Consolidated Financial Statements and Supplementary Information

AtlantiCare Health System, Inc. and Affiliates
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

AtlantiCare Health System, Inc. and Affiliates

Consolidated Financial Statements and
Supplementary Information

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Contents

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Report of Independent Auditors

The Board of Trustees
AtlantiCare Health System, Inc.

Opinion

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

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

We did not audit the financial statements of English Creek Assurance, Ltd., a wholly owned subsidiary, which statements reflect total assets of $85.6 million and $85.5 million as of December 31, 2023 and 2022, respectively, and total revenue of $9.1 million and $9.2 million for the years ended December 31, 2023 and 2022, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for English Creek Assurance, Ltd., is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AtlantiCare 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 AtlantiCare's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AtlantiCare'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 AtlantiCare'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 consolidating statement of operations and changes in net assets for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, based on our audits, the procedures performed as described above, and the report of other auditors, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

May 17, 2024

AtlantiCare Health System, Inc. and Affiliates

Consolidated Balance Sheets

(Dollars in Thousands)

	December 31 2023	December 31 2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 72,579**	$ 45,219
Assets limited as to use, current portion	**6,385**	6,991
Patient accounts receivable, net	**135,840**	127,233
Inventories and other current assets	**109,162**	89,230
Total current assets	**323,966**	268,673
Investments	**1,043,188**	964,603
Property and equipment, net	**593,856**	569,423
Operating lease assets	**12,346**	13,275
Other assets, net	**63,952**	48,343
Total assets	**$ 2,037,308**	$ 1,864,317
Liabilities and net assets		
Current liabilities:		
Long-term debt, current portion	**$ 4,509**	$ 4,784
Accounts payable	**13,591**	30,015
Estimated third-party payor settlements, current portion	**22,190**	20,609
Accrued expenses and other	**183,618**	156,681
Operating lease liabilities, current portion	**4,527**	4,163
Total current liabilities	**228,435**	216,252
Long-term debt, less current portion	**292,447**	247,579
Operating lease liabilities, less current portion	**8,455**	9,924
Estimated third-party payor settlements, less current portion	**6,304**	6,557
Accrued pension liability	**51,963**	921
Other liabilities	**86,398**	85,194
Total liabilities	**674,002**	566,427
Net assets:		
Net assets without donor restrictions	**1,327,433**	1,262,694
Net assets with donor restrictions	**27,895**	27,185
Non-controlling interest	**7,978**	8,011
Total net assets	**1,363,306**	1,297,890
Total liabilities and net assets	**$ 2,037,308**	$ 1,864,317

See accompanying notes.

AtlantiCare Health System, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year Ended December 31	
	2023	**2022**
Net assets without donor restrictions		
Revenue:		
Net patient service revenue	**$ 1,132,362**	$ 1,026,305
Other revenue	**65,638**	60,387
Total revenue	**1,198,000**	1,086,692
Expenses:		
Salaries and benefits	**726,998**	635,084
Supplies and other	**279,114**	248,420
Purchased services	**145,952**	119,669
Interest expense	**9,704**	8,763
Depreciation and amortization	**58,047**	53,339
Total expenses	**1,219,815**	1,065,275
(Loss) income from operations	**(21,815)**	21,417
Non-operating gains and losses:		
Investment gain (loss), net	**133,921**	(174,846)
Expected return on plan assets and other components of net pension and other postretirement costs	**6,088**	38,601
Inherent contribution of net assets without donor restrictions received in the acquisition of John Brooks Recovery Center	**–**	6,607
Total non-operating gains and losses, net	**140,009**	(129,638)
Excess (deficiency) of revenue over expenses	**118,194**	(108,221)

Continued on next page.

AtlantiCare Health System, Inc. and Affiliates

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

(Dollars in Thousands)

	Year Ended December 31	
	2023	**2022**
Net assets without donor restrictions (continued)		
Excess (deficiency) of revenue over expenses *(from previous page)*	**$ 118,194**	$ (108,221)
Other changes in net assets without donor restrictions:		
Pension liability adjustments	**(48,719)**	9,773
Net assets released from restrictions for capital purchases	**1,619**	3,151
Contributions received for capital purchases	**673**	896
Income attributable to non-controlling interest	**(7,028)**	(6,068)
Increase (decrease) in net assets without donor restrictions	**64,739**	(100,469)
Net assets with donor restrictions		
Donor contributions	**5,323**	22,664
Investment earnings (losses), net	**51**	(145)
Net assets released from restrictions	**(4,664)**	(5,411)
Increase in net assets with donor restrictions	**710**	17,108
Increase (decrease) in AtlantiCare Health System, Inc. net assets	**65,449**	(83,361)
Non-controlling interest		
Contributions and other changes in non-controlling interest	**(33)**	1,435
Increase (decrease) in net assets, including non-controlling interest	**65,416**	(81,926)
Net assets at beginning of year	**1,297,890**	1,379,816
Net assets at end of year	**$ 1,363,306**	$ 1,297,890

See accompanying notes.

AtlantiCare Health System, Inc. and Affiliates

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31	
	2023	**2022**
Operating activities		
Increase (decrease) in net assets	**$ 65,416**	$ (81,926)
Change in net assets attributable to non-controlling interest	**33**	(1,435)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**58,047**	53,339
Net change in unrealized gains and losses	**(120,526)**	186,331
Net realized gains and losses on sale of investments	**(9,646)**	(8,484)
Inherent contribution of net assets received in the acquisition of John Brooks Recovery Center	**–**	(6,607)
Restricted contributions	**(5,323)**	(22,664)
Net change in operating assets and liabilities:		
Patient accounts receivable, net	**(8,607)**	(9,318)
Inventories and other assets	**(14,700)**	(38,160)
Accounts payable	**(16,424)**	8,404
Estimated third-party payor settlements, net	**1,328**	(54,207)
Accrued pension liability	**51,042**	(32,706)
Accrued expenses and other liabilities	**27,932**	(17,290)
Net cash provided by (used in) operating activities	**28,572**	(24,723)
Investing activities		
Purchases of property and equipment, net	**(96,574)**	(63,567)
Proceeds from sales of investments, net	**51,587**	37,645
Capital contribution paid into joint venture	**(6,141)**	–
Cash received in acquisition of John Brooks Recovery Center	**–**	248
Net cash used in investing activities	**(51,128)**	(25,674)
Financing activities		
Proceeds from debt issuance	**61,705**	–
Repayments of long-term debt	**(16,690)**	(8,749)
Payment of deferred financing costs	**(422)**	–
Proceeds from restricted contributions	**5,323**	19,664
Net cash provided by financing activities	**49,916**	10,915
Increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	**27,360**	(39,482)
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	**45,219**	84,701
Cash and cash equivalents and restricted cash and cash equivalents, end of year	**$ 72,579**	$ 45,219
Supplemental disclosure of non-cash investing and financing activities		
Donated land	**$ –**	$ 3,000

See accompanying notes.

1. Organization

AtlantiCare Health System, Inc. (AtlantiCare) is the sole member of AtlantiCare Regional Health Services, AtlantiCare Foundation (Foundation), and AtlantiCare Health Engagement (Health Engagement).

AtlantiCare Regional Health Services is the sole member of AtlantiCare Regional Medical Center (the Medical Center), AtlantiCare Behavioral Health (ABH), and AtlantiCare Health Services (Health Services). The Medical Center is a 593 licensed bed, regional health care provider with hospital divisions in Atlantic City, New Jersey (City Campus) and Pomona, New Jersey (Mainland Campus). ABH is a provider of outpatient mental health, substance abuse/addiction recovery services and family care services to residents of southeastern New Jersey. Health Services operates a number of health and clinical support programs including a medically integrated fitness center, and leases surgical and medical office suites.

Effective October 1, 2022, Health Services acquired John Brooks Recovery Center (JBRC). JBRC was founded in 1969 and is a New Jersey not-for-profit corporation organized to provide inpatient and outpatient rehabilitation services for alcohol and substance use disorders. JBRC receives funding predominantly from federal and state grants and from program service fees and contracts. Health Services accounted for this business combination in 2022 by applying the acquisition method and, accordingly, the inherent contribution received was valued as the excess of the fair value of JBRC's assets over liabilities as of October 1, 2022. Health Services recorded an inherent contribution of $6,607 in relation to assets acquired of $20,971 (primarily property and equipment) and liabilities assumed of $14,364 (primarily debt and accrued expenses).

Health Services and the Medical Center maintain a controlling interest in AtlantiCare Surgery Center, LLC (Surgery Center), which operates freestanding ambulatory surgical centers in Atlantic, Cape May, and Ocean Counties, New Jersey. The Surgery Center's financial information is included within these consolidated financial statements.

AtlantiCare also includes a wholly-owned captive insurance company, English Creek Assurance, Ltd. (EC Assurance) and a for profit accountable care organization, AtlantiCare Health Solutions (Health Solutions).

AtlantiCare Physician Group, P.A., (Physician Group) is a multispecialty physician group controlled by AtlantiCare through appointment of the nominee shareholder. The Foundation is a charitable fundraising organization.

2. COVID-19 Pandemic

The Coronavirus Disease 2019 (COVID-19) (the Pandemic) has materially adversely affected the state and national economies and, accordingly, negatively impacted AtlantiCare's operations and financial results. The impact of COVID-19 continues to effect patient service patterns, revenue and the costs of providing health care services.

In response to the Pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act 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 COVID-19, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to COVID-19.

Under the CARES Act and subsequent legislation AtlantiCare 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 through September 30, 2021. In 2023, AtlantiCare received $4.8 million for employee retention credits which is reported within other revenue.

AtlantiCare has submitted applications for reimbursement of qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund, and received $4.5 million and $11.5 million in 2023 and 2022, respectively, which is reported within other revenue. AtlantiCare submitted a final FEMA application for expenses incurred during the period of July 1, 2022 through May 11, 2023 in November 2023 which has not yet been obligated by FEMA.

3. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and

3. Summary of Significant Accounting Policies (continued)

disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues 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. Significant estimates include implicit and explicit price concessions for revenue transactions, estimated third-party payor settlements, and medical professional liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and savings and short-term funds, with an initial maturity of three months or less. Cash equivalents held in investment custody account portfolios are reported as investments.

Patient Accounts Receivable, Net

Patient accounts receivable for which AtlantiCare receives payment under cost reimbursement, prospective payment formulae, or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payors, which are generally less than the established billing rates of AtlantiCare (see Note 4).

Investments and Investment Income

Investments in marketable securities are measured at fair value. Interest income, dividends, and realized and unrealized gains and losses, net of investment-related expenses, on investments without donor restrictions are reported as investment gain (loss), net within the consolidated statements of operations and changes in net assets.

Restricted interest income, dividends, and realized and unrealized gains and losses on trusts held as donor restricted endowment funds are recorded as investment earnings (losses), net within changes in net assets with donor restrictions in the consolidated statements of operations and changes in net assets.

Alternative investment private equity funds are reported based upon the underlying net asset value (NAV) of the fund or partnership using the equity method of accounting. Adjustment from NAV is required when the investment is expected to be sold at a value other than NAV. Financial information used by AtlantiCare to evaluate its alternative investments is provided by the

3. Summary of Significant Accounting Policies (continued)

investment manager or general partner and includes fair value valuations of underlying holdings and other financial instruments held by the investee and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits for certain investee companies does not coincide with AtlantiCare's annual financial statement reporting.

Market risk exists to the extent that the values of AtlantiCare's investment portfolio assets fluctuate as a result of changes in market prices. Changes in market prices can arise from factors specific to individual securities or their respective issuers or factors affecting all securities traded in a particular market. Relevant factors for the investment portfolio are both volatility and liquidity of specific securities and markets for the investments. Professional investment managers and established investment guidelines are utilized to ensure that the portfolio is diversified and exposure to market risk is managed. Due to the level of risk associated with investments and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in market valuations in the near term could materially affect account balances and the amounts reported in the consolidated financial statements.

Investments in Joint Ventures

AtlantiCare has invested in joint ventures primarily for the purpose of promoting health and fulfilling health and wellness needs in the communities it serves. Generally, AtlantiCare consolidates the financial statements of those joint ventures in which it maintains a controlling interest or ownership above 50 percent. When ownership is 50 percent or less and AtlantiCare exercises significant influence over the investee's operating and financial policies, the equity method of accounting is applied. Under the equity method of accounting, the investment is initially recorded at cost and adjusted for AtlantiCare's proportionate share of the changes in the investee's equity. Investments in equity method joint ventures are reported in other assets, net in the accompanying consolidated balance sheets.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. Inventories are used in the provision of patient care.

3. Summary of Significant Accounting Policies (continued)

Property and Equipment, Net

Property and equipment and construction in progress are recorded at the lower of cost or fair value, if impaired. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of their useful life or the term of the related lease and renewal periods using the straight-line method. Repairs and maintenance are expensed as incurred. Assets acquired under finance leases and software licenses are amortized over the shorter of their useful life or the term of the lease or license agreement using the straight-line method. The cost of assets and the related accumulated depreciation are removed from the consolidated balance sheets upon retirement or disposition and any gain or loss is reported in supplies and other expenses in the consolidated statements of operations and changes in net assets.

AtlantiCare recognizes an impairment loss if the carrying amount of a long-lived asset is not recoverable from its future undiscounted cash flows and measures any impairment loss as the difference between the carrying amount and the fair value of the asset.

Deferred Financing Costs

Financing costs are included as a deduction to long-term debt in the accompanying consolidated balance sheets and are amortized using the effective interest method over the term that the related debt is expected to be outstanding.

Contribution and Grant Revenue, and Pledges Receivable

Unconditional donor promises to give cash, marketable securities, and other assets are reported as contributions at fair value and discounted to present value at the date the promise is received to the extent the contribution is estimated to be collectible. Pledges receivable are reported in other assets, net in the consolidated balance sheets. Conditional donor promises to give and indications of intentions to give are not recognized until all donor-imposed conditions are met.

Contributions received with donor restrictions that limit the use of the donated assets are reported within net assets with donor restrictions in the consolidated statements of operations and changes in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to net assets

3. Summary of Significant Accounting Policies (continued)

without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor contributions restricted for the purchase of property and equipment are released from restriction when the asset is placed in service.

AtlantiCare has elected to report restricted contributions and grants whose restrictions are met in the same reporting period as when received as revenue without donor restrictions in the consolidated statements of operations and changes in net assets.

AtlantiCare receives grant funding from several grantors, including Federal, State of New Jersey (State), and local government agencies, and private grantors. Only allowable expenses stipulated in the contracts are charged to the grants. Financial reports are submitted in a timely manner when required. AtlantiCare 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 16).

Net Asset Classification

Net assets without donor restrictions are not externally restricted for identified purposes by donors or grantors. Resources arising from the results of operations or assets set aside by AtlantiCare's Board are not considered to be donor restricted.

Net assets with donor restrictions include net assets whose use is subject to donor-imposed restrictions to support operations or for capital purchases that will be met either by the actions of AtlantiCare or the passage of time and net assets that have been restricted by donors to be maintained by AtlantiCare, or a designated trustee, in perpetuity.

Net assets restricted to be maintained in perpetuity are recorded at the original fair value of gifts donated to AtlantiCare through endowments or similar instruments. AtlantiCare follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as it relates to its permanent endowment contributions and net assets, as enacted by the State. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with AtlantiCare's investment policy. AtlantiCare expends the income distributed from endowments on an annual basis in a manner consistent with donor stipulations.

3. Summary of Significant Accounting Policies (continued)

Excess (Deficiency) of Revenue Over Expenses

The excess (deficiency) of revenue over expenses (the performance indicator) includes all revenue, expenses, and non-operating gains and losses for the reporting period classified as net assets without donor restrictions. Net assets released from restriction for capital purchases, contributions received for capital purchases, pension liability adjustments, and income attributable to non-controlling interest are reported outside the performance indicator.

Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported within (loss) income from operations. Investment gain (loss), net and certain transactions which are peripheral or of an infrequent nature are excluded from (loss) income from operations.

Income Taxes

The majority of the consolidated entities of AtlantiCare are exempt from Federal income tax on related income under Section 501(c)(3) of the Internal Revenue Code. These entities are also exempt from State and local taxes. EC Assurance is a captive insurance company domiciled in Bermuda and Health Solutions is a taxable for profit company. The provision for income taxes is not significant to AtlantiCare's consolidated financial statements.

Related-Party Transactions

The entities comprising AtlantiCare provide various inter-entity services to their affiliated entities and the AtlantiCare parent company. The services consist of certain administrative, financial planning, information systems and telecommunications, general accounting, and other services. Charges for such services are based on the approximate cost to provide the services and are allocated between the entities based on an agreed-upon methodology. Such inter-entity charges and balances eliminate in consolidation.

3. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). 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, fixed income 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 ASU 2016-13 are effective for AtlantiCare for fiscal years beginning after December 15, 2022. AtlantiCare adopted ASU 2016-13 effective January 1, 2023 with no significant impact to its consolidated financial statements.

4. Net Patient Service Revenue

Accounts Receivable and Net Patient Service Revenue

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

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by AtlantiCare. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and completed. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. AtlantiCare believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation. AtlantiCare measures the performance obligation from the start of services to the point when it has completed services for that patient, which is generally at the time of discharge or the completion of an outpatient service. This span of services is considered to be a single performance obligation. 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).

(Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

AtlantiCare records net patient service revenue based on standard charges for services provided, reduced by explicit contractual adjustments provided to third-party payors and implicit price concessions provided to patients as reductions from established billing rates. AtlantiCare determines its estimates of explicit and implicit price concessions based on contractual terms and historical data, which considers experience, market conditions, and other factors utilizing a portfolio approach consisting of major payor classes.

Explicit and implicit price concessions to net patient service revenue are recorded at the time the performance obligations are satisfied. Substantially all changes to these price concessions, as a result of subsequent reassessment, are recognized in the period the change is identified as adjustments to net patient service revenue. Amounts recognized due to changes in estimates of explicit and implicit price concessions for the years ended December 31, 2023 and 2022 were not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's or payor's ability to pay based on current or future estimated credit losses, if material, are recorded as bad debt expense. No bad debt expense was recorded for the years ended December 31, 2023 and 2022 related to net patient service revenue.

Net patient service revenue by major payor source for the years ended December 31, 2023 and 2022, based on primary insurance designation, is as follows:

	Year Ended December 31	
	2023	**2022**
Medicare (including Medicare managed care[1])	**$ 347,460**	$ 317,315
Medicaid (including Medicaid managed care[1])	**228,990**	202,404
Commercial carriers	**552,861**	501,216
Self-pay	**3,051**	5,370
	$ 1,132,362	$ 1,026,305

[1] Activity administered by managed care organizations represented approximately 32% of Medicare and 40% of Medicaid revenue in 2023 and 32% of Medicare and 46% of Medicaid revenue in 2022.

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

(Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

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

	Year Ended December 31	
	2023	**2022**
Hospital and ambulatory facilities	**$ 903,030**	$ 840,424
Physician services	**229,332**	185,881
	$ 1,132,362	$ 1,026,305

At December 31, 2023 and 2022, net accounts receivable is comprised of the following components:

	December 31	
	2023	**2022**
Patient receivables, net	**$ 129,193**	$ 116,867
Contract assets, net	**6,647**	10,366
	$ 135,840	$ 127,233

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 AtlantiCare may not have the right to bill.

Third-Party Payment Programs

AtlantiCare 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: Hospitals are paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

4. Net Patient Service Revenue (continued)

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. AtlantiCare 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.

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

Amounts received from Medicare and Medicaid are subject to review and final determination by program intermediaries or their agents through cost reports submitted by AtlantiCare. Tentative settlements of cost reports have been completed through December 31, 2022. Provisions have been made in the accompanying consolidated financial statements for anticipated settlements and adjustments that are estimable and are reported as estimated third-party payor settlements on the accompanying consolidated balance sheets.

Cost report settlements and other adjustments with third-party payors are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and AtlantiCare's historical settlement activity (for example, 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. The amount for 2023 includes approximately $8.9 million related to AtlantiCare's allocation of a national settlement related to Medicare payment rates for drug pricing under the federal 340B program. For the year ended December 31, 2022, there was no material net change from AtlantiCare's revisions to prior year settlement estimates which impacted net patient service revenue. There is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained.

(Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Periodically, in the ordinary course of business, situations arise requiring additional scrutiny by management to ensure that no instances of non-compliance with laws and regulations exist. If an instance of non-compliance is identified, governing bodies are alerted and efforts are made to estimate contingencies. If these contingencies are probable and estimable, they are recorded as liabilities in the consolidated balance sheets. AtlantiCare is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance in all material respects with all applicable laws and regulations.

AtlantiCare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2023 and 2022 was as follows:

	December 31	
	2023	**2022**
Medicare (including Medicare managed care[1])	**37%**	39%
Medicaid (including Medicaid managed care[1])	**16**	16
Blue Cross	**17**	17
Self-pay	**7**	6
Other Commercial carriers	**23**	22
	100%	100%

[1] Amounts are inclusive of Medicare and Medicaid program activity administered by managed care organizations. Such activity represented 52% of Medicare and 79% of Medicaid balances at December 31, 2023 and 47% of Medicare and 78% of Medicaid balances at December 31, 2022.

4. Net Patient Service Revenue (continued)

Charity Care and Other Funding

AtlantiCare provides services to all patients regardless of ability to pay. In accordance with AtlantiCare's policy, a patient is classified as a charity patient based on income eligibility criteria. AtlantiCare also provides free care to certain other patients that are determined to be in need. The charges for charity care provided by AtlantiCare are entirely offset by the related implicit price concessions and therefore, are not recognized as net patient service revenue.

Additionally, AtlantiCare sponsors other charitable programs that provide substantial benefit to the broader community. Such programs include services to the needy and elderly population requiring special support, various clinical outreach programs, and health education and promotion.

The cost of charity service provided was approximately $18.7 million and $13.9 million for the years ended December 31, 2023 and 2022, respectively. The cost of charity care is derived from both estimated and actual data. The cost of charity includes the direct and indirect cost of providing such services and is estimated utilizing the providers' ratio of cost to standard charges, which is then multiplied by the uncompensated charges associated with providing care to charity patients.

4. Net Patient Service Revenue (continued)

In addition to charity care, services are provided under the Medicaid program to financially needy patients. The payments received under this program are less than the cost of providing the services.

The New Jersey Health Care Subsidy Funds were established for various purposes, including the distribution of charity care payments to hospitals statewide. AtlantiCare received $14.0 million and $8.9 million in charity care subsidies during the years ended December 31, 2023 and 2022, respectively, of which $1.2 million and $1.1 million is recorded as a deferred liability at December 31, 2023 and 2022, respectively.

AtlantiCare receives additional Medicaid funding under the New Jersey County Option Hospital Fee Program. This program, administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health, 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 AtlantiCare of $21.6 million and $21.7 million in 2023 and 2022, respectively. AtlantiCare recorded $66.0 million and $62.0 million in net patient service revenue for this program in 2023 and 2022, respectively.

To support continued population health improvement across New Jersey, the Department of Health (DOH) developed and implemented a hospital performance initiative called the Quality Improvement Program-New Jersey (QIP-NJ). Payments are determined through quality-based measures for which AtlantiCare recorded revenue of $9.4 million and $8.7 million in 2023 and 2022, respectively.

(Dollars in Thousands unless otherwise noted)

5. Investments

AtlantiCare's investments, which include assets whose use is limited by the Board of Trustees and external parties and those restricted by donors, consist of the following at December 31, 2023 and 2022:

	December 31	
	2023	**2022**
Cash equivalents	**$ 9,231**	$ 11,440
Equity funds	**679,261**	616,734
Marketable equity securities	**377**	377
Corporate obligations	**11,713**	27,445
Fixed income funds	**309,848**	278,799
U.S. government and agency obligations	**25,560**	23,210
Alternative investments	**13,583**	13,589
	1,049,573	971,594
Less current portion	**6,385**	6,991
Non-current portion	**$ 1,043,188**	$ 964,603

Investment gain (loss), net consists of the following:

	Year Ended December 31	
	2023	**2022**
Interest and dividend income	**$ 3,749**	$ 3,001
Net realized gains and losses on sale of investments	**9,646**	8,484
Net change in unrealized gains and losses	**120,526**	(186,331)
	$ 133,921	$ (174,846)

(Dollars in Thousands unless otherwise noted)

6. Property and Equipment

Property and equipment consist of the following at December 31, 2023 and 2022:

	Estimated Useful Lives	December 31 2023	2022
Land		**$ 48,814**	$ 47,184
Land improvements	(3–25 years)	**14,972**	14,828
Buildings and building improvements	(3–50 years)	**596,189**	569,655
Equipment	(3–20 years)	**181,591**	164,371
Computer hardware	(3–5 years)	**44,167**	39,455
Computer software	(3–5 years)	**52,855**	49,620
		938,588	885,113
Accumulated depreciation and amortization		**(413,260)**	(356,475)
		525,328	528,638
Construction in progress (estimated cost to complete approximately $43,000)		**68,528**	40,785
		$ 593,856	$ 569,423

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2023 and 2022 was $58.0 million and $53.3 million, respectively.

7. Joint Ventures

AtlantiCare's investment in unconsolidated joint ventures, included in other assets, net in the accompanying consolidated balance sheets, totaled $13.3 million and $6.4 million at December 31, 2023 and 2022, respectively. Distributions from these joint ventures totaled $0.9 million and $0.7 million for the years ended December 31, 2023 and 2022, respectively.

The Osprey Rehabilitation, LLC joint venture was created on December 8, 2022 by Health Services and Rehabclinics (SPT), Inc. as its members with operations beginning April 1, 2023. A capital contribution of $6.1 million was paid by AtlantiCare in 2023. The joint venture was formed to operate certain outpatient clinics and an inpatient rehabilitation facility. Health Services holds a 49% ownership interest with an equity method balance of $6.2 million.

(Dollars in Thousands unless otherwise noted)

8. Long-Term Debt

Long-term debt consists of the following at December 31, 2023 and 2022:

	December 31	
	2023	**2022**
AtlantiCare Health System Obligated Group Issue, Series 2021, Revenue Bonds consisting initially of $117,370 serial bonds maturing through July 1, 2041 with interest rates ranging from 2.0% to 5.0%; $99,625 term bonds maturing July 1, 2046 and July 1, 2051 with interest rates ranging from 2.375% to 3.0%[(a)]	**$ 213,055**	$ 216,995
AtlantiCare Health System Obligated Group Issue, Series 2023, Revenue Bonds consisting initially of $61,705 bonds in a direct purchase, maturing through July 1, 2053 with a fixed interest rate of 4.2695%[(b)]	**61,705**	–
Other long-term debt	**1,923**	13,072
Finance lease obligations, with interest rate of 6.6% and payments through 2024	**144**	301
	276,827	230,368
Less: current portion	**(4,509)**	(4,784)
Less: unamortized deferred financing costs	**(2,072)**	(1,772)
Add: unamortized premium	**22,201**	23,767
	$ 292,447	$ 247,579

(a) In September 2021, the New Jersey Health Care Facilities Financing Authority (the Authority) issued $217.0 million Revenue Bonds, AtlantiCare Health System Obligated Group Issue, Series 2021 (the Series 2021 Bonds) with interest payments due semiannually on January 1st and July 1st. Total proceeds from the issuance, including an original issue premium of $25.8 million, were $242.6 million.

In connection with the Series 2021 Bonds, a Master Trust Indenture (MTI) was executed. Under the terms of the MTI, the parent company (AtlantiCare Health System) and the Medical Center are the current members of the Obligated Group for the Series 2021 Bonds, and have each granted the Master Trustee a first lien on and security interest in their gross revenues. In addition to the Obligated Group, under the MTI Health Services and Physician Group are Designated Affiliates, which are not jointly and severally obligated with respect to the Series 2021 Bonds and have not pledged their gross revenues, but could be required to pay, loan or otherwise transfer such amounts as necessary to pay amounts due under the Series 2021 Bonds.

(Dollars in Thousands unless otherwise noted)

8. Long-Term Debt (continued)

(b) In September 2023, the Authority issued $61.7 million Revenue Bonds, AtlantiCare Health System Obligated Group Issue, Series 2023 (the Series 2023 Bonds) in a direct bond purchase agreement with TD Bank N.A., with principal payments commencing July 1, 2025 and interest payments due semiannually on January 1st and July 1st. The proceeds from the issuance were used to reimburse AtlantiCare for prior capital expenditures and to fund repayment of other long term loans.

Under the terms of the MTI and other agreements related to the Series 2021 and the Series 2023 Bonds, the Obligated Group and Designated Affiliates, as a combined group, are required to maintain certain financial ratios and be in compliance with other restrictive covenants as described in the respective agreements. At December 31, 2023, the Obligated Group and Designated Affiliates were in compliance with such financial covenants.

Scheduled maturities of long-term debt for the next five years ending December 31 and thereafter are as follows:

2024	$ 4,509
2025	5,687
2026	5,970
2027	6,259
2028	6,558
Thereafter	247,844
	$ 276,827

Net interest paid was $8.0 million and $6.4 million for the years ended December 31, 2023 and 2022, respectively.

In September 2023, AtlantiCare entered into a $50 million line of credit with a bank. The agreement provides for interest at SOFR. The line of credit is available through September 11, 2026. At December 31, 2023, there were no amounts outstanding under this line of credit (see Note 18).

9. Leases

AtlantiCare determines if an arrangement is or contains a lease at contract inception and recognizes an asset and a lease liability at the lease commencement date. Contract terms determine whether a lease will be accounted for as an operating or finance lease. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For operating leases with initial terms greater than a year, the lease liability is measured at the present value of the unpaid lease payments. The right-of-use (ROU) asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense is recognized on a straight-line basis over the lease term. AtlantiCare does not recognize ROU assets and lease liabilities for short-term leases that have a term of 12 months or less.

AtlantiCare uses the initial lease term to determine the ROU asset and the lease liability at the commencement date and for the amortization period of the ROU asset. AtlantiCare monitors inputs that require reassessment including the lease term. If needed, an adjustment is made to the ROU asset's carrying amount unless doing so would reduce the carrying amount of the ROU asset to less than zero. In that case, the adjustment amount would be recorded in profit or loss.

Several key estimates and judgments are used to determine the ROU assets and operating lease liabilities including the discount rate used to discount the unpaid lease payments to present value, lease term and lease payments. AtlantiCare uses its incremental borrowing rate for purposes of discounting its leases. The incremental borrowing rate is the rate of interest AtlantiCare would have to pay to borrow an amount equal to the lease payments under similar terms and conditions.

AtlantiCare leases medical office buildings and land primarily under operating leases. The remaining lease terms of the operating leases ranges through 50 years.

(Dollars in Thousands unless otherwise noted)

9. Leases (continued)

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

	December 31	
	2023	**2022**
Lease cost:		
Finance lease cost:		
Amortization of right-of-use asset	**$ 218**	$ 94
Interest on lease liabilities	**15**	24
Operating lease cost	**6,950**	7,029
Short-term lease cost	**131**	25
Total lease cost	**$ 7,314**	$ 7,172
Right-of-use assets and liabilities:		
Right-of-use assets – finance leases	**$ 146**	$ 364
Lease liability – finance leases	**144**	301
Right-of-use assets – operating leases	**12,346**	13,275
Lease liability – operating leases	**12,982**	14,087
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for financing leases	**$ 15**	$ 24
Operating cash flow for operating leases	**5,613**	5,692
Financing cash flow for financing leases	**157**	149
Right of use assets obtained in exchange for new financing lease liabilities	**$ –**	$ –
Right of use assets obtained in exchange for new operating lease liabilities	**4,170**	5,580
Weighted average remaining lease term – finance leases	**0.9**	1.9
Weighted average remaining lease term – operating leases	**5.0**	5.6
Weighted average discount rate – finance leases	**6.6%**	6.6%
Weighted average discount rate – operating leases	**4.7%**	4.6%

(Dollars in Thousands unless otherwise noted)

9. Leases (continued)

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

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

	Financing Leases	Operating Leases
2024	$ 148	$ 5,012
2025	–	3,491
2026	–	1,946
2027	–	1,287
2028	–	791
Thereafter	–	2,185
Total undiscounted future lease payments	148	14,712
Less present value discount	(4)	(1,730)
Discounted future lease payments	144	12,982
Less current portion	(144)	(4,527)
Long-term portion	$ –	$ 8,455

(Dollars in Thousands unless otherwise noted)

10. Liquidity and Availability of Resources

Liquid financial resources are utilized by AtlantiCare to meet short-term, one year or less, expenditure needs. AtlantiCare's investment strategy is to maintain liquid resources sufficient to meet short-term needs and invest the excess. AtlantiCare's long-term investments without donor restrictions, except for private equity funds, are intended for long-term uses but are available for short-term needs. The following summarizes AtlantiCare's financial assets and liquidity resources available within one year to meet the needs of AtlantiCare as of December 31, 2023 and 2022:

	December 31	
	2023	**2022**
Financial assets:		
Cash and cash equivalents	**$ 72,579**	$ 45,219
Patient accounts receivable	**135,840**	127,233
Investments	**1,049,573**	971,594
Total financial assets	**1,257,992**	1,144,046
Less investments not available to be used for general expenditures within one year:		
Externally designated by donors	**27,895**	27,185
Private equity funds	**13,583**	13,589
	$ 1,216,514	$ 1,103,272

11. Pension and Other Postretirement Benefit Plans

AtlantiCare sponsors a noncontributory defined benefit pension plan (the Pension Plan) covering eligible active employees, retirees and deferred vested participants. The benefits are based on an employee's final average compensation. An amendment to the Pension Plan closed it to all employees who are hired or rehired on or after January 1, 2010. These employees are participants in a defined contribution pension plan that provides a 3% of pay contribution that is made to a separate account maintained on their behalf.

Additionally, certain retired employees of the Medical Center who met the requirements to become vested under the terms of the Pension Plan and were over 55 years of age at the time of their retirement were provided health and life insurance benefits (Other Benefits Plan). Effective January 1, 1993, the Medical Center revised the eligibility requirements and maximum benefits for employees retiring after 1993. The Medical Center discontinued providing retirement health

(Dollars in Thousands unless otherwise noted)

11. Pension and Other Post Retirement Plans (continued)

benefits for employees retiring after December 31, 1995. Effective February 29, 2008, a voluntary employees' beneficiary association (VEBA) was established with a contribution of $9,900 to prefund the cost of certain employee benefits, including retiree health care benefits.

The funded status of the Pension Plan and Other Benefits Plan as recognized on AtlantiCare's consolidated balance sheets at December 31, 2023 and 2022 and changes in funded status for the years then ended are as follows:

	December 31, 2023		**December 31, 2022**	
	Pension Plan	**Other Benefits**	**Pension Plan**	**Other Benefits**
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 296,688**	**$ 6,150**	$ 518,527	$ 9,458
Service cost	**10,117**	**91**	18,569	192
Interest cost	**15,352**	**320**	15,465	268
Benefits paid	**(559)**	**(376)**	(3,344)	(228)
Retiree contributions	**–**	**4**	–	24
Settlements	**(82,872)**	**–**	(91,276)	–
Actuarial loss (gain)	**63,480**	**(41)**	(161,253)	(3,564)
Benefit obligation at end of year	**302,206**	**6,148**	296,688	6,150
Change in plan assets				
Fair value of plan assets at beginning of year	**295,767**	**14,947**	484,900	17,945
Actual return on plan assets	**34,444**	**2,036**	(97,970)	(2,739)
Employer contributions	**3,463**	**–**	3,457	–
Settlements	**(82,872)**	**–**	(91,276)	–
Benefits paid	**(559)**	**(313)**	(3,344)	(259)
Fair value of plan assets at end of year	**250,243**	**16,670**	295,767	14,947
Funded status at end of year	**$ (51,963)**	**$ 10,522**	$ (921)	$ 8,797

The settlements recorded in 2023 and 2022 primarily relate to lump sum payments as a result of increased retirements and terminations and the purchase of a $39.3 million annuity in 2022 to transfer certain participant accounts to an insurance company.

(Dollars in Thousands unless otherwise noted)

11. Pension and Other Post Retirement Plans (continued)

The actuarial loss for the Pension Plan in 2023 primarily relates to changes in the discount rate, the timing of distributions to participants who elected lump sum settlement payments, and other actuarial and demographic updates. The actuarial gains in 2022 primarily relate to an increase in the discount rate assumption.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the Pension Plan at December 31, 2023 and 2022 are as follows:

	December 31	
	2023	**2022**
Projected benefit obligation	**$ 302,206**	$ 296,688
Accumulated benefit obligation	**255,373**	256,671
Fair value of plan assets	**250,243**	295,767

The unrecognized actuarial gains and losses and prior service cost for the Pension Plan included in net assets without donor restrictions at December 31, 2023 and 2022 total $20.7 million and $70.3 million, respectively, including $(49.6) million related to 2023. Amounts that are included as a component of other changes in net assets without donor restrictions will be subsequently recognized as net periodic pension cost (credit) in future periods.

The following table provides the components of net periodic pension cost (credit) for the Pension Plan:

	Year Ended December 31	
	2023	**2022**
Service cost	**$ 10,117**	$ 18,569
Interest cost	**15,352**	15,465
Expected return on plan assets	**(15,012)**	(30,726)
Recognized actuarial gain and administrative expenses	**(5,567)**	(21,574)
Net periodic pension cost (credit)	**$ 4,890**	$ (18,266)

(Dollars in Thousands unless otherwise noted)

11. Pension and Other Post Retirement Plans (continued)

The following assumptions were used in determining the benefit obligations and net periodic pension cost (credit) for the Pension Plan and Other Benefits plan:

	December 31	
	2023	**2022**
Discount rate:		
Benefit obligations	**5.30%**	5.55%
Net periodic pension cost (credit)	**5.55**	3.05
Expected long-term rate of return on plan assets	**6.60**	6.60

The expected long-term rate of return on plan assets is based on the historical returns of each asset class weighted by the target asset allocation. Current target investment allocations are as follows:

Equity funds	50–70%
Fixed income funds	30–50
Cash and cash equivalents	0–10

During each of the years ended December 31, 2023 and 2022, AtlantiCare contributed $3.5 million to the Pension Plan. AtlantiCare intends to contribute approximately $9.9 million to the Pension Plan in 2024.

The following is a schedule by year of estimated future benefit payments as of December 31:

2024	$ 24,790
2025	19,490
2026	21,490
2027	22,050
2028	23,910
2029-2033	131,540

Defined Contribution Pension Plans

A defined contribution plan is maintained for all employees hired after January 1, 2010. AtlantiCare incurred $11,391 and $9,142 of expense related to the defined contribution plan during the years ended December 31, 2023 and 2022, respectively.

12. Fair Value Measurements

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. The fair value hierarchy is comprised of three levels based on inputs that market participants would use in valuing the asset or liability based on market data obtained from sources independent of AtlantiCare as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.

Level 3: Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. AtlantiCare's investment strategy is to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). AtlantiCare considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to AtlantiCare's perceived investment risk pertaining to that instrument.

12. Fair Value Measurements (continued)

Financial instruments are disclosed within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. AtlantiCare's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. Fair value using Level 3 inputs is generally determined by using pricing models or discounted cash flow methods, which all require significant management judgment or estimation.

The basis for fair value measurement and NAV for AtlantiCare's financial instruments are established below:

Cash Equivalents

Cash equivalents include short-term investments and fixed income investments with initial maturities of less than three months. Cash equivalents are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of cash equivalents are held in money market accounts.

Equity Funds

Equity funds consist of commingled trust funds and mutual funds that are valued based upon quoted market prices in active markets obtained from exchange or dealer markets for identical assets. Equity funds are categorized as Level 2 with no valuation adjustments applied.

Marketable Equity Securities

Marketable equity securities consist of individual securities that are generally valued based upon quoted market prices in active markets obtained from exchange or dealer markets and are accordingly categorized as Level 1 with no valuation adjustments applied.

Corporate Obligations

Corporate obligations consist of individual securities that are valued based upon quoted market prices or dealer or broker quotations which may include model-based valuation techniques and are categorized as Level 2.

12. Fair Value Measurements (continued)

Fixed Income Funds

Fixed income funds consist of commingled trust funds and mutual funds, which are valued based upon quoted market prices in active markets obtained from exchange or dealer markets for identical assets and categorized as Level 2.

U.S. Government and Agency Obligations

U.S. government and agency obligations consist of individual securities and are valued based on quoted market prices or dealer/broker quotations. Direct obligations of the U.S. government are categorized as Level 1 and agency obligations are categorized as Level 2.

Alternative Investments

Alternative investments include private equity investment interests.

Private equity investments are in the form of limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparable, or some other method. As described in Note 3, these limited partnership investments are recorded under the equity method and valued at NAV and are not categorized in the fair value hierarchy.

Assets Held in Trust

Assets held in trust represent AtlantiCare's beneficial interest in perpetual and other trusts that are maintained and administered by independent trustees and are valued based on the fair value of the underlying assets held in trust. Trusts that are perpetual, whereby the original corpus cannot be expended, and trusts that have donor-imposed restrictions are reported as net assets with donor restrictions. Distributions from trusts are recorded as investment gain, net in net assets without donor restrictions, or as investment earnings, net in net assets with donor restrictions if their use is restricted by the donor. Assets held in trust are included in other assets, net, in the accompanying consolidated balance sheets. These assets are categorized as Level 3.

(Dollars in Thousands unless otherwise noted)

12. Fair Value Measurements (continued)

The following table sets forth AtlantiCare's financial assets at December 31, 2023 and 2022, by level within the fair value hierarchy and alternative investments recorded at NAV under the equity method:

	Level 1	Level 2	Level 3	NAV	Total
December 31, 2023					
Cash equivalents	**$ 81,810**	**$ –**	**$ –**	**$ –**	**$ 81,810**
Equity funds	**–**	**679,261**	**–**	**–**	**679,261**
Marketable equity securities	**377**	**–**	**–**	**–**	**377**
Corporate obligations	**–**	**11,713**	**–**	**–**	**11,713**
Fixed income funds	**–**	**309,848**	**–**	**–**	**309,848**
U.S. government and agency obligations	**13,514**	**12,046**	**–**	**–**	**25,560**
Alternative investments	**–**	**–**	**–**	**13,583**	**13,583**
Assets held in trust	**–**	**–**	**695**	**–**	**695**
	$ 95,701	**$ 1,012,868**	**$ 695**	**$ 13,583**	**$ 1,122,847**
December 31, 2022					
Cash equivalents	$ 56,659	$ –	$ –	$ –	$ 56,659
Equity funds	–	616,734	–	–	616,734
Marketable equity securities	377	–	–	–	377
Corporate obligations	–	27,445	–	–	27,445
Fixed income funds	–	278,799	–	–	278,799
U.S. government and agency obligations	12,003	11,207	–	–	23,210
Alternative investments	–	–	–	13,589	13,589
Assets held in trust	–	–	651	–	651
	$ 69,039	$ 934,185	$ 651	$ 13,589	$ 1,017,464

(Dollars in Thousands unless otherwise noted)

12. Fair Value Measurements (continued)

The following table sets forth the composition of plan assets for the Pension Plan and Other Benefits Plan, by level and actual asset allocations at December 31, 2023 and 2022:

	Level 1	Level 2	Level 3	NAV	Total	Allocation
December 31, 2023						
Equity funds	**$ –**	**$ 151,771**	**$ –**	**$ –**	**$ 151,771**	**57%**
Fixed income funds	**–**	**106,654**	**–**	**–**	**106,654**	**40**
Alternative investments	**–**	**–**	**–**	**5,276**	**5,276**	**2**
Cash and cash equivalents	**3,212**	**–**	**–**	**–**	**3,212**	**1**
	$ 3,212	**$ 258,425**	**$ –**	**$ 5,276**	**$ 266,913**	**100%**
December 31, 2022						
Equity funds	$ –	$ 151,067	$ –	$ –	$ 151,067	49%
Fixed income funds	–	106,154	–	–	106,154	34
Alternative investments	–	–	–	6,348	6,348	2
Cash and cash equivalents	47,145	–	–	–	47,145	15
	$ 47,145	$ 257,221	$ –	$ 6,348	$ 310,714	100%

The following is a summary of alternative investments recorded at NAV, the restrictions on AtlantiCare's ability to redeem such investments at the measurement date and any unfunded capital commitments as of December 31, 2023:

Description of Investment	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private equity[(a)]	$ 18,859	N/A	Quarterly/Annual	90 days to 29 months

(a) Private equity investments include limited partnership investments in funds pursuing strategies in corporate buyouts, venture capital, and other investments.

There were no transfers among levels or significant changes in Level 3 investments.

Reclassifications

Reclassifications have been made to certain 2022 fair value classifications in order to conform to the current year presentation.

(Dollars in Thousands unless otherwise noted)

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	December 31 2023	2022
Time and purpose restrictions:		
Casino Reinvestment Development Authority:		
Ohio Avenue project	**$ 13,793**	$ 15,340
Support operations	**7,344**	6,789
Purchase of equipment	**4,387**	2,736
	25,524	24,865
Amounts held in perpetuity – endowments and trusts	**2,371**	2,320
	$ 27,895	$ 27,185

In 2020, Health Services entered into an agreement with the Casino Reinvestment Development Authority (CRDA), a public corporate body of the State of New Jersey, under which CRDA provided land with a fair value of $3.0 million and $15.3 million of grant funding for the construction and development of a medical services facility by Health Services. The grant provisions require the operation of the facility for a minimum of ten years. The project was completed in 2022 and Health Services will recognize contribution revenue ratably over the required service period.

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose to support operations and capital purchases in the amount of $4.7 million and $5.4 million for the years ended December 31, 2023 and 2022, respectively.

The composition of and changes in endowment net assets, excluding trusts, is as follows:

	December 31 2023	2022
Endowment net assets at beginning of period	**$ 1,669**	$ 1,658
Net investment earnings	**13**	17
Annual appropriations	**(6)**	(6)
Endowment net assets at end of period	**$ 1,676**	$ 1,669

14. Non-controlling Interest

Non-controlling interest represents the proportionate share of Surgery Center not controlled by AtlantiCare. The net income of this venture is allocated to the non-controlling interest holders based on their percentage of ownership. Total non-controlling interest was approximately $8.0 million as of both December 31, 2023 and 2022.

15. Hospital and Provider Professional Liability Claims Coverage

In the ordinary course of business, various claimants have asserted professional and general liability claims against AtlantiCare. These claims are in various stages of processing or, in certain instances, are in litigation. In addition, there are known incidents, and unknown incidents, that may result in the assertion of additional claims. AtlantiCare has accrued its best estimate of both asserted and unasserted claims based on actuarially determined amounts.

AtlantiCare insures hospital and provider professional liability and general liability claims coverage through a captive insurance program with EC Assurance. The limits of the professional liability coverage follows:

Coverage	**Per Claim Limit***	**Annual Aggregate Limit**
	(In Millions)	
Institutional professional	$ 6.0	$ –
General liability	1.0	1.0
Physician professional	6.0	–

* Effective November 1, 2016, per claim limits are shared by hospital and physicians and captive policy aggregate limits are not recognized by excess coverage.

(Dollars in Thousands unless otherwise noted)

15. Hospital and Provider Professional Liability Claims Coverage (continued)

The total net loss accruals were $43.1 million and $48.1 million at December 31, 2023 and 2022, respectively. The loss accruals, which were discounted at a rate of approximately 4% at December 31, 2023 and 2022, include estimates of known and incurred but not reported losses based on annual actuarial studies and are reported in accrued expenses and other liabilities in the consolidated balance sheets. Amounts expected to be paid in the next 12 months are reported as a current liability in accrued expenses and other in the consolidated balance sheets.

16. Other Revenue

Other revenue consists of the following:

	Year Ended December 31	
	2023	**2022**
Provider Relief Fund grant	**$ –**	$ 51
Other grant revenue	**22,399**	20,562
FEMA Disaster Relief Fund grant	**4,473**	11,502
Employee retention credit	**4,756**	–
457B investment return (loss)	**3,873**	(8,261)
Rental income	**3,190**	3,724
Tuition	**3,901**	3,609
Shared Savings and accountable care organization gains	**6,144**	6,500
Net assets released from restrictions for operations	**3,045**	2,260
Other	**13,857**	20,440
	$ 65,638	$ 60,387

17. Functional Expenses

Expenses attributed to each program or supporting function of AtlantiCare are reported in the following table. Expenses attributable to more than one program require allocation, which is consistently applied and based upon reasonable statistics such as revenue, expenses or full-time equivalents. Indirect costs incurred for the benefit of multiple programs are classified as management and general expenses.

(Dollars in Thousands unless otherwise noted)

17. Functional Expenses (continued)

Expenses by function and natural classification are as follows:

	Program Services				
	Clinical Enterprise	**Other**	**Total**	**Management & General**	**Total**
Year ended December 31, 2023:					
Salaries and benefits	**$ 529,802**	**$ 80,736**	**$ 610,538**	**$ 116,460**	**$ 726,998**
Supplies and other	**245,792**	**32,871**	**278,663**	**451**	**279,114**
Purchased services	**73,787**	**57,427**	**131,214**	**14,738**	**145,952**
Interest expense	**678**	**–**	**678**	**9,026**	**9,704**
Depreciation and amortization	**50,105**	**7,477**	**57,582**	**465**	**58,047**
Other non-service pension items	**–**	**–**	**–**	**(6,088)**	**(6,088)**
Total expenses and non-service pension items	**$ 900,164**	**$ 178,511**	**$ 1,078,675**	**$ 135,052**	**$ 1,213,727**
Year ended December 31, 2022:					
Salaries and benefits	$ 475,008	$ 64,945	$ 539,953	$ 95,131	$ 635,084
Supplies and other	219,936	26,920	246,856	1,564	248,420
Purchased services	62,759	46,022	108,781	10,888	119,669
Interest expense	721	88	809	7,954	8,763
Depreciation and amortization	47,904	5,215	53,119	220	53,339
Other non-service pension items	–	–	–	(38,601)	(38,601)
Total expenses and non-service pension items	$ 806,328	$ 143,190	$ 949,518	$ 77,156	$ 1,026,674

18. Subsequent Events

Subsequent events have been evaluated through May 17, 2024, which is the date the accompanying consolidated financial statements were issued. Except as disclosed below, no subsequent events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

On February 21, 2024, Change Healthcare, a subsidiary of UnitedHealth Group, reported a cyber security breach. AtlantiCare utilizes Change Healthcare in its revenue cycle process, primarily as a clearinghouse for patient billing and cash posting related to certain payors. AtlantiCare drew $50 million on its line of credit in 2024 as a result of payment delays resulting from this incident. The line of credit is repayable on demand. AtlantiCare 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 – Consolidating Financial Information

AtlantiCare Health System, Inc. and Affiliates

Consolidating Balance Sheet

(Dollars In Thousands)

December 31, 2023

	AtlantiCare Regional Health Services												
	(OG) AtlantiCare Regional Medical Center	AtlantiCare Behavioral Health	(DA) AtlantiCare Health Services	(DA) AtlantiCare Physician Group, P.A.	(OG) AtlantiCare Health System, Inc.	English Creek Assurance, Ltd.	AtlantiCare Foundation	AtlantiCare Surgery Center, LLC	AtlantiCare Health Engagement	AtlantiCare Health Solutions	Eliminations	Total Consolidated	Total OG + DA
Assets													
Current assets:													
Cash and cash equivalents	$ 31,162	$ 5,361	$ 8,762	$ 7,201	$ 2,815	$ 3,235	$ 2,160	$ 7,929	$ 1,784	$ 2,170	$ –	$ 72,579	$ 49,940
Assets limited as to use, current portion	6,030	–	355	–	–	–	–	–	–	–	–	6,385	6,385
Patient accounts receivable, net	116,716	402	3,049	15,775	–	–	–	4,934	–	–	(5,036)	135,840	130,504
Due from (to) affiliates	38,409	(795)	(18,655)	(16,744)	5,371	–	(2,306)	(4,179)	1,883	(2,984)	–	–	8,381
Inventories and other current assets	79,694	1,948	6,516	5,145	7,592	8,338	76	205	–	1,409	(1,761)	109,162	98,519
Total current assets	272,011	6,916	27	11,377	15,778	11,573	(70)	8,889	3,667	595	(6,797)	323,966	293,729
Investments	902,449	–	19,352	–	38,588	73,999	7,111	–	1,689	–	–	1,043,188	960,389
Property and equipment, net	361,490	3,689	188,242	21,910	298	–	–	24,983	–	–	(6,756)	593,856	565,184
Operating lease assets	1,242	510	2,653	6,627	1,061	–	–	2,397	–	–	(2,144)	12,346	11,583
Other assets, net	81,686	–	34,958	–	1,132	–	3,502	1,397	–	–	(58,723)	63,952	117,776
Total assets	$ 1,618,878	$ 11,115	$ 245,232	$ 39,914	$ 56,857	$ 85,572	$ 10,543	$ 37,666	$ 5,356	$ 595	$ (74,420)	$ 2,037,308	$ 1,948,661
Liabilities and net assets													
Current liabilities:													
Long–term debt, current portion	$ 4,140	$ –	$ 428	$ –	$ –	$ –	$ –	$ 1,220	$ –	$ –	$ (1,279)	$ 4,509	$ 4,140
Accounts payable	12,826	5	(3)	15	–	217	7	524	–	–	–	13,591	12,838
Estimated third–party payor settlements, current portion	22,190	–	–	–	–	–	–	–	–	–	–	22,190	22,190
Accrued expenses and other	116,399	3,706	14,081	29,524	16,134	1,468	61	6,409	1,024	430	(5,618)	183,618	171,102
Operating lease liabilities, current portion	766	213	362	2,237	759	–	–	272	–	–	(82)	4,527	4,124
Total current liabilities	156,321	3,924	14,868	31,776	16,893	1,685	68	8,425	1,024	430	(6,979)	228,435	214,394
Long–term debt, less current portion	290,750	–	–	–	–	–	–	12,250	–	–	(10,553)	292,447	290,750
Operating lease liabilities, less current portion	620	299	2,518	4,579	359	–	–	2,896	–	–	(2,816)	8,455	8,076
Estimated third–party payor settlements, less current portion	6,304	–	–	–	–	–	–	–	–	–	–	6,304	6,304
Accrued pension liability	51,963	–	–	–	–	–	–	–	–	–	–	51,963	51,963
Other liabilities	79,739	–	4,548	278	3,105	36,285	–	–	78	–	(37,635)	86,398	80,914
Total liabilities	585,697	4,223	21,934	36,633	20,357	37,970	68	23,571	1,102	430	(57,983)	674,002	652,401
Net assets:													
Net assets without donor restrictions	1,027,894	6,698	209,555	3,281	36,500	47,602	1,804	14,095	4,254	165	(24,415)	1,327,433	1,276,634
Net assets with donor restrictions	5,287	194	13,743	–	–	–	8,671	–	–	–	–	27,895	19,626
Non–controlling interest	–	–	–	–	–	–	–	–	–	–	7,978	7,978	–
Total net assets	1,033,181	6,892	223,298	3,281	36,500	47,602	10,475	14,095	4,254	165	(16,437)	1,363,306	1,296,260
Total liabilities and net assets	$ 1,618,878	$ 11,115	$ 245,232	$ 39,914	$ 56,857	$ 85,572	$ 10,543	$ 37,666	$ 5,356	$ 595	$ (74,420)	$ 2,037,308	$ 1,948,661

(OG) – Entity is a member of the Obligated Group, as described in certain documents related to the New Jersey Health Care Facilities Financing Authority Revenue Bonds, AtlantiCare Health System Obligated Group Issue. Refer to Note 8 to the financial statements.

(DA) – Entity is a Designated Affiliate, as described in certain documents related to the New Jersey Health Care Facilities Financing Authority Revenue Bonds, AtlantiCare Health System Obligated Group Issue. Refer to Note 8 to the financial statements.

Note: The column "Total OG + DA" represents the combination of the Obligated Group and Designated Affiliates, net of eliminations of inter–entity balances and activities. Refer to Note 8 to the financial statements.

AtlantiCare Health System, Inc. and Affiliates

Consolidating Statement of Operations and Changes in Net Assets

(Dollars In Thousands)

Year Ended December 31, 2023

	AtlantiCare Regional Health Services												
	(OG) AtlantiCare Regional Medical Center	AtlantiCare Behavioral Health	(DA) AtlantiCare Health Services	(DA) AtlantiCare Physician Group, P.A.	(OG) AtlantiCare Health System, Inc.	English Creek Assurance, Ltd.	AtlantiCare Foundation	AtlantiCare Surgery Center, LLC	AtlantiCare Health Engagement	AtlantiCare Health Solutions	Eliminations	Total Consolidated	Total OG + DA
Net assets without donor restrictions													
Revenue:													
Net patient service revenue	$ 836,275	$ 10,330	$ 56,234	$ 169,079	$ –	$ –	$ –	$ 60,444	$ –	$ –	$ –	$ 1,132,362	$ 1,061,588
Other revenue	25,598	12,958	23,404	90,287	100,766	9,125	3,600	125	5,758	4,644	(210,627)	65,638	56,060
Total revenue	861,873	23,288	79,638	259,366	100,766	9,125	3,600	60,569	5,758	4,644	(210,627)	1,198,000	1,117,648
Expenses:													
Salaries and benefits	381,833	16,822	36,746	224,063	41,798	–	1,625	18,885	5,226	–	–	726,998	684,440
Supplies and other	363,101	6,978	21,871	47,321	14,071	7,322	1,660	21,588	1,185	4,644	(210,627)	279,114	262,369
Purchased services	55,628	999	18,647	21,095	44,789	125	1,100	3,126	443	–	–	145,952	140,159
Interest expense	9,254	–	286	–	–	–	–	164	–	–	–	9,704	9,540
Depreciation and amortization	44,289	232	5,859	3,209	108	–	–	4,348	2	–	–	58,047	53,465
Total expenses	854,105	25,031	83,409	295,688	100,766	7,447	4,385	48,111	6,856	4,644	(210,627)	1,219,815	1,149,973
Income (loss) from operations	7,768	(1,743)	(3,771)	(36,322)	–	1,678	(785)	12,458	(1,098)	–	–	(21,815)	(32,325)
Non–operating gains and losses:													
Investment in subsidiary	1,351	–	4,032	–	–	–	–	–	–	–	(5,383)	–	5,383
Investment gain, net	118,946	–	2,449	–	5,094	6,231	921	–	280	–	–	133,921	126,489
Expected return on plan assets and other components of net pension and other postretirement costs	6,088	–	–	–	–	–	–	–	–	–	–	6,088	6,088
Total non–operating gains and losses, net	126,385	–	6,481	–	5,094	6,231	921	–	280	–	(5,383)	140,009	137,960
Excess (deficiency) of revenue over expenses	134,153	(1,743)	2,710	(36,322)	5,094	7,909	136	12,458	(818)	–	(5,383)	118,194	105,635
Other changes in net assets without donor restrictions:													
Pension liability adjustments	(48,719)	–	–	–	–	–	–	–	–	–	–	(48,719)	(48,719)
Net assets released from restrictions for capital purchases	–	22	1,597	–	–	–	–	–	–	–	–	1,619	1,597
Contributions received for capital purchases	–	66	607	–	–	–	–	–	–	–	–	673	607
Transfers (to) from affiliates, net	(51,294)	1,550	18,244	31,500	–	–	–	(5,404)	–	–	5,404	–	(1,550)
Income attributable to non–controlling interest	–	–	–	–	–	–	–	(7,028)	–	–	–	(7,028)	–
Increase (decrease) in net assets without donor restrictions	34,140	(105)	23,158	(4,822)	5,094	7,909	136	26	(818)	–	21	64,739	57,570
Net assets with donor restrictions													
Donor contributions	–	–	–	–	–	–	5,323	–	–	–	–	5,323	–
Investment earnings, net	51	–	–	–	–	–	–	–	–	–	–	51	51
Net assets released from restrictions	–	(22)	(1,597)	–	–	–	(3,045)	–	–	–	–	(4,664)	(1,597)
Increase (decrease) in net assets with donor restrictions	51	(22)	(1,597)	–	–	–	2,278	–	–	–	–	710	(1,546)
Increase (decrease) in AtlantiCare Health System, Inc. net assets	34,191	(127)	21,561	(4,822)	5,094	7,909	2,414	26	(818)	–	21	65,449	56,024
Non–controlling interest													
Contributions and other changes in non–controlling interest	–	–	–	–	–	–	–	(33)	–	–	–	(33)	–
Increase (decrease) in net assets, including non–controlling interest	34,191	(127)	21,561	(4,822)	5,094	7,909	2,414	(7)	(818)	–	21	65,416	56,024
Net assets at beginning of year	998,990	7,019	201,737	8,103	31,406	39,693	8,061	14,102	5,072	165	(16,458)	1,297,890	1,240,236
Net assets at end of year	$ 1,033,181	$ 6,892	$ 223,298	$ 3,281	$ 36,500	$ 47,602	$ 10,475	$ 14,095	$ 4,254	$ 165	$ (16,437)	$ 1,363,306	$ 1,296,260

(OG) – Entity is a member of the Obligated Group, as described in certain documents related to the New Jersey Health Care Facilities Financing Authority Revenue Bonds, AtlantiCare Health System Obligated Group Issue. Refer to Note 8 to the financial statements.

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Note: The column "Total OG + DA" represents the combination of the Obligated Group and Designated Affiliates, net of eliminations of inter–entity balances and activities. Refer to Note 8 to the financial statements.

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