



CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

AtlantiCare Health System, Inc. and Affiliates
Years Ended December 31, 2025 and 2024
With Report of Independent Auditors



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AtlantiCare Health System, Inc. and Affiliates

Consolidated Financial Statements and
Supplementary Information

Years Ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 \$100.5 million and \$89.3 million as of December 31, 2025 and 2024, respectively, and total revenue of \$8.6 million and \$9.0 million for the years ended December 31, 2025 and 2024, 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.



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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.



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- 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, 2025 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 the other auditors, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

May 18, 2026

AtlantiCare Health System, Inc. and Affiliates

Consolidated Balance Sheets
(Dollars in Thousands)

	December 31	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 70,657	\$ 55,516
Assets limited as to use, current portion	6,987	6,068
Patient accounts receivable, net	162,494	156,596
Inventories and other current assets	166,932	114,623
Total current assets	<u>407,070</u>	<u>332,803</u>
Investments	1,132,126	1,111,164
Property and equipment, net	633,273	617,478
Operating lease assets	7,344	8,535
Other noncurrent assets, net	160,855	77,502
Total assets	<u>\$ 2,340,668</u>	<u>\$ 2,147,482</u>
Liabilities and net assets		
Current liabilities:		
Long-term debt, current portion	\$ 6,142	\$ 5,856
Accounts payable	27,388	34,282
Estimated third-party payor settlements, current portion	19,329	19,377
Accrued expenses and other	182,805	191,675
Operating lease liabilities, current portion	3,131	3,526
Total current liabilities	<u>238,795</u>	<u>254,716</u>
Long-term debt, less current portion	278,373	285,857
Operating lease liabilities, less current portion	4,683	5,663
Estimated third-party payor settlements, less current portion	4,453	4,985
Accrued pension liability	4,622	23,346
Other liabilities	138,250	88,499
Total liabilities	<u>669,176</u>	<u>663,066</u>
Net assets:		
Net assets without donor restrictions	1,636,387	1,448,596
Net assets with donor restrictions	26,547	26,985
Non-controlling interest	8,558	8,835
Total net assets	<u>1,671,492</u>	<u>1,484,416</u>
Total liabilities and net assets	<u>\$ 2,340,668</u>	<u>\$ 2,147,482</u>

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	
	2025	2024
Net assets without donor restrictions		
Revenue:		
Net patient service revenue	\$ 1,260,451	\$ 1,184,495
Other revenue	58,297	53,988
Total revenue	<u>1,318,748</u>	<u>1,238,483</u>
Expenses:		
Salaries and benefits	781,507	750,216
Supplies and other	317,850	301,388
Purchased services	144,303	135,756
Interest expense	9,131	10,602
Depreciation and amortization	58,365	55,676
Total expenses	<u>1,311,156</u>	<u>1,253,638</u>
Income (loss) from operations	7,592	(15,155)
Non-operating gains and losses:		
Investment gain, net	161,100	100,076
Expected return on plan assets and other components of net pension and other postretirement costs	4,318	1,427
Other non-operating loss	(820)	(4,513)
Total non-operating gains and losses, net	<u>164,598</u>	<u>96,990</u>
Excess of revenue over expenses	172,190	81,835

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	
	2025	2024
Net assets without donor restrictions (continued)		
Excess of revenue over expenses <i>(from previous page)</i>	\$ 172,190	\$ 81,835
Other changes in net assets without donor restrictions:		
Pension liability adjustments	19,860	25,365
Net assets released from restrictions for capital purchases	1,741	1,046
Transfers and reclassification of net assets	(819)	-
Contributions received for capital purchases	-	20,000
Income attributable to non-controlling interest	(5,181)	(7,083)
Increase in net assets without donor restrictions	187,791	121,163
Net assets with donor restrictions		
Donor contributions and transfers	2,466	3,704
Investment earnings, net	112	55
Net assets released from restrictions	(3,016)	(4,669)
Decrease in net assets with donor restrictions	(438)	(910)
Increase in AtlantiCare Health System, Inc. net assets	187,353	120,253
Non-controlling interest		
Other changes in non-controlling interest	(277)	857
Increase in net assets, including non-controlling interest	187,076	121,110
Net assets at beginning of year	1,484,416	1,363,306
Net assets at end of year	\$ 1,671,492	\$ 1,484,416

See accompanying notes.

AtlantiCare Health System, Inc. and Affiliates

Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year Ended December 31	
	2025	2024
Operating activities		
Increase in net assets	\$ 187,076	\$ 121,110
Change in net assets attributable to non-controlling interest	277	(857)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	58,365	55,676
Net change in unrealized gains and losses	(94,823)	(81,406)
Net realized gains and losses on sale of investments	(65,789)	(16,971)
Contributions received for capital purchases	(1,659)	(20,000)
Restricted contributions	(1,789)	(3,704)
Net change in operating assets and liabilities:		
Patient accounts receivable, net	(5,898)	(20,756)
Inventories and other assets, net	(132,279)	(12,305)
Accounts payable	(6,894)	26,573
Estimated third-party payor settlements, net	(580)	(4,132)
Accrued pension liability	(18,724)	(28,617)
Accrued expenses and other liabilities	37,874	236
Net cash (used in) provided by operating activities	(44,843)	14,847
Investing activities		
Purchases of property and equipment, net	(80,236)	(78,626)
Proceeds from sales of investments, net	139,558	30,402
Capital distributions received from joint venture, net of contribution paid	3,055	(3,250)
Net cash provided by (used in) investing activities	62,377	(51,474)
Financing activities		
Repayments of long-term debt	(5,841)	(4,140)
Advances on line of credit	-	50,000
Repayments on line of credit	-	(50,000)
Contributions received for capital purchases	1,659	20,000
Proceeds from restricted contributions	1,789	3,704
Net cash (used in) provided by financing activities	(2,393)	19,564
Increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	15,141	(17,063)
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	55,516	72,579
Cash and cash equivalents and restricted cash and cash equivalents, end of year	\$ 70,657	\$ 55,516
Supplemental disclosure of cash flow information		
Assets acquired under finance lease obligations	\$ -	\$ 672
(Increase) decrease in capital expenditures related to accrued expenses	\$ (7,366)	\$ 2,270

See accompanying notes.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements *(Dollars in Thousands unless otherwise noted)*

Years Ended December 31, 2025 and 2024

1. Organization

AtlantiCare Health System, Inc. (AtlantiCare) is the sole member of AtlantiCare Regional Health Services, AtlantiCare Foundation (the Foundation), and AtlantiCare 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 regional health care provider of 593 licensed beds, 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.

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. Surgery Center's financial information is included within the accompanying 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

Commencing in 2021, AtlantiCare applied for reimbursement of qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. 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.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

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 significant accounting policies used in preparing the accompanying 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, disclosure of contingent assets and liabilities at the date of the consolidated 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 classified as trading securities and measured at fair value. Interest and dividend income and realized and unrealized gains and losses, net of investment-related expenses, on investments without donor restrictions are reported as investment gain, net in the accompanying consolidated statements of operations and changes in net assets.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

Donor restricted interest and dividend income and realized and unrealized gains and losses on trusts held as donor restricted endowment funds are recorded as investment earnings, net within changes in net assets with donor restrictions in the accompanying 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 investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) 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 accompanying consolidated financial statements.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

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 noncurrent 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 and are not held for sale.

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, included in buildings and building improvements (see Note 6), 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. Such amortization is included in the depreciation and amortization in the accompanying consolidated statements of operations and change in net assets. The cost of assets and the related accumulated depreciation are removed from the consolidated balance sheets upon retirement or disposition and any resulting gain or loss is reported in supplies and other expenses in the accompanying 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.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

Deferred Financing Costs

Capitalized 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 as other assets in the accompanying 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 accompanying consolidated statements of operations and changes in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the accompanying consolidated statements of operations and changes in net assets. 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 accompanying 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 in the accompanying consolidated statements of operations and changes in net assets.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

Net Asset Classification

AtlantiCare 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. 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 by AtlantiCare 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 as it relates to its permanent endowment contributions and net assets with donor restrictions, 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.

Excess of Revenue Over Expenses

Excess 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, transfers and reclassification of net assets, 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 income (loss) from operations. Investment gain, net and certain transactions which are peripheral or of an infrequent nature are excluded from income (loss) from operations.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

3. Summary of Significant Accounting Policies (continued)

Income Taxes

The majority of the consolidated entities of AtlantiCare are Section 501(c)(3) organizations exempt from Federal income taxes on related income under Section 501(a) of the Internal Revenue Code. These entities are also exempt from State and local income taxes. English Creek 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. Although the entities described in Note 1 have been consolidated for financial statement reporting purposes under applicable accounting requirements, there may be limitations on the use of one entity's funds by another member of the consolidated group resulting from debt-related agreements, the charitable nature of some of the entities, or other factors.

Recent Accounting Pronouncements

In September 2025, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2025-06, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. The amendments in this ASU both clarify and modernize the guidance for accounting for costs related to internal-use software. The new guidance removes all reference to “project stages” within Subtopic 350-40 and requires entities to begin capitalizing software costs based on new criteria, including the probability that the project will be completed and that the software will be used for the intended function. The ASU also includes expanded disclosure requirements for capitalized software costs. The guidance is effective for AtlantiCare for fiscal years beginning after December 15, 2027, and interim periods within those fiscal years; early adoption is permitted. Entities may apply the guidance using a prospective, retrospective or modified transition approach. AtlantiCare is currently evaluating the impact of this ASU on its consolidated financial statements.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

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.

Net patient service 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. Net patient service 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. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in AtlantiCare's outpatient and ambulatory facilities. 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).

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. Based on historical collection trends and other analyses, AtlantiCare believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

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, 2025 and 2024 are not significant.

Subsequent changes that are determined to be a 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, 2025 and 2024 related to net patient service revenue.

Net patient service revenue by major payor source for the years ended December 31, 2025 and 2024, based on primary insurance designation, is as follows:

	Year Ended December 31	
	2025	2024
Medicare (including Medicare managed care ¹)	\$ 406,720	\$ 379,259
Medicaid (including Medicaid managed care ¹)	246,731	229,381
Commercial carriers	599,040	567,639
Self-pay	7,960	8,216
	\$ 1,260,451	\$ 1,184,495

¹ Activity administered by managed care organizations represented approximately 39% of Medicare and 45% of Medicaid revenue in 2025, and 36% of Medicare and 46% of Medicaid revenue in 2024.

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

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

Net patient service revenue for the years ended December 31, 2025 and 2024, by line of business, is as follows:

	Year Ended December 31	
	2025	2024
Hospital and ambulatory facilities	\$ 1,017,672	\$ 935,965
Physician services	242,779	248,530
	\$ 1,260,451	\$ 1,184,495

At December 31, 2025 and 2024, net accounts receivable is comprised of the following components:

	December 31	
	2025	2024
Patient receivables, net	\$ 157,752	\$ 149,394
Contract assets, net	4,742	7,202
	\$ 162,494	\$ 156,596

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 systems 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.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

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, 2024. 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.

For the years ended December 31, 2025 and 2024, AtlantiCare's revisions to prior year settlement estimates increased net patient service revenue by \$14.6 million and \$7.1 million, respectively. 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.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

There has been enacted legislation and various other proposals at the Federal and state levels that could, among other things, significantly reduce payment and enrollment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the effects of or potential 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 the 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, 2025 and 2024 was as follows:

	December 31	
	2025	2024
Medicare (including Medicare managed care ¹)	34%	36%
Medicaid (including Medicaid managed care ¹)	11	15
Blue Cross	17	17
Self-pay	10	9
Other Commercial carriers	28	23
	100%	100%

¹ Amounts are inclusive of Medicare and Medicaid program activity administered by managed care organizations. Such activity represented 57% of Medicare and 77% of Medicaid balances at December 31, 2025, and 55% of Medicare and 80% of Medicaid balances at December 31, 2024.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

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 \$25.0 million and \$26.2 million for the years ended December 31, 2025 and 2024, respectively. The cost of charity care is derived from both estimated and actual data. The previously disclosed 2024 estimates have been updated to reflect final amounts reported in the Internal Revenue Service filings based on accumulated data for costs and patient activity meeting certain criteria and classifications. 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.

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 Subsidy payments to hospitals statewide. AtlantiCare received \$1.1 million and \$7.2 million in Charity Care Subsidy payments during the years ended December 31, 2025 and 2024, respectively.

Commencing July 1, 2024, the New Jersey Department of Human Services-Division of Medical Assistance and Health Services (DMAHS) redirected the Charity Care Subsidy towards a new Medicaid Outpatient Hospital Supplemental State-Directed Payment Program. Under the new program, hospitals receive quarterly payments through Medicaid managed care organizations. AtlantiCare received payments of \$13.8 million and \$6.2 million for the years ended December 31, 2025 and December 31, 2024, respectively. These payments are subject to annual settlement based on actual Medicaid utilization data and other factors.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

4. Net Patient Service Revenue (continued)

AtlantiCare receives additional Medicaid funding under the New Jersey County Option Hospital Fee Program. This program is administered through DMAHS and requires participating hospitals to 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 incurred by AtlantiCare of \$32.8 million and \$21.7 million in 2025 and 2024, respectively. AtlantiCare recognized \$98.9 million and \$63.8 million in net patient service revenue for this program in 2025 and 2024, respectively. The State Directed Payments program for state fiscal year 2026 is currently pending Federal approval for the amounts related to July 1, 2025 through December 31, 2025. AtlantiCare has established a valuation allowance so that the net revenue recognized under this program for the year ended December 31, 2025 was recorded only to the extent that management believes it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

To support continued population health improvement across New Jersey, the New Jersey Department of Health (NJDOH) developed and implemented a hospital performance initiative called the Quality Improvement Program-New Jersey. Payments are determined through quality-based measures for which AtlantiCare recorded \$5.0 million and \$7.0 million in net patient service revenue for this program in 2025 and 2024, respectively.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

5. Investments and Assets Limited as to Use

AtlantiCare's investments, which include assets limited as to use by the Board of Trustees and external parties and those restricted by donors, consist of the amounts below at December 31, 2025 and 2024. Assets limited as to use which are required to meet current liabilities are reported as current assets.

	December 31	
	2025	2024
Cash equivalents	\$ 10,164	\$ 9,060
Equity funds	739,949	724,395
Marketable equity securities	413	392
Corporate obligations	13,535	13,592
Fixed income funds	339,951	335,787
U.S. government and agency obligations	22,219	20,847
Alternative investments – private equity	12,882	13,159
	1,139,113	1,117,232
Less current portion	6,987	6,068
Non-current portion	\$ 1,132,126	\$ 1,111,164

Investment gain, net consists of the following:

	Year Ended December 31	
	2025	2024
Interest and dividend income	\$ 488	\$ 1,699
Net realized gains and losses on sale of investments	65,789	16,971
Net change in unrealized gains and losses	94,823	81,406
	\$ 161,100	\$ 100,076

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

6. Property and Equipment

Property and equipment consist of the following at December 31, 2025 and 2024:

	Estimated Useful Lives	December 31 2025	December 31 2024
Land		\$ 52,596	\$ 47,998
Land improvements	(2–28 years)	15,647	15,372
Buildings and building improvements	(2–50 years)	694,909	625,903
Equipment	(3–20 years)	219,588	205,792
Computer hardware	(3–5 years)	49,350	45,137
Computer software	(3–5 years)	57,617	57,029
		1,089,707	997,231
Accumulated depreciation and amortization		(521,466)	(464,269)
		568,241	532,962
Construction in progress (estimated cost to complete approximately \$55,044)		65,032	84,516
		\$ 633,273	\$ 617,478

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2025 and 2024 was \$58.4 million and \$55.7 million, respectively.

During 2025 and 2024, AtlantiCare wrote off approximately \$3.5 million and \$4.7 million of assets, respectively, including certain fully depreciated assets.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

7. Other Assets

Joint Ventures

AtlantiCare's investments in unconsolidated joint ventures, included in other noncurrent assets, net in the accompanying consolidated balance sheets, totaled \$61.4 million and \$13.0 million at December 31, 2025 and 2024, respectively. Net capital distributions from these joint ventures totaled \$3.1 million and \$1.3 million for the years ended December 31, 2025 and 2024, respectively.

The Osprey Rehabilitation, LLC (Osprey) joint venture was created on December 8, 2022 by Health Services and Rehabclinics (SPT), Inc. as its members, with operations beginning April 1, 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 \$57.7 million and \$9.3 million at December 31, 2025 and 2024, respectively. Net capital distributions of \$1.6 million were received by AtlantiCare in 2025 and net capital contributions of \$3.2 million were paid by AtlantiCare in 2024. In 2025, Osprey entered into a \$50.0 million term loan agreement with a commercial bank, which is guaranteed on a joint and several basis by its members. AtlantiCare recorded the guarantee obligation with a corresponding increase in other noncurrent assets, net in the accompanying consolidated balance sheets.

Other Assets

In late 2024, AtlantiCare entered into an agreement with Oracle America, Inc. to provide and implement an enterprise-wide clinical transformation technology platform that combines capabilities for an integrated electronic health record, revenue cycle management and enterprise resource planning. The implementation is being executed in phases, with initial modules that went live beginning in mid-2025 and implementation for remaining modules scheduled to continue through 2026. The project is expected to cost approximately \$85 million, with approximately \$36.6 million incurred through December 31, 2025.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

8. Long-Term Debt

Long-term debt consists of the following at December 31, 2025 and 2024:

	December 31	
	2025	2024
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)	\$ 204,570	\$ 208,915
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)	60,600	61,705
Other long-term debt	1,460	1,698
Finance lease obligations (<i>Note 9</i>)	513	666
	267,143	272,984
Less: current portion	(6,142)	(5,856)
Less: unamortized deferred financing costs	(1,832)	(1,951)
Add: unamortized premium	19,204	20,680
	\$ 278,373	\$ 285,857

^(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, Inc.) 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.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(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, 2025 and 2024, 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:

2026	\$ 6,142
2027	6,405
2028	6,668
2029	6,974
2030	7,070
Thereafter	233,884
	<u>\$ 267,143</u>

Net interest paid was \$9.9 million and \$10.9 million for the years ended December 31, 2025 and 2024, respectively.

In September 2023, AtlantiCare entered into a \$50.0 million line of credit with a bank. The agreement provides for interest expense as a factor of secured overnight financing rate. The line of credit is available through September 11, 2026. At December 31, 2025 and 2024, there were no amounts outstanding under this line of credit.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

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 operating lease 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 for operating leases 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 operating lease 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 income or loss from operations.

Several key estimates and judgments are used to determine the operating lease ROU assets and 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 certain medical office buildings and land under operating leases. At lease commencement, the initial lease terms of the operating leases ranged through 50 years.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(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, 2025 and 2024:

	December 31	
	2025	2024
Lease cost:		
Finance lease cost:		
Amortization of right-of-use asset	\$ 228	\$ 170
Interest on lease liabilities	23	24
Operating lease cost	4,635	6,350
Short-term lease cost	20	51
Total lease cost	<u>\$ 4,906</u>	<u>\$ 6,595</u>
Right-of-use assets and liabilities:		
Right-of-use assets – finance leases	\$ 543	\$ 771
Lease liability – finance leases	513	666
Right-of-use assets – operating leases	7,344	8,535
Lease liability – operating leases	7,814	9,189
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for financing leases	\$ 23	\$ 24
Operating cash flow for operating leases	4,799	5,708
Financing cash flow for financing leases	153	168
Right of use assets obtained in exchange for new financing lease liabilities	\$ –	\$ 672
Right of use assets obtained in exchange for new operating lease liabilities	3,084	2,271
Weighted average remaining lease term – finance leases	2.9	3.8
Weighted average remaining lease term – operating leases	5.2	5.3
Weighted average discount rate – finance leases	4.2%	4.2%
Weighted average discount rate – operating leases	4.6%	4.7%

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands unless otherwise noted)

9. Leases (continued)

For finance leases, ROU assets are recorded in property and equipment, net 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, 2025:

	Financing Leases	Operating Leases
	<u> </u>	<u> </u>
2026	\$ 176	\$ 3,399
2027	149	2,083
2028	111	945
2029	110	417
2030	–	310
Thereafter	–	1,747
Total undiscounted future lease payments	<u>546</u>	<u>8,901</u>
Less present value discount	<u>(33)</u>	<u>(1,087)</u>
Discounted future lease payments	513	7,814
Less current portion	<u>(159)</u>	<u>(3,131)</u>
Long-term portion	<u>\$ 354</u>	<u>\$ 4,683</u>

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

10. Liquidity and Availability of Resources

Liquid financial resources are utilized by AtlantiCare to meet its 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 are intended for long-term uses but are available for short-term needs, except for private equity funds. The following summarizes AtlantiCare's financial assets and liquidity resources available within one year to meet the needs of AtlantiCare as of December 31, 2025 and 2024:

	December 31	
	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 70,657	\$ 55,516
Patient accounts receivable	162,494	156,596
Investments	1,139,113	1,117,232
Total financial assets	1,372,264	1,329,344
Less investments not available to be used for general expenditures within one year:		
Externally designated by donors	26,547	26,985
Private equity funds	12,882	13,159
	\$ 1,332,835	\$ 1,289,200

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

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

11. Pension and Other Postretirement Benefit 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 accompanying consolidated balance sheets at December 31, 2025 and 2024 and changes in funded status for the years ended December 31, 2025 and December 31, 2024 are as follows:

	December 31, 2025		December 31, 2024	
	Pension Plan	Other Benefits	Pension Plan	Other Benefits
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 292,243	\$ 5,636	\$ 302,206	\$ 6,148
Service cost	8,907	103	10,600	104
Interest cost	16,263	330	15,618	314
Plan amendments	-	(1,896)	-	-
Benefits paid	(22,496)	(338)	(14,570)	(307)
Retiree contributions	-	16	-	14
Actuarial loss (gain)	1,585	112	(21,611)	(637)
Benefit obligation at end of year	<u>296,502</u>	<u>3,963</u>	292,243	5,636
Change in plan assets				
Fair value of plan assets at beginning of year	268,897	17,935	250,243	16,670
Actual return on plan assets	38,279	2,294	18,869	1,608
Employer contributions	7,200	-	14,355	-
Benefits paid	(22,496)	(340)	(14,570)	(343)
Fair value of plan assets at end of year	<u>291,880</u>	<u>19,889</u>	268,897	17,935
Funded status at end of year	<u>\$ (4,622)</u>	<u>\$ 15,926</u>	\$ (23,346)	\$ 12,299

The actuarial loss in 2025 primarily relates to changes in the discount rate, expense load and mortality assumptions. The actuarial gain for the Pension Plan in 2024 primarily relates to an increase in the discount rate assumption.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands unless otherwise noted)

11. Pension and Other Post Retirement Plans (continued)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the Pension Plan at December 31, 2025 and 2024 are as follows:

	December 31	
	2025	2024
Projected benefit obligation	\$ 296,502	\$ 292,243
Accumulated benefit obligation	257,984	248,925
Fair value of plan assets	291,880	268,897

The unrecognized actuarial gains and prior service cost for the Pension Plan included in net assets without donor restrictions at December 31, 2025 and 2024 total \$62.4 million and \$45.2 million, respectively, including \$17.2 million related to 2025. 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 in future periods.

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

	Year Ended December 31	
	2025	2024
Service cost	\$ 8,907	\$ 10,600
Interest cost	16,263	15,618
Expected return on plan assets	(17,099)	(16,131)
Recognized actuarial (gain) loss and administrative expenses	(2,367)	103
Net periodic pension cost	<u>\$ 5,704</u>	<u>\$ 10,190</u>

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(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 for the Pension Plan and Other Benefits Plan:

	December 31	
	2025	2024
Discount rate:		
Benefit obligations	5.80%	5.90%
Net periodic pension cost	5.90	5.30
Expected long-term return on plan assets – Pension Plan	6.60	6.60
Expected long-term return on plan assets – Other Benefits Plan	6.40	6.40
Rates of compensation increase – Pension Plan	3.00	3.00

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 the years ended December 31, 2025 and 2024, AtlantiCare contributed \$7.2 million and \$14.4 million, respectively, to the Pension Plan. AtlantiCare intends to contribute approximately \$7.2 million to the Pension Plan in 2026.

The following is a schedule by year of estimated future benefit payments related to the Pension Plan as of December 31:

2026	\$ 20,823
2027	20,222
2028	21,534
2029	22,338
2030	23,438
2031-2035	124,274

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

11. Pension and Other Post Retirement Plans (continued)

Defined Contribution Pension Plans

A defined contribution plan is maintained for all employees hired after January 1, 2010. AtlantiCare incurred \$14,636 and \$12,448 of expense related to the defined contribution plan during the years ended December 31, 2025 and 2024, 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) to the extent possible. 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.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

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 measurements 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.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

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 consist of 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, holdings in AtlantiCare's investment portfolio of these limited partnership investments are recorded under the equity method and valued at NAV and, accordingly, are not categorized in the fair value hierarchy. Such investments held by the Pension Plan and Other Benefits Plan are recorded at fair value, using NAV as a practical expedient.

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 noncurrent assets, net, in the accompanying consolidated balance sheets. These assets are categorized as Level 3.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

12. Fair Value Measurements (continued)

The following table represents AtlantiCare's financial assets at December 31, 2025 and 2024, by level within the fair value hierarchy and alternative investments recorded at NAV under the equity method:

	Fair Value			Equity Method NAV	Total
	Level 1	Level 2	Level 3		
December 31, 2025					
Cash equivalents	\$ 80,821	\$ –	\$ –	\$ –	\$ 80,821
Equity funds	–	739,949	–	–	739,949
Marketable equity securities	413	–	–	–	413
Corporate obligations	–	13,535	–	–	13,535
Fixed income funds	–	339,951	–	–	339,951
U.S. government and agency obligations	12,271	9,948	–	–	22,219
Alternative investments	–	–	–	12,882	12,882
Assets held in trust	–	–	797	–	797
	\$ 93,505	\$ 1,103,383	\$ 797	\$ 12,882	\$ 1,210,567
December 31, 2024					
Cash equivalents	\$ 64,576	\$ –	\$ –	\$ –	\$ 64,576
Equity funds	–	724,395	–	–	724,395
Marketable equity securities	392	–	–	–	392
Corporate obligations	–	13,592	–	–	13,592
Fixed income funds	–	335,787	–	–	335,787
U.S. government and agency obligations	12,237	8,610	–	–	20,847
Alternative investments	–	–	–	13,159	13,159
Assets held in trust	–	–	723	–	723
	\$ 77,205	\$ 1,082,384	\$ 723	\$ 13,159	\$ 1,173,471

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

12. Fair Value Measurements (continued)

The following table represents the composition of plan assets for the Pension Plan and Other Benefits Plan, by level within the fair value hierarchy and actual asset allocations at December 31, 2025 and 2024:

	Level 1	Level 2	Level 3	NAV	Total	Allocation
December 31, 2025						
Equity funds	\$ –	\$ 206,454	\$ –	\$ –	\$ 206,454	67%
Fixed income funds	–	99,885	–	–	99,885	32
Alternative investments	–	–	–	4,025	4,025	1
Cash and cash equivalents	1,405	–	–	–	1,405	0
	\$ 1,405	\$ 306,339	\$ –	\$ 4,025	\$ 311,769	100%
December 31, 2024						
Equity funds	\$ –	\$ 188,943	\$ –	\$ –	\$ 188,943	66%
Fixed income funds	–	92,601	–	–	92,601	32
Alternative investments	–	–	–	4,444	4,444	2
Cash and cash equivalents	844	–	–	–	844	0
	\$ 844	\$ 281,544	\$ –	\$ 4,444	\$ 286,832	100%

The following is a summary of holdings of private equity alternative investments, including those measured at fair value based on NAV, the restrictions on AtlantiCare's ability to redeem such investments at the measurement date and any unfunded capital commitments as of December 31, 2025:

Description of Investment	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity ^(a)	\$ 16,907	N/A	Quarterly/Annually	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.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(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	
	2025	2024
Time and purpose restrictions:		
Casino Reinvestment Development Authority:		
Ohio Avenue project	\$ 10,699	\$ 12,246
Support operations	8,514	7,966
Purchase of equipment	4,797	4,347
	<u>24,010</u>	<u>24,559</u>
Amounts held in perpetuity – endowments and trusts	2,537	2,426
	<u>\$ 26,547</u>	<u>\$ 26,985</u>

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 recognizes the associated contribution revenue ratably over the required service period.

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purpose to support operations and capital purchases in the amount of \$3.0 million and \$4.7 million for the years ended December 31, 2025 and 2024, respectively. Occasionally, net assets with specified purpose donor restrictions are identified and reclassified on the consolidated statements of changes in net assets to appropriately reflect donor intentions.

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

	December 31	
	2025	2024
Endowment net assets at beginning of period	\$ 1,703	\$ 1,676
Net investment earnings	37	28
Annual appropriations	–	(1)
Endowment net assets at end of period	<u>\$ 1,740</u>	<u>\$ 1,703</u>

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

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 \$8.6 million and \$8.8 million as of December 31, 2025 and 2024, respectively.

15. Hospital and Provider Professional Liability and General 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, in litigation. In addition, there are known 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 are as follows:

<u>Coverage</u>	<u>Per Claim Limit*</u>	<u>Annual Aggregate Limit</u>
	<i>(In Millions)</i>	
Institutional professional	\$ 6.0	\$ –
General liability	1.0	2.0
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.

The total net loss accruals were \$35.5 million and \$41.2 million at December 31, 2025 and 2024, respectively. The loss accruals, which were discounted at a rate of approximately 4% at December 31, 2025 and 2024, 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 accompanying consolidated balance sheets.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands unless otherwise noted)

16. Other Revenue

Other revenue consisted of the following:

	Year Ended December 31	
	2025	2024
Grant revenue	\$ 24,219	\$ 21,929
457B investment return	4,510	3,158
Rental income	3,259	3,231
Tuition	3,477	4,100
Shared savings and accountable care organization gains	11,874	7,857
Net assets released from restrictions for operations	1,275	3,645
Other	9,683	10,068
	<u>\$ 58,297</u>	<u>\$ 53,988</u>

In 2024, AtlantiCare received \$20.0 million from a governmental grant funded by the American Rescue Plan Act of 2021 and passed through the NJDOH (none in 2025). Such funds were used for several infrastructure improvements at the Medical Center's Mainland campus. The contribution received for capital purchases is reported within other changes in net assets without donor restrictions in the accompanying consolidated statements of operations and changes in net assets.

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands unless otherwise noted)

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.

Expenses by function and natural classification are as follows:

	Program Services			Management & General	Total
	Clinical Enterprise	Other	Total		
Year ended					
December 31, 2025					
Salaries and benefits	\$ 567,196	\$ 85,723	\$ 652,919	\$ 128,588	\$ 781,507
Supplies and other	279,906	36,245	316,151	1,699	317,850
Purchased services	76,552	53,698	130,250	14,053	144,303
Interest expense	518	–	518	8,613	9,131
Depreciation and amortization	49,048	8,613	57,661	704	58,365
Total expenses and non- service pension items	<u>\$ 973,220</u>	<u>\$ 184,279</u>	<u>\$ 1,157,499</u>	<u>\$ 153,657</u>	<u>\$ 1,311,156</u>

	Program Services			Management & General	Total
	Clinical Enterprise	Other	Total		
Year ended					
December 31, 2024					
Salaries and benefits	\$ 550,127	\$ 83,142	\$ 633,269	\$ 116,947	\$ 750,216
Supplies and other	262,478	36,834	299,312	2,076	301,388
Purchased services	71,506	51,595	123,101	12,655	135,756
Interest expense	587	–	587	10,015	10,602
Depreciation and amortization	46,882	7,987	54,869	807	55,676
Total expenses and non- service pension items	<u>\$ 931,580</u>	<u>\$ 179,558</u>	<u>\$ 1,111,138</u>	<u>\$ 142,500</u>	<u>\$ 1,253,638</u>

AtlantiCare Health System, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands unless otherwise noted)

18. Subsequent Events

Subsequent events have been evaluated through May 18, 2026, which is the date the accompanying consolidated financial statements were issued. Except for as disclosed in Note 7, no events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

Supplementary Information –
Consolidating Financial Information

AtlantiCare Health System, Inc. and Affiliates
Consolidating Balance Sheet
(Dollars In Thousands)
December 31, 2025

	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	\$ 21,385	\$ 3,160	\$ 9,398	\$ 2,849	\$ 3,728	\$ 8,468	\$ 1,329	\$ 8,035	\$ 552	\$ 11,753	\$ –	\$ 70,657	\$ 37,360
Assets limited as to use, current portion	6,647	–	340	–	–	–	–	–	–	–	–	6,987	6,987
Patient accounts receivable, net	138,328	1,132	4,390	19,116	–	–	–	3,905	–	–	(4,377)	162,494	157,457
Due from (to) affiliates	51,793	(687)	(28,445)	(15,898)	1,735	–	(1,610)	(2,634)	7,404	(11,658)	–	–	9,185
Inventories and other current assets	129,896	1,463	6,744	3,535	19,006	6,233	348	622	–	70	(985)	166,932	159,181
Total current assets	348,049	5,068	(7,573)	9,602	24,469	14,701	67	9,928	7,956	165	(5,362)	407,070	370,170
Investments	965,141	–	23,719	–	47,295	85,782	8,739	–	1,450	–	–	1,132,126	1,036,155
Property and equipment, net	390,681	3,490	204,109	14,990	295	–	–	25,923	–	–	(6,215)	633,273	603,860
Operating lease assets	640	551	2,013	3,534	144	–	–	2,409	–	–	(1,947)	7,344	6,331
Other noncurrent assets, net	127,065	–	84,567	–	2,566	–	595	1,397	–	–	(55,335)	160,855	214,198
Total assets	\$ 1,831,576	\$ 9,109	\$ 306,835	\$ 28,126	\$ 74,769	\$ 100,483	\$ 9,401	\$ 39,657	\$ 9,406	\$ 165	\$ (68,859)	\$ 2,340,668	\$ 2,230,714
Liabilities and net assets													
Current liabilities:													
Long-term debt, current portion	\$ 5,720	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 1,498	\$ –	\$ –	\$ (1,076)	\$ 6,142	\$ 5,720
Accounts payable	25,484	5	2	–	–	–	1,897	(7)	–	–	–	27,388	25,486
Estimated third-party payor settlements, current portion	19,329	–	–	–	–	–	–	–	–	–	–	19,329	19,329
Accrued expenses and other	124,453	3,052	10,881	23,324	17,359	82	414	6,504	1,195	–	(4,459)	182,805	171,640
Operating lease liabilities, current portion	388	275	363	1,793	123	–	–	257	–	–	(68)	3,131	2,667
Total current liabilities	175,374	3,332	11,246	25,117	17,482	1,979	421	8,252	1,195	–	(5,603)	238,795	224,842
Long-term debt, less current portion	276,822	–	–	–	–	–	–	13,744	–	–	(12,193)	278,373	276,822
Operating lease liabilities, less current portion	338	276	1,895	1,901	–	–	–	3,192	–	–	(2,919)	4,683	4,134
Estimated third-party payor settlements, less current portion	4,453	–	–	–	–	–	–	–	–	–	–	4,453	4,453
Accrued pension liability	4,622	–	–	–	–	–	–	–	–	–	–	4,622	4,622
Other liabilities	83,778	–	53,276	177	2,079	30,944	–	–	78	–	(32,082)	138,250	133,095
Total liabilities	545,387	3,608	66,417	27,195	19,561	32,923	421	25,188	1,273	–	(52,797)	669,176	647,968
Net assets:													
Net assets without donor restrictions	1,280,735	5,237	227,852	931	55,208	67,560	717	14,469	8,133	165	(24,620)	1,636,387	1,564,726
Net assets with donor restrictions	5,454	264	12,566	–	–	–	8,263	–	–	–	–	26,547	18,020
Non-controlling interest	–	–	–	–	–	–	–	–	–	–	8,558	8,558	–
Total net assets	1,286,189	5,501	240,418	931	55,208	67,560	8,980	14,469	8,133	165	(16,062)	1,671,492	1,582,746
Total liabilities and net assets	\$ 1,831,576	\$ 9,109	\$ 306,835	\$ 28,126	\$ 74,769	\$ 100,483	\$ 9,401	\$ 39,657	\$ 9,406	\$ 165	\$ (68,859)	\$ 2,340,668	\$ 2,230,714

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

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

AtlantiCare Health System, Inc. and Affiliates
Consolidating Statement of Operations and Changes in Net Assets
(Dollars In Thousands)
Year Ended December 31, 2025

	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	\$ 947,560	\$ 13,720	\$ 71,056	\$ 166,055	\$ –	\$ –	\$ –	\$ 62,060	\$ –	\$ –	\$ –	1,260,451	\$ 1,184,671
Other revenue	20,639	9,771	20,262	114,756	107,724	8,591	4,113	181	8,923	11,284	(247,947)	58,297	45,523
Total revenue	968,199	23,491	91,318	280,811	107,724	8,591	4,113	62,241	8,923	11,284	(247,947)	1,318,748	1,230,194
Expenses:													
Salaries and benefits	404,341	17,639	41,282	242,275	49,779	–	2,080	19,329	4,782	–	–	781,507	737,677
Supplies and other	419,904	6,424	34,457	42,570	18,135	4,770	1,161	26,811	281	11,284	(247,947)	317,850	297,208
Purchased services	65,109	678	14,728	18,508	39,663	129	1,742	3,670	76	–	–	144,303	138,008
Interest expense	9,024	–	–	–	–	–	–	107	–	–	–	9,131	9,024
Depreciation and amortization	41,948	227	9,536	3,223	147	–	–	3,284	–	–	–	58,365	54,854
Total expenses	940,326	24,968	100,003	306,576	107,724	4,899	4,983	53,201	5,139	11,284	(247,947)	1,311,156	1,236,771
Income (loss) from operations	27,873	(1,477)	(8,685)	(25,765)	–	3,692	(870)	9,040	3,784	–	–	7,592	(6,577)
Non-operating gains and losses:													
Change in investment in subsidiary	953	–	2,774	–	–	–	–	–	–	–	(3,727)	–	3,727
Investment gain, net	142,892	–	2,487	–	4,946	9,766	903	–	106	–	–	161,100	150,325
Expected return on plan assets and other components of net pension and other postretirement costs	4,318	–	–	–	–	–	–	–	–	–	–	4,318	4,318
Other non-operating loss	–	–	(820)	–	–	–	–	–	–	–	–	(820)	(820)
Total non-operating gains and losses, net	148,163	–	4,441	–	4,946	9,766	903	–	106	–	(3,727)	164,598	157,550
Excess (deficiency) of revenue over expenses	176,036	(1,477)	(4,244)	(25,765)	4,946	13,458	33	9,040	3,890	–	(3,727)	172,190	150,973
Other changes in net assets without donor restrictions:													
Pension liability adjustments	19,860	–	–	–	–	–	–	–	–	–	–	19,860	19,860
Net assets released from restrictions for capital purchases	–	42	1,699	–	–	–	–	–	–	–	–	1,741	1,699
Transfers and reclassification of net assets	–	–	–	–	–	–	(819)	–	–	–	–	(819)	–
Transfers (to) from affiliates, net	(45,910)	859	9,500	25,551	10,000	–	–	(4,357)	–	–	4,357	–	(859)
Income attributable to non-controlling interest	–	–	–	–	–	–	–	(5,181)	–	–	–	(5,181)	–
Increase (decrease) in net assets without donor restrictions	149,986	(576)	6,955	(214)	14,946	13,458	(786)	(498)	3,890	–	630	187,791	171,673
Net assets with donor restrictions													
Donor contributions and transfers	–	66	1,593	–	–	–	807	–	–	–	–	2,466	–
Investment earnings, net	112	–	–	–	–	–	–	–	–	–	–	112	112
Net assets released from restrictions	–	(42)	(1,699)	–	–	–	(1,275)	–	–	–	–	(3,016)	(1,699)
Increase (decrease) in net assets with donor restrictions	112	24	(106)	–	–	–	(468)	–	–	–	–	(438)	6
Increase (decrease) in AtlantiCare Health System, Inc. net assets	150,098	(552)	6,849	(214)	14,946	13,458	(1,254)	(498)	3,890	–	630	187,353	171,679
Non-controlling interest													
Contributions and other changes in non-controlling interest	–	–	–	–	–	–	–	(277)	–	–	–	(277)	–
Increase (decrease) in net assets, including non-controlling interest	150,098	(552)	6,849	(214)	14,946	13,458	(1,254)	(775)	3,890	–	630	187,076	171,679
Net assets at beginning of year	1,136,091	6,053	233,569	1,145	40,262	54,102	10,234	15,244	4,243	165	(16,692)	1,484,416	1,411,067
Net assets at end of year	\$ 1,286,189	\$ 5,501	\$ 240,418	\$ 931	\$ 55,208	\$ 67,560	\$ 8,980	\$ 14,469	\$ 8,133	\$ 165	\$ (16,062)	\$ 1,671,492	\$ 1,582,746

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

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

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