KPMG

ST. JOSEPH'S HEALTH, INC.

Consolidated Financial Statements and
Supplementary Information

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

ST. JOSEPH'S HEALTH, INC.

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
St. Joseph's Health, Inc.:

Opinion

We have audited the consolidated financial statements of St. Joseph's Health, 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 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the System as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 consolidated financial statements as a whole. The accompanying consolidating balance sheet at December 31, 2023, and the consolidating statement of operations, and changes in net assets for the year then ended are presented for purposes of additional analysis and are not a required part of the consolidated 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 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, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

New York, New York
May 29, 2024

ST. JOSEPH'S HEALTH, INC.

Consolidated Balance Sheets

December 31, 2023 and 2022

(In thousands)

Assets		**2023**	**2022**
Current assets:			
Cash	$	22,157	4,535
Investments		316,187	329,821
Current portion of assets whose use is limited		23,266	24,468
Patient accounts receivable, net		101,916	92,835
Other current assets		79,862	66,311
Total current assets		543,388	517,970
Assets whose use is limited – less current portion		60,281	59,069
Property and equipment – net		355,834	374,636
Operating lease right of use assets		106,983	105,513
Equity investments in joint ventures		29,544	30,899
Other noncurrent assets		15,686	22,686
Total assets	$	1,111,716	1,110,773
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	6,390	6,085
Accounts payable and accrued expenses		148,127	126,391
Accrued salaries and expenses		66,291	87,877
Accrued interest payable		5,754	5,867
Deferred revenue		3,408	12,401
Current portion of estimated third-party payer settlements		1,721	13,282
Current portion of operating lease liability		12,003	11,686
Total current liabilities		243,694	263,589
Long-term debt – net of current portion		329,546	337,226
Estimated third-party payer settlements – net of current portion		9,265	15,497
Accrued pension liability		10,713	10,307
Estimated professional liability claims payable – net of current portion		44,313	45,907
Operating lease liability – net of current portion		94,980	93,827
Other liabilities		10,765	14,229
Total liabilities		743,276	780,582
Commitments and contingencies			
Net assets:			
Net assets without donor restrictions		349,771	310,318
Net assets with donor restrictions		18,669	19,609
Total St. Joseph's Health, Inc. net assets		368,440	329,927
Noncontrolling interest in joint venture		—	264
Total net assets, including noncontrolling interest		368,440	330,191
Total liabilities and net assets	$	1,111,716	1,110,773

See accompanying notes to consolidated financial statements.

ST. JOSEPH'S HEALTH, INC.

Consolidated Statements of Operations

Years ended December 31, 2023 and 2022

(In thousands)

	2023	2022
Operating revenues:		
Net patient service revenue	$ 847,352	810,390
Physician billing revenue	49,380	49,953
Other revenue	110,661	75,502
Net assets released from restrictions – operations	3,440	6,201
Total operating revenues	1,010,833	942,046
Operating expenses:		
Salaries, wages, and other labor costs	483,938	476,370
Employee benefits	86,173	91,112
Physician fees	35,906	24,373
Supplies and other	346,339	288,697
Interest	15,615	15,837
Depreciation and amortization	36,149	37,248
Total operating expenses	1,004,120	933,637
Operating gain	6,713	8,409
Nonoperating gains and losses:		
Investment return	11,077	11,082
Change in net unrealized gains and losses on equity investments	8,547	13,690
Net periodic pension benefit	(19,935)	11,989
Excess of revenues over expenses, before noncontrolling interest in joint venture	6,402	45,170
Less net gain attributable to noncontrolling interest in joint venture	—	349
Excess of revenues over expenses	6,402	44,821
Other changes in net assets without donor restrictions:		
Change in net unrealized gains and losses on fixed income investments	8,436	(51,138)
Pension-related adjustments	19,386	17,366
Other	(953)	(566)
Grant funded capital acquisitions	6,029	—
Net assets released from restrictions – capital acquisitions	153	256
Increase in net assets without donor restrictions	$ 39,453	10,739

See accompanying notes to consolidated financial statements.

ST. JOSEPH'S HEALTH, INC.

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Net assets without donor restrictions:			
Increase in net assets without donor restrictions	$	39,453	10,739
Net assets with donor restrictions:			
Contributions, grants, investment income, and other support		4,538	2,263
Net assets released from restrictions – operations		(4,350)	(6,201)
Net assets released from restrictions – capital acquisitions		—	(256)
Change in net unrealized gains and losses on investments held in perpetual trusts		(1,128)	—
(Decrease) increase in net assets with donor restrictions		(940)	(4,194)
Increase in St. Joseph's Health, Inc. net assets		38,513	6,545
Noncontrolling interest in joint venture:			
Net gain attributable to noncontrolling interest in joint venture		—	356
Distributions to noncontrolling interest in joint venture		(264)	(462)
Decrease in noncontrolling interest		(264)	(106)
Increase in net assets, including noncontrolling interest		38,249	6,439
Net assets at beginning of year		330,191	323,752
Net assets at end of year	$	368,440	330,191

See accompanying notes to consolidated financial statements.

ST. JOSEPH'S HEALTH, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Operating activities:			
Increase in net assets, including noncontrolling interest	$	38,249	6,439
Adjustments to reconcile increase in net assets, including noncontrolling interest, to net cash used in operating activities:			
Depreciation, amortization, and other		39,659	37,310
Change in net unrealized gains and losses on investments and perpetual trusts		(15,855)	37,448
Net realized gains and losses on sales of investments		(1,323)	1,798
Donor restricted contributions and other support for long-term purposes		(4,538)	(2,263)
Distributions to noncontrolling interest in joint venture		264	462
Equity in earnings of joint ventures		(2,972)	(4,865)
Gain on sale of subsidiary		(20,734)	—
Loss on disposal of property, plant, and equipment		2,103	
Changes in operating assets and liabilities:			
Patient accounts receivable, net		(10,140)	(12,625)
Prepaid expenses and other assets		(2,224)	(15,188)
Accounts payable and accrued expenses, accrued salaries and expenses, and interest payable		7,120	14,333
Estimated third-party payer settlements		(17,793)	(60,572)
Accrued pension liability		406	(35,188)
Estimated professional liability claims payable and other liabilities		(14,051)	(9,159)
Net cash used in operating activities		(1,829)	(42,070)
Investing activities:			
Acquisition of property and equipment		(34,740)	(27,977)
Cash received in sale of subsidiary		25,200	—
Sales of investments and assets whose use is limited, net		35,088	49,923
Net cash provided by investing activities		25,548	21,946
Financing activities:			
Repayment of long-term debt		(6,085)	(45,645)
Issuance of long-term debt		—	40,126
Payments for deferred financing costs		—	(652)
Distributions paid to noncontrolling interest in joint venture		(264)	(462)
Donor restricted contributions and other support for long-term purposes		4,538	2,263
Net cash used in financing activities		(1,811)	(4,370)
Net increase (decrease) in cash and cash equivalents and restricted cash and restricted cash equivalents		21,908	(24,494)
Cash and cash equivalents and restricted cash and restricted cash equivalents, beginning of year		31,583	56,077
Cash and cash equivalents and restricted cash and restricted cash equivalents, end of year	$	53,491	31,583
Reconciliation of cash and cash equivalents and restricted cash and restricted cash equivalents at end of year to the consolidated balance sheets:			
Cash and cash equivalents	$	22,157	4,535
Assets whose use is limited – cash and cash equivalents		31,334	27,048
Total cash and cash equivalents and restricted cash and restricted cash equivalents	$	53,491	31,583
Supplemental cash flow information:			
Cash paid for interest	$	15,728	16,743
Property and equipment included within accounts payable and accrued expenses		3,080	11,049

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The accompanying consolidated financial statements include the accounts of St. Joseph's Health, Inc. (SJH) and its affiliates (collectively, the System). SJH is a not-for-profit holding corporation with Seton Ministries, Inc. as its sole member. Seton Ministries, Inc. is a subsidiary of Sisters of Charity of Saint Elizabeth. Affiliated members of SJH include St. Joseph's University Medical Center, Inc. (SJUMC) and subsidiaries, St. Joseph's Hospital and Medical Center Foundation, Inc. (the Foundation), 200 Hospital Plaza Corporation (200 Hospital Plaza), and SJHS Insurance Limited (the Insurance Captive). SJUMC is the sole owner of St. Joseph's Health Partners, LLC, a single member limited liability corporation, which operates a clinically integrated network, and St. Joseph's Health Pharmacy, LLC (the Pharmacy), a single member limited liability corporation, which operates a community retail pharmacy; the Pharmacy began operations on May 18, 2020.

In September 2019, SJH entered into a clinical and strategic affiliation with Hackensack Meridian Health (HMH). HMH committed $60 million for projects related to additional joint ventures for cancer centers in the Paterson, Totowa, and Wayne areas of New Jersey and for other projects yet to be determined. As part of this affiliation, SJH maintains its board and control structure.

SJUMC was founded in 1867 and is located in Paterson, New Jersey. It is an acute care hospital with 651 licensed beds and 30 newborn bassinets. SJUMC is a state-designated trauma center and provides a full range of healthcare services. Effective January 1, 2010, St. Joseph's Wayne Medical Center and subsidiary (Wayne Medical Center) was merged with SJUMC and, collectively, the entities are referred to herein as the "Medical Center." Wayne Medical Center, located in Wayne, New Jersey, is an acute care hospital with 229 licensed beds. Wayne Medical Center provides comprehensive medical and surgical care, and emergency and diagnostic services for its community.

The Medical Center also operates St. Joseph's Healthcare and Rehab Center, a 151-bed skilled nursing facility located in Cedar Grove, New Jersey. In December 2023, the Medical Center sold all assets and business operation of St. Joseph's Healthcare and Rehab Center (SJHRC) to an unrelated third-party organization. A gain of $20.7 million was recorded and is included in other revenue within the accompanying consolidated statement of operations.

In addition, the Medical Center includes the following wholly owned subsidiaries:

- St. Joseph's Healthcare Physicians, Inc.; St. Joseph's Emergency Physicians, Inc.; St. Joseph's Faculty Physicians, Inc.; and St. Joseph's Physician's, Inc. manage the Medical Center's faculty staff billing services.
- Harbor House, Inc. and its subsidiaries, Harborside Apartments, Inc. and Harborview Apartments, Inc., provide housing and services to individuals with mental illnesses.

The Medical Center is also the majority member of St. Joseph's Surgery Management, LLC (Surgery Management). Surgery Management is a limited liability corporation established to manage the surgical services at SJUMC. In June 2023, the Medical Center sold its ownership interest in the Surgery Management.

The Foundation is a public charity whose primary purpose is to raise funds for the Medical Center, its affiliated organizations, and other area charitable organizations.

200 Hospital Plaza is a not-for-profit organization whose purpose is to further the operations of the Medical Center by owning, managing, and operating parking facilities and any other facilities that may be deemed useful or necessary for employees, patients, visitors, doctors, and other persons affiliated with the Medical Center.

The Insurance Captive, a wholly owned captive insurance company domiciled in Bermuda, was established in 2007 to provide the System with general liability and professional medical liability insurance.

(b) COVID-19 Pandemic, CARES Act Funding, and Economic Environment

In response to COVID-19, on March 27, 2020, the President signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act. The CARES Act provides financial relief under several programs including a funding advance of Medicare payments, deferral of the employer portion of payroll taxes and establishment of the Provider Relief Fund (PRF).

For the years ended December 31, 2022, the System recognized operating revenue from PRF of approximately $2.4 million, which is included in other revenue for the years ended December 31, 2022 (note 12). No amounts were recognized in other revenue for 2023. In addition, for the year ended December 31, 2023, the System recognized $6.0 million as grant funded capital acquisitions in other changes in net assets. Management will continue to monitor communications from the U.S. Department of Health and Human Services applicable to the Provider Relief Fund reporting and data submission requirements.

Under the CARES Act, the System received approximately $82.5 million for the year ended December 31, 2020 in advanced payments from the Medicare program. The Centers for Medicare & Medicaid Services (CMS) began recouping these funds by withholding patient payments from claim submissions beginning in April 2021 and continued until the total of the amounts withheld were equal to the total of amounts advanced as part of the program. As of December 31, 2023, CMS recouped all of its advanced payments. Approximately $9.5 million is included in due to estimated third party payers as December 31, 2022.

Under the CARES Act, the System is eligible to receive an employee retention credit, which is a credit against the employer portion of Social Security taxes for certain wages between March 13, 2020 and December 31, 2020. Subsequent legislation extended the employee retention credit through September 30, 2021, while also modifying the provisions of the credit. The System filed for the employee retention credit for 2020 during 2022, which has been recorded for approximately $6.1 million and is included within other revenue for the year ended December 31, 2022. No amounts were recorded during 2023.

(c) Significant Accounting Policies

A summary of the System's significant accounting policies follows:

Principles of Consolidation: The consolidated financial statements include the accounts of SJH and its affiliates. SJH accounts for its interests in entities in which it has significant influence but not control using the equity method of accounting.

Investment in Consolidated Subsidiaries: The Medical Center is the majority member of Surgery Management and maintains 63% interest at December 31, 2022. In June 2023, the Medical Center sold its majority interest in Surgery Management. The accounts of Surgery Management are consolidated with those of the Medical Center. The change in the noncontrolling interest is separately reported. All intercompany transactions and account balances have been eliminated in consolidation.

Basis of Accounting: The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Codification 954, Health Care Entities, and the American Institute of Certified Public Accountants' Audit and Accounting Guide, Health Care Entities, and other pronouncements applicable to healthcare organizations.

Use of Estimates: The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. Actual results could differ from those estimates. Estimates include collections on patient accounts receivable, valuation of investments, estimated third-party payer settlements, accrued pension liability, estimated professional liability claims payable, and other self-insurance liabilities.

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid investments with an original maturity of three months or less. The carrying amount of cash and cash equivalents reported on the consolidated balance sheets approximates fair value. The System does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents.

Investments and Investment Income: Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Fair value is based on quoted market prices of the investment or similar investments. Investment return (including realized gains and losses on investments, interest, and dividends) and the change in net unrealized gains and losses on equity investments are included in the excess of revenues over expenses in the accompanying consolidated statements of operations, unless the income or loss is restricted by donor or law. The change in net unrealized gains and losses on other-than-trading fixed income investments (i.e., classified as available-for-sale) is reported as a separate component of the change in net assets without donor restrictions. For available-for-sale debt securities in an unrealized loss position that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, the System determines if the decline in fair value is due to credit losses or other factors. Unrealized losses determined to be a result of credit losses are reporting in earnings. Impairment for available-for-sale debt securities is determined on an individual security basis. No

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significant losses were recorded in 2023 or 2022. Donated investments are recorded at the fair value on the date of receipt.

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

Assets Whose Use is Limited: Assets whose use is limited include assets held by trustees under bond indenture agreements, investments held by the Insurance Captive, and donor-restricted assets. Amounts available to meet current liabilities of the System have been classified as current assets in the accompanying consolidated balance sheets.

Supplies: Supplies are stated at the lower of cost (first in, first out) or net realizable value. Supplies are used in the provision of patient care and are not held for sale.

Property and Equipment: Property and equipment acquisitions are recorded at cost, except donated assets, which are recorded at fair value at the date of donation. Depreciation expense is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under finance lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

Estimated useful lives for the property and equipment are as follows:

Land improvements	15–20 years
Buildings and improvements	5–60 years
Fixed and major movable equipment	5–12 years

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

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 measured by 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.

Deferred Financing Costs: Deferred financing costs represent costs incurred to obtain financing for various construction and renovation projects at the Medical Center and 200 Hospital Plaza. These

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costs are amortized over the remaining term of the applicable indebtedness using the effective-interest method.

Beneficial Interest in Perpetual Trusts: Perpetual trusts are arrangements in which a donor establishes and funds a perpetual trust administrated by a third party. The perpetual trusts consist of life estate gifts. Under the terms of the trusts, the Foundation has an irrevocable right to receive the income earned on the trust assets in perpetuity. Income earned is without donor restrictions and included in other revenue in the accompanying consolidated statements of operations. The Foundation does not control the assets held by the outside trusts. The Foundation recognizes its respective interests in the trusts within net assets with donor restrictions to be maintained in perpetuity based on the fair value of the trust assets, which is recorded In other current assets in the accompanying consolidated balance sheets. Changes in the fair value of the trusts are recorded as the change in net unrealized gains and losses on investments held in perpetual trusts in the accompanying consolidated statements of changes in net assets.

Equity Investments in Joint Ventures: The System's investments in joint ventures are accounted for using the equity method of accounting, except for joint ventures where the System holds a controlling interest.

Deferred Revenue: The System is the recipient of various awards and contracts from governmental agencies. Receipts for which applicable conditions and restrictions are not satisfied are recorded as deferred revenue in the accompanying consolidated balance sheets.

Other Assets: Other assets consist primarily of goodwill, investments held by trustee, security deposits and physician loan receivables.

Other Liabilities: Capital project obligations related to grant agreements with the State of New Jersey Department of Human Services, Division of Mental Health and Addiction Services, are included in other liabilities in the accompanying consolidated balance sheets.

Contributions, Grants, and Pledges Receivable: Unconditional promises to give are recorded at fair value based on the present value of their estimated future cash flows when received. Present value of such amounts is computed using a discount rate at the time of the pledge at December 31, 2023 and 2022.

Contributions and grants are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized as revenue until the performance barrier and the right of return or release has been overcome.

Self-Insurance: The Medical Center offers medical insurance to its employees through a health maintenance organization and a preferred provider organization (PPO). The PPO provides third-party administrative services for employees, who are enrolled in the program. The Medical Center remains self-insured for the associated health claims. An estimated liability for employee medical benefits incurred but not reported is included within accrued salaries and expenses in the accompanying consolidated balance sheets.

The Medical Center offers workers' compensation through a high deductible structure with commercial insurance above specific amounts. The current portion of the estimated liability for worker's compensation of approximately $4.4 million and $3.6 million at December 31, 2023 and 2022, respectively, is included in accrued salaries and expenses, and approximately $9.5 million and $12.6 million at December 31, 2023 and 2022, respectively, is included as long-term in other liabilities in the accompanying consolidated balance sheets.

Estimated Professional Liability Claims Payable: The System's professional liability program is described in note 10. An estimated liability for medical malpractice costs related to reported claims and incurred claims that have not been reported is recorded in the accompanying consolidated balance sheets. The Insurance Captive maintains a self-insurance reserve trust as the funding vehicle for the captive insurance program and excess coverage through commercial carriers. The System recognizes a receivable for insurance recoveries at the time a liability is recorded and records a valuation allowance for uncollectible receivables, when applicable.

Accounting for Pension Plans: The System's retirement plans are described in note 9. The System recognizes the overfunded or underfunded status of the defined-benefit pension plan in the accompanying consolidated balance sheets. Changes in the funded status of the plan are reported in the year in which the changes occur as a change in net assets without donor restrictions presented after the excess of revenues over expenses in the accompanying consolidated statements of operations.

Performance Indicator: The consolidated statements of operations include the excess of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from the performance indicator include pension-related adjustments, contributions and grants for capital acquisitions of long-lived assets, distributions to noncontrolling joint venture, and the change in net unrealized gains and losses on other-than-trading fixed income investments, except for declines in fair value that are determined by management to be other than temporary, which are reported within the performance indicator.

Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and operating expenses and are included in operating gain. Investment return and certain transactions of a peripheral or infrequent nature are excluded from operating gain.

Classification of Net Assets: The System separately accounts for and reports net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are not externally restricted for identified purposes by donors or grantors. 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 or grantor.

Net assets with donor restrictions are those whose use by the System has been limited by donors to a specific time period or purpose or have been restricted by donors as permanent endowments to be maintained in perpetuity. When the donors' intentions are met or a time restriction expires for net assets limited by donors to a specific time period or purpose, the net assets are reclassified to net assets without donor restriction and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met within the same year as received are reported within other revenue in the accompanying consolidated statements of operations. In the absence of donor specifications that income and gains on donated funds are restricted, such income and gains are reported as investment return in the accompanying consolidated statements of operations.

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 (note 12), except for grants for capital acquisitions.

Tax Status: SJH and substantially all of its affiliates 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 the System are also exempt from state income taxes. Surgery Management and Home Health and other limited liability corporations are treated as partnerships for income tax purposes and do not require a provision for income taxes. The Insurance Captive is exempt from taxes through March 2035.

Certain affiliates of the System are for-profit entities and, as such, are subject to federal and state income taxes. The provision for income taxes associated with these entities and for unrelated business income of tax-exempt entities is not material to the System's consolidated results of operations and is included in supplies and other expenses on the consolidated statements of operations.

Reclassifications **–** Certain prior year amounts have been reclassified to conform to the current year presentation.

Adopted 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. This guidance is effective for fiscal years beginning after December 15, 2022. The adoption of this guidance did not materially impact the System's financial position or results of operation.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This standard eliminates Step 2 from the goodwill impairment test by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This guidance is effective for fiscal years beginning after December 15, 2022. The adoption of this guidance did not impact the System's financial position or results of operation.

(2) Uncompensated Care

Uncompensated care includes services provided to indigent persons who cannot afford healthcare due to inadequate resources and/or who are uninsured or underinsured. Uncompensated care is comprised of the costs of charity care for which state subsidies are not received (note 3), implicit price concessions, and the unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs.

The System provides charity 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 System receives partial payment for the charity care it provides based upon the approved submission of patient claims once they are qualified for the program (note 3).

The estimated cost of charity care incurred by the System based on adjudicated claims was approximately $65.2 million and $70.6 million for years ended December 31, 2023 and 2022, respectively. The estimated cost of these charity care services was determined using a ratio of cost to standard charges and applying that ratio to the standard charges associated with providing care to charity patients for the period. Standard charges associated with providing care to charity patients include only the related charges for those patients who are financially unable to pay and qualify under the System's charity care policy and that do not otherwise qualify for payment from a governmental program. Because the collection of amounts determined to qualify as charity care is not pursued, it is not reported as revenue.

For uninsured patients who did not qualify for charity care, the expected uncollected amounts are classified as an implicit price concession, based on a published financial assistance policy, which reduced net patient service revenue by approximately $127.1 million and $91.2 million for the years ended December 31, 2023 and 2022, respectively.

(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 payers (including health insurers and government programs), and others and includes variable consideration (reductions to revenue) for retroactive revenue adjustments including adjustments due to settlement of ongoing and future audits, reviews, and investigations.

The System uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payer classes for inpatient and 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 payer coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payer 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 patients who do not qualify for charity care, the System determines the transaction price associated with services on the basis of charges reduced by implicit price concessions based on a published financial assistance policy. Implicit price concessions included in the estimate of the transaction price are based on the System's historical collection experience for applicable patient portfolios. Under the System's charity care policy, a patient who has no insurance and is ineligible for any government assistance program has his or her bill reduced to the amount, which would be billed to a commercially insured patient.

Generally, the System bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the System's outpatient and ambulatory care centers. The System measures the performance obligation from admission 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. Unsatisfied or partially unsatisfied performance obligations primarily relate to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the System's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended December 31, 2023, 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 periods resulted in approximately $8.1 million increase to net patient service revenue. Portfolio collection estimates are updated periodically based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 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 payers and lines of business. Tables providing details of these factors are presented below.

Net patient service revenue for the years ended December 31, 2023 and 2022, by major payer sources, based on primary insurance designation, is as follows (in thousands):

		2023	2022
Medicare	$	324,920	309,073
Medicaid		225,851	216,538
Commercial carriers and managed care organizations		290,866	279,917
Self-pay		5,715	4,862
	$	847,352	810,390

Deductibles, copayments, and coinsurance under third-party payment programs, which are the patient's responsibility are included within the self-pay and commercial carriers categories above.

Net patient service revenue for the years ended December 31, 2023 and 2022, by line of business is as follows (in thousands):

		2023	2022
Hospital	$	811,805	788,492
Physician services		18,789	13,246
Skilled nursing long-term care		16,758	8,652
	$	847,352	810,390

(a) Third-Party Payment Programs

The System provides care to patients under Medicare, Medicaid, and other third-party contractual arrangements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. The Medicare program pays for most services at predetermined rates. However, certain services and specified expenses are reimbursed on a reasonable-cost basis. The New Jersey Medicaid program pays the Medical Center at predetermined rates for inpatient services. New Jersey Medicaid outpatient services are reimbursed on a reasonable cost basis. The System recognizes patient service revenue associated with services provided to patients who have other third-party payer coverage on the basis of contractual rates for the services rendered. The System has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and PPOs. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

During 2023 and 2022, the System received 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 began in 2021 in certain counties in New Jersey. 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 annual settlement based on actual Medicaid utilization data and other factors. Fees paid by the System of approximately $17.6 million for 2023 and 2022 are included within supplies and other expense. Medicaid State Directed Payments of approximately $47.0 million and $47.4 million are included within net patient service revenue for the years ended December 31, 2023 and 2022, respectively.

For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided or, if qualified, based on a discounted rate pursuant to the financial assistance policy.

Settlements with third-party payers 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 payer, correspondence from the payer 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.

Medicare and Medicaid regulations require annual retroactive settlements for cost-based reimbursements through cost reports filed by the System. These retroactive settlements are recorded in the consolidated financial statements in the year of the settlement or when amounts can be estimated. A portion of the accrual for estimated settlements with third-party payers has been classified as long-term because such amounts, by their nature or by virtue of regulation or legislation, are not expected to be paid within one year. The estimated settlements recorded at December 31, 2023 and 2022 could differ from actual settlements based on the results of cost report audits. At December 31, 2023, Medicare cost reports for all years through 2020 have been audited and settled. Medicaid cost reports have been audited and settled through 2020. Net patient service revenue was increased by approximately $10.8 million and $2.1 million during 2023 and 2022, respectively, as a result of changes in estimates of prior-year settlements.

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to healthcare reform that has been or will be enacted by the federal or state governments, 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.

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

(Continued)

(b) State Subsidy Funds

The New Jersey Health Care Subsidy Fund was established for various purposes, including the distribution of charity care payments to hospitals statewide. The amount of the fund allocation is based on a formula using prior-year claim data for each hospital. Additionally, the State of New Jersey Quality Incentive Program (QIP) is available to hospitals that were able to establish performance improvement activities in one of eight specified clinical improvement areas. Amounts received from the QIP are subject to the satisfaction of certain performance criteria, with adjustments to the Pool allocations processed prospectively. The System recognized revenue of approximately $11.4 million and $13.2 million in 2023 and 2022, respectively, under QIP.

The amounts of state subsidy and Pool funds included in net patient service revenue for the years ended December 31, 2023 and 2022 are as follows (in thousands):

		2023	2022
Charity care payments	$	41,364	41,486
Pool and transitional program payments		58,385	60,535
	$	99,749	102,021

(4) Investments, Assets Whose Use is Limited and Liquidity

Investments and assets whose use is limited, stated at fair value, as of December 31, 2023 and 2022, consist of the following (in thousands):

		2023	2022
Investments	$	316,187	329,821
Assets whose use is limited:			
By bond indenture agreements		16,917	16,889
Assets held for captive insurance program		60,562	52,105
Donor restricted assets		6,068	14,543
Total assets whose use is limited		83,547	83,537
Less current assets whose use is limited		23,266	24,468
Noncurrent assets whose use is limited		60,281	59,069
Total investments and assets whose use is limited	$	399,734	413,358

The composition of investments and assets whose use is limited as of December 31, 2023 and 2022 is as follows (in thousands):

		2023	2022
Cash and cash equivalents	$	31,334	27,048
U.S. government securities and agency obligations		18,056	24,373
Corporate and foreign debt securities		246,240	264,087
Asset-backed and mortgage-backed securities		7,440	5,736
Marketable equity securities		95,762	89,098
Investments held by trustee		—	1,578
Municipal bonds		897	1,434
Mutual funds – fixed income		5	4
Total	$	399,734	413,358

Return on investments for the years ended December 31, 2023 and 2022 is as follows (in thousands):

		2023	2022
Return on investments:			
Net assets without donor restrictions:			
Investment return:			
Interest and dividend income	$	9,682	12,880
Net realized gains and losses on sales of investments		1,323	(1,798)
Net change in unrealized gains and losses on equity investments		8,547	13,690
		19,552	24,772
Change in net unrealized gains and losses on fixed income investments		8,436	(51,138)
		27,988	(26,366)
Net assets with donor restrictions:			
Investment income		—	16
Net realized gains and losses on sales of investments		—	373
		—	389
Change in net unrealized gains and losses on investments held in perpetual trusts		(1,128)	—
		(1,128)	389
Total return on investments	$	26,860	(25,977)

(a) Liquidity and Availability

Financial assets available for general expenditure within one year of December 31, 2023 and 2022 consist of the following:

		2023	2022
Cash and cash equivalents	$	22,157	4,535
Investments		316,187	329,821
Patient accounts receivable, net		101,916	92,835
Physician services receivable, net		609	899
	$	440,869	428,090

The System has assets for donor-restricted purposes, held under bond indenture agreements and for the captive insurance program, which are not readily available for general expenditures.

The System also maintains a $13.1 million liquidity access line, as described in note 8. As of December 31, 2023, there was $3.7 million outstanding on the liquidity access line. As of December 31, 2023 and 2022, there was no balance outstanding on the line of credit.

As of December 31, 2023 and 2022, the System had a working capital surplus of $299.7 million and $254.4 million, respectively. The System's days cash and investments on hand as of December 31, 2023 and 2022 totaled 128 and 136, respectively (based on normal expenditures).

(5) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy for fair value measurements exists based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In determining fair value, the System uses valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible and considers nonperformance risks in its assessment of fair value. 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.

The following tables present the financial instruments carried at fair value by caption on the consolidated balance sheets based on the valuation hierarchy defined above:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Investments, assets whose use is limited and beneficial interest in perpetual trusts:				
Cash and cash equivalents	$ 31,337	—	—	31,337
Marketable equity securities	95,762	—	—	95,762
U.S. government securities and agency obligations	—	18,056	—	18,056
Corporate and foreign debt securities	—	246,237	—	246,237
Asset-backed and mortgage-backed securities	—	7,440	—	7,440
Municipal bonds	—	897	—	897
Mutual funds – fixed income	—	5	—	5
Investments held by trustee	—	—	—	—
Beneficial interest in perpetual trusts	—	—	5,804	5,804
Total	$ 127,099	272,635	5,804	405,538
Assets held in pension plan:				
Cash and cash equivalents	$ 4,626	—	—	4,626
Marketable equity securities	63,588	—	—	63,588
U.S. government securities	—	70,292	—	70,292
Corporate bonds	—	129,914	—	129,914
Foreign obligations	—	14,361	—	14,361
Other debt securities	—	27,449	—	27,449
	$ 68,214	242,016	—	310,230
Investments measured at net asset value:				
Fund of funds				490
				$ 310,720

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Investments, assets whose use is limited and beneficial interest in perpetual trusts:				
Cash and cash equivalents	$ 27,048	—	—	27,048
Marketable equity securities	89,098	—	—	89,098
U.S. government securities and agency obligations	—	24,373	—	24,373
Corporate and foreign debt securities	—	264,087	—	264,087
Asset-backed and mortgage-backed securities	—	5,736	—	5,736
Municipal bonds	—	1,434	—	1,434
Mutual funds – fixed income	—	4	—	4
Investments held by trustee	—	1,578	—	1,578
Beneficial interest in perpetual trusts	—	—	6,932	6,932
Total	$ 116,146	297,212	6,932	420,290
Assets held in pension plan:				
Cash and cash equivalents	$ 4,541	—	—	4,541
Marketable equity securities	99,071	—	—	99,071
U.S. government securities	—	101,828	—	101,828
Corporate bonds	—	108,527	—	108,527
Foreign obligations	—	19,597	—	19,597
Other debt securities	—	55,978	—	55,978
	$ 103,612	285,930	—	389,542
Investments measured at net asset value:				
Fund of funds				638
				$ 390,180

Fair value for Level 1 assets is based upon quoted market prices. Fair value for Level 2 assets is estimated based on quoted prices for similar instruments, pricing matrices, and other valuation considerations (e.g., credit quality and prevailing interest rates). Level 3 investments include the beneficial interest in perpetual trusts for which fair value is determined based upon information provided by the trustees. Such information is based on the pro rata interest in the net assets of the trusts.

The fair value of the fixed income securities at the respective individual security level approximates amortized cost at December 31, 2023 and 2022.

There were no transfers between levels of the System's or the Plan's investments for the years ended December 31, 2023 and 2022.

(6) Property and Equipment

Property and equipment as of December 31, 2023 and 2022 consist of the following (in thousands):

		2023	2022
Land	$	9,918	12,511
Land improvements		9,227	9,369
Buildings and improvements		513,979	522,719
Fixed and major movable equipment		428,822	412,688
Total property and equipment		961,946	957,287
Less accumulated depreciation and amortization		(650,237)	(626,900)
		311,709	330,387
Construction in progress		44,125	44,249
Property and equipment – net	$	355,834	374,636

Substantially, all property of the Medical Center serves as collateral under debt agreements (note 8).

(7) Equity Investments in Joint Ventures

The System's investments in unconsolidated entities accounted for under the equity method of accounting as of December 31, 2023 and 2022 consist of the following (in thousands):

	2023						
Name of joint venture	Ownership percentage	Total assets	Total liabilities	Total revenue	Net income	Equity investment	Share of earnings
Simeon Dialysis, LLC	35 %	$ 68,214	3,890	20,371	4,261	22,514	1,491
Wayne Valley Imaging, LLC	50	1,192	23	1,859	436	710	218
VHSNJ at Home, LLC	50	13,539	3,743	23,803	1,889	4,898	945
Eufaula Dialysis, LLC	20	4,999	2,510	10,255	2,327	498	465
Kittery Dialysis, LLC	20	5,163	1,772	487	(734)	678	(147)
		$ 93,107	11,938	56,775	8,179	29,298	2,972

	2022						
Name of joint venture	Ownership percentage	Total assets	Total liabilities	Total revenue	Net income	Equity investment	Share of earnings
Simeon Dialysis, LLC	35 %	$ 69,755	5,028	24,000	6,817	22,655	2,386
Wayne Valley Imaging, LLC	50	1,037	23	1,672	307	542	154
VHSNJ at Home, LLC	50	15,754	3,596	23,756	3,600	6,079	1,800
Eufaula Dialysis, LLC	20	6,478	2,487	11,910	3,392	798	678
Kittery Dialysis, LLC	20	6,082	1,910	31	(509)	825	(153)
		$ 99,106	13,044	61,369	13,607	30,899	4,865

(8) Long-Term Debt

Long-term debt as of December 31, 2023 and 2022 consists of the following (in thousands):

	2023	2022
New Jersey Health Care Facilities Financing Authority (NJHCFFA) Revenue Bonds, St. Joseph's Healthcare System Obligated Group Issue, Series 2016; $112,875 of serial bonds maturing through July 1, 2036 with interest rates ranging from 3.00% to 5.00%; $133,970 of term bonds maturing July 1, 2048 with interest rates ranging from 4.00% to 5.00%.	$ 217,275	221,815
New Jersey Healthcare Facilities Financing Authority Revenue Bonds, St. Joseph's Healthcare System Obligated Group Issue, 2022 Series; $25,920 of serial bonds maturing July 1, 2042 with interest rates ranging from 4.00% to 5.00%; $11,960 of term bonds maturing July 1, 2052 with an interest rate of 4.00%.	37,090	37,880
St. Joseph's Hospital and Medical Center Taxable Bonds, St. Joseph's Healthcare System Obligated Group, Series 2017; $81,200 of term bonds maturing July 1, 2027 with interest rates ranging from 3.926% to 4.584%.	40,600	40,600
Passaic County Improvement Authority County Guaranteed Parking Revenue Refunding Bonds, 200 Hospital Plaza Corporation Project Series 2017; $17,100 of serial bonds maturing through May 1, 2037 with interest rates ranging from 2.00% to 5.00%; $7,550 of term bonds due May 1, 2042 with an interest rate of 5.00%.	22,340	23,095
Total long-term debt	317,305	323,390
Original issue premium	21,953	23,391
Original issue discount	(1,419)	(1,349)
Net deferred financing costs	(1,903)	(2,121)
Current portion of long-term debt	(6,390)	(6,085)
Long-term debt – net of current portion of long-term debt	$ 329,546	337,226

In February 2022, the Obligated Group issued New Jersey Health Care Facilities Financing Authority, St. Joseph's Healthcare System Obligated Group Issue, Series 2022 in the amount of $37,880 as an obligation under the MTI. These bonds mature on July 1, 2052 and consist of principal of $25,920 and $11,960 in Serial and Term Bonds, respectively. Principal payments are due annually on July 1 and interest payments are due semi-annually until maturity. The bond proceeds will be used to reimburse the Hospital for various capital projects.

In connection with the issuance of the New Jersey Healthcare Facilities Financing Authority St. Joseph's Healthcare System Obligated Group Issue, Series 2016 Revenue Bonds in 2016, the System formed an "Obligated Group," which includes only the Medical Center. The Obligated Group also issued Series 2017 Taxable Bonds in September 2017.

The Series 2016 Bonds, Series 2017 Bonds, Series 2022 Bonds, are secured by (i) amounts held in the revenue fund created under the Master Indenture Agreement (MTI), (ii) the gross receipts of the Obligated Group, and (iii) a first mortgage lien on various properties of SJUMC and Wayne Medical Center as defined in the MTI. The Obligated Group is subject to various operating covenants under the MTI and maintenance of certain financial ratios.

Required principal payments on long-term debt for the next five years and thereafter as of December 31, 2023 are as follows (in thousands):

Years ending December 31:		
2024	$	6,390
2025		6,720
2026		7,050
2027		48,000
2028		7,770
Thereafter		241,375
	$	317,305

At December 31, 2023, the System maintains a liquidity access line of $13.1 million, of which $3.7 million is for unused letters of credit with varying expiration dates. All unused letters of credit have been renewed in the first quarter of 2024.

(9) Retirement Plans

The Medical Center maintains a noncontributory defined-benefit pension plan (the Plan) covering substantially all of the employees of the Medical Center. The Plan provides benefits based on the participant's years of service and compensation. The Plan is operated as a church plan under the Code. Under church plan status, the Plan is not subject to the minimum funding or other requirements of the Employee Retirement Income Security Act of 1974. In addition, benefits under the Plan are not covered by the Pension Benefit Guaranty Corporation.

The System issued long-term debt in September 2017 (note 8) with net proceeds of approximately $80.0 million, the purpose of which was to provide funding for additional contributions paid into the Plan. In addition to the 2017 funding into the Plan, management froze the Plan and closed it to new participants effective December 31, 2017, initiated a defined-contribution retirement program on January 1, 2018, and intends to continue annual funding to the Plan so that in conjunction with investment earnings thereon, the plan assets will exceed the projected benefit obligation by the year 2028.

In April 2023, the SJH Investment Subcommittee approved a plan to offer a single payment (lump sum), in lieu of the annuity benefit, to former vested employees in the System's Plan with accrued benefits. ASC 715, *Compensation – Retirement Benefits*, requires settlement accounting when lump sum payments exceed the sum of service cost and interest cost for the plan year. When applying settlement accounting, the plan must recognize a portion of the unrecognized gains or losses as a one-time charge. The portion of the unrecognized gain or loss that is recognized immediately is equal to the percentage of the obligation that is settled. On September 15, 2023, the System entered into an agreement with Pacific Life Insurance

Company to purchase non-participating annuities for certain retirees. Since the System's Plan's lump sum payments and annuity purchase amount of $86,424 exceeded the sum of the 2023 service cost and interest cost of $20,934, settlement accounting was required for the 2023 plan year. As a result, there was a one-time charge to non-operating expenses of $15,076 in 2023.

The Medical Center contributed approximately $0.1 million to the Plan in 2023 and expects to contribute approximately $5.0 million to the Plan in 2024.

The defined-contribution plan established January 1, 2018 provides for annual contributions for eligible employees of between 2% and 5% of pay based on the employee's years of service with a matching contribution of 1% to 1.5%. Eligible employees begin to accrue benefits from their hire or rehire date. The System funds the defined-contribution expense on a current basis. The Medical Center contributed $13.5 million and $13.3 million to the defined-contribution plan for the years ended December 31, 2023 and 2022, respectively.

The funded status of the Plan as of December 31, 2023 and 2022 is set forth as follows (in thousands):

		2023	2022
Change in benefit obligation:			
Projected benefit obligation – beginning of year	$	400,487	544,018
Interest cost		20,934	16,180
Actuarial loss (gain)		11,952	(139,718)
Settlement (gain)		(4,961)	—
Benefits paid		(20,555)	(19,993)
Settlement		(86,424)	—
Projected benefit obligation – end of year		321,433	400,487
Change in plan assets:			
Fair value of plan assets – beginning of year		390,180	498,523
Actual return on plan assets (net of expenses)		27,374	(94,184)
Employer contributions		145	5,834
Benefits paid		(20,555)	(19,993)
Settlement		(86,424)	—
Fair value of plan assets – end of year		310,720	390,180
Accrued pension liability	$	10,713	10,307
Accumulated benefit obligation	$	321,433	400,487

At December 31, 2023 and 2022, net assets without donor restrictions include unrecognized losses of $56.0 million and $75.4 million, respectively.

The actuarial loss amounts primarily resulted from decreases in the discount rate assumption in 2023. The actuarial gain amounts primarily resulted from increases in the discount rate assumption in 2022.

Additionally, the PRI-2012 Amount Weighted Mortality Tables with blue collar adjustments projected from 2012 with improvement scale MP-2021 was used at December 31, 2023 and 2022.

Weighted-average assumptions used in determining the benefit obligation as of December 31, 2023 and 2022 were as follows:

	2023	2022
Discount rate	5.19 %	5.48 %
Rate of compensation increase	N/A	N/A

The components of net periodic pension benefit for the years ended December 31, 2023 and 2022 are as follows (in thousands):

		2023	2022
Interest cost	$	20,934	16,180
Expected return on plan assets		(17,272)	(29,594)
Amortization of net loss		1,197	1,425
Settlement charge		15,076	—
	$	19,935	(11,989)

Weighted-average assumptions used in determining the net periodic pension benefit for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Discount rate	5.97 %	3.02 %
Expected long-term return on plan assets	5.06	6.25
Rate of compensation increase	N/A	N/A

The discount rate was determined using the hypothetical bond portfolio method at December 31, 2023 and 2022.

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

The date used to determine the Plan's measurements is December 31.

The Plan's weighted average asset allocation as of December 31, 2023 and 2022 by asset category is as follows:

Asset category	2023	2022
Equity securities	20.5 %	25.4 %
Debt securities	77.9	73.3
Other investments	1.6	1.3
	100.0 %	100.0 %

The Plan's investment policy includes the following asset allocation guidelines:

Asset category	Target	Range
Domestic equity	35.0 %	6–36%
International equity	23.0	4–24
Fixed income	40.0	40–90
Other investments	2.0	0–5

The asset allocation policy was developed in consideration of the long-term financial objectives of the Plan, which include ensuring that there is an adequate level of assets to support benefit obligations and maintaining liquidity sufficient to cover current benefit obligations.

In addition to the broad asset allocation guidelines described above, the following policies apply to individual asset classes:

- Fixed income investments are oriented toward risk-adverse, investment-grade securities with an average quality of "A" or higher. Up to 10% of the portfolio may be invested in bonds rated below investment grade. With the exception of US government securities, fixed income investments are diversified among individual securities and sectors.
- Equity investments are diversified among industries and economic sectors. International equity holdings are also diversified by country. Limitations are placed on the overall allocation to any individual security.

Pension benefit payments, which reflect expected future service and salary, as appropriate, are expected to be paid as follows (in thousands):

Years ending December 31:		
2024	$	18,141
2025		19,080
2026		19,980
2027		20,574
2028		21,271
2029–2033		110,157

(10) Professional Liability Insurance

Effective February 1, 2007, the Insurance Captive began providing SJUMC with claims-made professional and general liability insurance. The Insurance Captive policy provides coverage of $1 million per occurrence and $3 million annual aggregate for professional liability claims. Additionally, the Captive issues a buffer policy with limits of $4 million per claim and $17 million in the aggregate for professional liability. There is an additional limit of $1 million per claim and $1 million in the annual aggregate above the underlying layers for professional liability claims only. All of the professional liability coverage is on a claims made basis.

The Captive issues $45 million of excess coverage that provides protection for underlying policies for professional liability and a separate tower for general liability. The $45 million of excess coverage is reinsured by three separate companies, each having a $15 million layer. That reinsurance protection responds to 100% of the risk in the excess program.

The Captive provides a separate coverage of $1 million per occurrence and $1 million aggregate for general liability claims on an occurrence basis. Additionally, the buffer layer provides general liability coverage of $1 million per claim and $1 million aggregate above the primary layer. The $45 million excess coverage has an attachment at $2 million for general liability.

The Insurance Captive is registered under the Bermuda Insurance Act of 1978 and the Related Regulations (the Insurance Act) and is obliged to comply with various provisions of the Insurance Act regarding solvency and liquidity. The minimum statutory capital and surplus at December 31, 2023 and 2022 was $4.5 million and $4.6 million, respectively, and the actual statutory capital and surplus was $16.2 million and $8.6 million, respectively. In addition, a minimum liquidity ratio must be maintained whereby relevant assets, as defined by the Insurance Act, must exceed 75% of relevant liabilities. As of December 31, 2023 and 2022, the liquidity ratio was met.

Prior to the inception of the Insurance Captive, SJUMC maintained its primary professional liability insurance coverage of $1 million for individual claims and $3 million in the aggregate on a claims-made basis with a commercial carrier. The first excess layer was on a claims-made basis with retentions of $4 million for individual claims and $7 million in the aggregate. A second excess layer of coverage was maintained with a commercial carrier.

Effective March 1, 2009, the Insurance Captive began providing Wayne Medical Center with claims-made professional and general liability insurance, and Wayne Medical Center began participating in the captive insurance program for a first excess layer above the primary layer. Prior to March 1, 2009, Wayne Medical Center maintained primary professional liability insurance coverage on a claims-made basis with a commercial carrier.

The estimated undiscounted professional liabilities for asserted claims and for incidents that have been incurred but not reported included in the accompanying consolidated balance sheets as of December 31, 2023 and 2022 are as follows (in thousands):

		2023	2022
Current portion of estimated professional liability claims payable, included in accrued salaries and expenses	$	13,384	13,547
Noncurrent estimated professional liability claims payable		44,313	45,907
Total estimated professional liability claims payable	$	57,697	59,454

The System's estimates for professional liability for asserted claims and for incidents that have been incurred but not reported are based upon complex actuarial calculations, which utilize factors such as historical claim experience for the System and related industry factors, trending models, estimates for the payment patterns of future claims, and present value discounting factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known.

(11) Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are insured under third-party payer agreements. Major concentrations of net accounts receivable from patients and third-party payers as of December 31, 2023 and 2022 are as follows:

	2023	2022
Medicare	16 %	17 %
Medicaid	12	16
Managed care organizations and other third-party payers	65	62
Self-pay patients	7	5
	100 %	100 %

The System deposits cash with various financial institutions in which the amounts may exceed federally insured limits.

(12) Other Revenue

Other revenue at December 31, 2023 and 2022 consists of the following (in thousands):

		2023	2022
FEMA	$	20,604	157
Grant income		24,757	23,624
CARES Provider Relief Fund revenue		—	2,392
Employee retention credit		—	6,111
Equity in earnings of joint ventures		2,972	4,865
Gain on sale of SJHRC		20,734	—
Rental income		6,322	2,816
Parking revenue		3,256	3,066
Rebates		5,777	1,592
Contributions		1,277	1,321
Fundraising		1,396	1,386
Pharmacy 340b revenue		3,135	3,444
Retail pharmacy revenue		3,608	8,408
Other		16,823	16,320
	$	110,661	75,502

(13) 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 would result in an accounting treatment similar to an acquisition of the asset, however, the System did not have any finance leases as of December 31, 2023 and 2022.

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 has made an accounting policy election to separate lease components from nonlease components in contracts when determining its lease payments for its asset classes except for medical equipment. As such, the System does not account for the applicable nonlease components together with the related lease components when determining the right-of-use assets and liabilities, except for medical equipment.

The System has made an accounting policy election not to record leases with an initial term of less than one year as right-of-use assets and liabilities.

The following schedule summarizes information related to the lease assets and liabilities as of and for the years ended December 31, 2023 and 2022:

		2023	2022
Lease cost:			
Operating lease cost	$	12,182	8,908
Short-term lease cost		12,003	11,686
Total lease cost	$	24,185	20,594
Right-of-use assets and liabilities:			
Right-of-use assets – operating leases	$	106,983	105,513
Lease liability – operating leases		106,983	105,513
Other information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$	12,182	8,908
Other information:			
Right-of-use assets obtained in exchange for new operating lease liabilities	$	2,635	—
Weighted average remaining lease term – operating leases		10.5 years	11.4 years
Weighted average discount rate – operating leases		3.87 %	3.88 %

For operating leases, right-of-use assets are recorded in operating lease right of use assets and lease liabilities are recorded in operating lease liability, current, and noncurrent in the accompanying consolidated balance sheets.

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

		Operating leases
2024	$	12,376
2025		11,952
2026		11,531
2027		10,256
2028		8,752
Thereafter		83,573
Total lease payments		138,440
Less imputed interest		31,457
Total lease obligation		106,983
Less current portion		12,003
Long-term portion	$	94,980

(14) Net Assets with Donor Restrictions

Net assets with donor restrictions, which are available for future periods or for specific purposes as of December 31, 2023 and 2022 are available for the following purposes (in thousands):

		2023	2022
Capital acquisitions and improvements	$	2,212	2,212
Research		383	281
Other healthcare programs		8,864	8,353
	$	11,459	10,846

At December 31, 2023 and 2022, net assets with donor restrictions for permanent endowment in the amount of approximately $6.8 million, consisting of endowment funds to be held in perpetuity, and the beneficial interest in perpetual trusts. The assets in the perpetual trusts are held and managed by an independent trustee. The income earned on the beneficial interest in the perpetual trusts does not have donor restrictions. The income from the endowment funds is expendable to support healthcare services.

The Board classifies donor-restricted assets based upon the explicit directions of the donor and the provisions of the New Jersey Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board has determined that, absent donor stipulations to the contrary, the provisions of New Jersey State law do not impose a donor restriction on the income or capital appreciation derived from the original gift.

(15) Functional Expenses

The System's functional expenses for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	2023		
	Healthcare program expenses	General and administrative expenses	Total expenses
Salaries, wages, and other labor costs	$ 426,299	57,639	483,938
Employee benefits	77,481	8,692	86,173
Physician fees	32,355	3,551	35,906
Supplies and other	346,339	—	346,339
Interest	14,178	1,437	15,615
Depreciation and amortization	32,615	3,534	36,149
	$ 929,267	74,853	1,004,120

	2022		
	Healthcare program expenses	General and administrative expenses	Total expenses
Salaries, wages, and other labor costs	$ 407,172	69,198	476,370
Employee benefits	78,414	12,698	91,112
Physician fees	21,017	3,356	24,373
Supplies and other	288,697	—	288,697
Interest	13,812	2,025	15,837
Depreciation and amortization	32,200	5,048	37,248
	$ 841,312	92,325	933,637

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

(16) Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the System. Such lawsuits and claims are either specifically covered by insurance, provided for through estimated self-insurance liabilities, 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 these actions will not have a material adverse effect on the consolidated financial position or results of operations of the System.

(17) Subsequent Events

The System has evaluated subsequent events through May 29, 2024, which is the date the accompanying consolidated financial statements were issued.

SUPPLEMENTARY INFORMATION

ST. JOSEPH'S HEALTH, INC.

Consolidating Balance Sheet

December 31, 2023

(In thousands)

Assets	St. Joseph's University Medical Center and Subsidiaries	St. Joseph's Hospital and Medical Center Foundation, Inc.	200 Hospital Plaza Corp.	St. Joseph's Health, Inc.	SJHS Insurance Limited	Eliminations	Total
Current assets:							
Cash	$ 19,424	2,406	327	—	—	—	22,157
Investments	315,585	602	—	—	—	—	316,187
Current portion of assets whose use is limited	8,134	—	1,748	—	13,384	—	23,266
Patient accounts receivable, net	101,916	—	—	—	—	—	101,916
Prepaid expenses and other current assets	77,099	2,244	113	—	4,522	(4,116)	79,862
Due from affiliates	15,041	—	—	—	—	(15,041)	—
Total current assets	537,199	5,252	2,188	—	17,906	(19,157)	543,388
Assets whose use is limited – less current portion	2,039	5,837	5,228	—	47,177	—	60,281
Property and equipment – net	340,913	—	14,921	—	—	—	355,834
Operating lease right of use assets	106,983	—	—	—	—	—	106,983
Equity investments in joint ventures	29,544	—	—	—	—	—	29,544
Other noncurrent assets	35,657	7,788	—	3,178	—	(30,937)	15,686
Total assets	$ 1,052,335	18,877	22,337	3,178	65,083	(50,094)	1,111,716

(Continued)

ST. JOSEPH'S HEALTH, INC.

Consolidating Balance Sheet

December 31, 2023

(In thousands)

Liabilities and Net Assets	St. Joseph's University Medical Center and Subsidiaries	St. Joseph's Hospital and Medical Center Foundation, Inc.	200 Hospital Plaza Corp.	St. Joseph's Health, Inc.	SJHS Insurance Limited	Eliminations	Total
Current liabilities:							
Current portion of long-term debt	$ 5,600	—	790	—	—	—	6,390
Accounts payable and accrued expenses	148,304	—	181	—	3,758	(4,116)	148,127
Accrued salaries and expenses	52,901	—	6	—	13,384	—	66,291
Accrued interest payable	5,754	—	—	—	—	—	5,754
Due to affiliates	13,665	463	913	—	—	(15,041)	—
Deferred revenue	3,374	34	—	—	—	—	3,408
Current portion of estimated third-party payer settlements	1,721	—	—	—	—	—	1,721
Current portion of operating lease liability	12,003	—	—	—	—	—	12,003
Total current liabilities	243,322	497	1,890	—	17,142	(19,157)	243,694
Long-term debt – net of current portion	306,752	—	22,794	—	—	—	329,546
Estimated third-party payer settlements – net of current portion	9,265	—	—	—	—	—	9,265
Accrued pension liability	10,713	—	—	—	—	—	10,713
Estimated professional liability claims payable – net of current portion	22,103	—	—	—	31,683	(9,473)	44,313
Operating lease liability – net of current portion	94,980	—	—	—	—	—	94,980
Other liabilities	10,684	47	34	—	—	—	10,765
Total liabilities	697,819	544	24,718	—	48,825	(28,630)	743,276
Commitments and contingencies							
Net assets:							
Net assets without donor restrictions	335,894	3,863	(2,381)	3,178	16,258	(7,041)	349,771
Net assets with donor restrictions	18,622	14,470	—	—	—	(14,423)	18,669
Total St. Joseph's Health, Inc. net assets	354,516	18,333	(2,381)	3,178	16,258	(21,464)	368,440
Noncontrolling interest in joint venture	—	—	—	—	—	—	—
Total net assets including noncontrolling interest	354,516	18,333	(2,381)	3,178	16,258	(21,464)	368,440
Total liabilities and net assets	$ 1,052,335	18,877	22,337	3,178	65,083	(50,094)	1,111,716

See accompanying independent auditors' report.

ST. JOSEPH'S HEALTH, INC.

Consolidating Statement of Operations

Year ended December 31, 2023

(In thousands)

	St. Joseph's University Medical Center and Subsidiaries	St. Joseph's Hospital and Medical Center Foundation, Inc.	200 Hospital Plaza Corp.	St. Joseph's Health, Inc.	SJHS Insurance Limited	Eliminations	Total
Operating revenues:							
Net patient service revenue	$ 847,352	—	—	—	—	—	847,352
Physician billing revenue	49,380	—	—	—	—	—	49,380
Other revenue	106,192	1,690	3,816	—	11,747	(12,784)	110,661
Net assets released from restrictions – operations	—	3,440	—	—	—	—	3,440
Total operating revenues	1,002,924	5,130	3,816	—	11,747	(12,784)	1,010,833
Operating expenses:							
Salaries, wages, and other labor costs	483,840	815	98	—	—	(815)	483,938
Employee benefits	86,173	196	—	—	—	(196)	86,173
Physician fees	35,906	—	—	—	—	—	35,906
Supplies and other	343,179	5,385	1,120	—	8,428	(11,773)	346,339
Interest	14,625	—	990	—	—	—	15,615
Depreciation and amortization	34,713	—	1,436	—	—	—	36,149
Total operating expenses	998,436	6,396	3,644	—	8,428	(12,784)	1,004,120
Operating gain (loss)	4,488	(1,266)	172	—	3,319	—	6,713
Nonoperating gains and losses:							
Investment return	10,940	211	—	—	(74)	—	11,077
Change in net unrealized gains and losses on equity investments	6,278	—	—	—	2,269	—	8,547
Net periodic pension benefit	(19,935)	—	—	—	—	—	(19,935)
Excess (deficiency) of revenues over expenses before noncontrolling interest in joint venture	1,771	(1,055)	172	—	5,514	—	6,402
Less net gain attributable to noncontrolling interest in joint venture	—	—	—	—	—	—	—
Excess (deficiency) of revenues over expenses	1,771	(1,055)	172	—	5,514	—	6,402
Other changes in net assets without donor restrictions:							
Change in net unrealized gains and losses on fixed income investments	6,131	221	—	—	2,084	—	8,436
Pension-related adjustments	19,386	—	—	—	—	—	19,386
Other	(953)	—	—	—	—	—	(953)
Grant funded capital acquisitions	6,029	—	—	—	—	—	6,029
Net assets released from restrictions – capital acquisitions	153	—	—	—	—	—	153
Change in interest in net assets without donor restrictions of St. Joseph's Hospital and Medical Center Foundation, Inc.	(834)	—	—	—	—	834	—
Increase (decrease) in net assets without donor restrictions	$ 31,683	(834)	172	—	7,598	834	39,453

See accompanying independent auditors' report.

ST. JOSEPH'S HEALTH, INC.

Consolidating Statement of Changes in Net Assets

Year ended December 31, 2023

(In thousands)

	St. Joseph's University Medical Center and Subsidiaries	St. Joseph's Hospital and Medical Center Foundation, Inc.	200 Hospital Plaza Corp.	St. Joseph's Health, Inc.	SJHS Insurance Limited	Eliminations	Total
Net assets without donor restrictions:							
Increase (decrease) in net assets without donor restrictions	$ 31,683	(834)	172	—	7,598	834	39,453
Net assets with donor restrictions:							
Contributions, grants, investment income, and other support	109	4,430	(1)	—	—	—	4,538
Changes in interest in restricted net assets of St. Joseph's Hospital and Medical Foundation, Inc.	1,157	—	—	—	—	(1,157)	—
Net assets released from restrictions – operations	(911)	(3,439)	—	—	—	—	(4,350)
Net assets released from restrictions – capital acquisitions	(153)	—	—	—	—	153	—
Change in net unrealized gains and losses on investments held in perpetual trusts	(1,128)	(1,128)	—	—	—	1,128	(1,128)
(Decrease) in net assets with donor restrictions	(926)	(137)	(1)	—	—	124	(940)
Increase (decrease) in St. Joseph's Health, Inc. net assets	30,757	(971)	171	—	7,598	958	38,513
Noncontrolling interest in joint venture:							
Net gain attributable to noncontrolling interest in joint venture	—	—	—	—	—	—	—
Distributions to noncontrolling interest in joint venture	(264)	—	—	—	—	—	(264)
Decrease in noncontrolling interest	(264)	—	—	—	—	—	(264)
Increase (decrease) in net assets, including noncontrolling interest	30,493	(971)	171	—	7,598	958	38,249
Net assets at beginning of year	324,023	19,304	(2,552)	3,178	8,661	(22,423)	330,191
Net assets at end of year	$ 354,516	18,333	(2,381)	3,178	16,259	(21,465)	368,440

See accompanying independent auditors' report.