 6	\$ 19,838	\$ –	\$ –	\$ –	\$ –	\$ –	\$ (19,838)	\$ 19,838	\$ 22,732	
Change in beneficial interest in CentraState Healthcare Foundation, Inc.	–	3,899	(476)	1	–	–	–	–	–	–	–	(3,424)	–	–	
Contributions, investment return and other	–	–	–	–	–	9,326	–	–	–	–	–	–	9,326	1,322	
Net assets released from restrictions for operations	–	–	–	–	–	(2,203)	–	–	–	–	–	–	(2,203)	(2,653)	
Net assets released from restrictions for capital purposes	–	–	–	–	–	(3,699)	–	–	–	–	–	–	(3,699)	(1,563)	
Change in net assets with donor restrictions	–	3,899	(476)	1	–	3,424	–	–	–	–	–	(3,424)	3,424	(2,894)	
Net assets as of end of year	\$ –	\$ 20,919	\$ 2,248	\$ 89	\$ 6	\$ 23,262	\$ –	\$ –	\$ –	\$ –	\$ –	\$ (23,262)	\$ 23,262	\$ 19,838	

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