




West Virginia University Health System and Controlled Entities

**Independent Auditor's Report, Consolidated Financial
Statements, and Supplementary Consolidating
Information**

December 31, 2023 and 2022



West Virginia University Health System and Controlled Entities
Contents
December 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
West Virginia University Health System and Controlled Entities
Morgantown, West Virginia

Opinion

We have audited the accompanying consolidated financial statements of West Virginia University Health System and Controlled Entities (System), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the System as of December 31, 2023 and 2022, and the results of its operations, changes in net assets and 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 Augusta Insurance Company, Ltd., a wholly-owned subsidiary, whose statements reflect total assets constituting 2.0% and 2.1% of consolidated total assets at December 31, 2023 and 2022, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Augusta Insurance Company, Ltd. is based solely on the reports 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 Consolidated Financial Statements section of our report. We are required to be independent of System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on pages 57 through 72 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, which insofar as it relates to Augusta Insurance Company, Ltd. is based on the report of other auditors, the consolidating supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS, LLP

**Charleston, West Virginia
April 18, 2024**

West Virginia University Health System and Controlled Entities
Consolidated Balance Sheets
December 31, 2023 and 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 595,830	\$ 545,204
Current portion of assets whose use is limited	27,768	33,079
Accounts receivable		
Patients	755,792	626,718
Other	102,096	76,448
Inventories of supplies	103,898	84,689
Estimated third-party payor settlements	117,049	40,736
Prepaid expenses and other current assets	67,030	45,243
	<u>1,769,463</u>	<u>1,452,117</u>
Assets Whose Use is Limited		
Board-designated funds		
Funded depreciation	1,348,965	1,253,429
Strategic initiatives	30,613	23,707
Under trust indenture, held by trustee	281,797	27,667
Malpractice investments	87,863	74,997
Foundation investments	11,802	12,615
	<u>1,761,040</u>	<u>1,392,415</u>
Noncurrent portion of assets whose use is limited	1,761,040	1,392,415
Property and Equipment, Net	2,135,905	1,897,227
Restricted Assets Held By Third-Parties	18,715	13,742
Right-of-Use Operating Lease Assets	43,743	41,519
Other Investments	16,887	26,379
Prepaid Expenses and Other Assets, Net	162,053	130,413
	<u>162,053</u>	<u>130,413</u>
Total assets	<u>\$ 5,907,806</u>	<u>\$ 4,953,812</u>

West Virginia University Health System and Controlled Entities
Consolidated Balance Sheets
December 31, 2023 and 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line of credit	\$ 54,354	\$ 27,135
Current maturities of long-term debt	58,974	76,023
Accounts payable, accrued expenses and other	425,432	330,656
Estimated third-party payor settlements	33,634	34,473
Salaries and benefits payable	198,478	182,892
Accrued interest payable	5,956	4,545
Current portion of malpractice costs	25,520	24,671
	<u>802,348</u>	<u>680,395</u>
Long-Term Debt, Net	1,989,264	1,579,088
Malpractice Costs	74,940	49,751
Right-of-Use Operating Lease Obligations	29,061	29,661
Derivative Financial Instruments	13,734	15,346
Pension Liability	77,046	20,149
Other Liabilities	19,631	18,445
	<u>3,006,024</u>	<u>2,392,835</u>
Net Assets		
Net assets without donor restrictions		
Controlling interest	2,812,339	2,480,848
Noncontrolling interest	2,266	3,105
	<u>2,814,605</u>	<u>2,483,953</u>
Net assets with donor restrictions		
Controlling interest	63,135	50,636
Noncontrolling interest	24,042	26,388
	<u>87,177</u>	<u>77,024</u>
Total net assets	<u>2,901,782</u>	<u>2,560,977</u>
Total liabilities and net assets	<u>\$ 5,907,806</u>	<u>\$ 4,953,812</u>

West Virginia University Health System and Controlled Entities
Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022
(in thousands)

	2023	2022
Operating Revenues		
Net patient service revenues	\$ 5,220,751	\$ 4,056,784
CARES Act funding	7,114	18,944
Other revenues	781,558	588,199
Total operating revenues	<u>6,009,423</u>	<u>4,663,927</u>
Operating Expenses		
Salaries and wages	2,056,325	1,557,576
Employee benefits	609,429	433,907
Supplies	1,342,972	998,559
Physician support	454,234	332,625
Professional fees and purchased services	415,951	351,929
Depreciation and amortization	233,126	212,841
Interest	75,412	62,728
Other	704,914	511,946
Total operating expenses	<u>5,892,363</u>	<u>4,462,111</u>
Operating income	<u>117,060</u>	<u>201,816</u>
Nonoperating Income (Loss)		
Investment income (loss), net	108,265	(120,781)
Inherent contributions	131,472	26,325
Change in fair value of derivative financial instruments, net	1,614	26,193
Loss on refinancing	(5,162)	-
Other, net	(3,200)	(1,089)
Total nonoperating income (loss)	<u>232,989</u>	<u>(69,352)</u>
Revenues in excess of expenses	350,049	132,464
Change in noncontrolling interest	<u>3,089</u>	<u>2,221</u>
Revenues in excess of expenses attributable to controlling interest	353,138	134,685
Pension Liability Adjustment	(2,678)	7,124
Transfers to the School of Medicine	(22,317)	(18,720)
Contributions of and Grants for Long-Lived Assets	3,082	12,843
Net Assets Released from Restrictions for Long-Lived Assets	4,691	42,599
Other	(4,425)	(1,612)
Net Asset Contribution	<u>-</u>	<u>4,800</u>
Change in net assets without donor restrictions, controlling interest	<u>\$ 331,491</u>	<u>\$ 181,719</u>

West Virginia University Health System and Controlled Entities
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions, Controlling Interest		
Revenues in excess of expenses	\$ 353,138	\$ 134,685
Pension liability adjustment	(2,678)	7,124
Transfers to the School of Medicine	(22,317)	(18,720)
Contributions and grants for/of long-lived assets	3,082	12,843
Net assets released from restrictions for long-lived assets	4,691	42,599
Net asset contribution	-	4,800
Other	(4,425)	(1,612)
	<u>331,491</u>	<u>181,719</u>
Change in net assets without donor restrictions, controlling interest		
Changes in Net Assets Without Donor Restrictions, Noncontrolling Interest		
Revenues in excess of (under) expenses	(3,089)	(2,221)
Noncontrolling interest net asset contributions	2,250	1,600
	<u>(839)</u>	<u>(621)</u>
Change in net assets without donor restrictions, noncontrolling interest		
Changes in Net Assets With Donor Restrictions		
Change in restricted assets held by West Virginia University Foundation	4,495	(1,871)
Contributions and grants	6,292	28,257
Contribution - noncontrolling interest	-	28,148
Inherent contributions with donor restrictions	3,693	690
Change in restricted assets held by affiliated foundation	478	(1,080)
Net assets released from restrictions, noncontrolling interest	(2,346)	(1,760)
Net assets released from restrictions for long-lived assets	(2,459)	(40,839)
	<u>10,153</u>	<u>11,545</u>
Change in net assets with donor restrictions		
Change in net assets	340,805	192,643
Net Assets, Beginning of Year	<u>2,560,977</u>	<u>2,368,334</u>
Net Assets, End of Year	<u>\$ 2,901,782</u>	<u>\$ 2,560,977</u>

West Virginia University Health System and Controlled Entities
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 340,805	\$ 192,643
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	233,126	212,841
Amortization of debt issuance costs, premiums and discounts included in interest expense	(1,417)	(1,573)
Net realized and unrealized (gains) losses on investments	(79,221)	138,313
Change in fair value of derivative financial instruments	(1,614)	(26,193)
Net asset contributions	(2,250)	(6,400)
Pension liability adjustment	2,678	(7,124)
Inherent contributions	(135,165)	(27,015)
Change in value of restricted assets held by third parties	(478)	1,080
Restricted contributions of property and grants	(6,292)	(56,405)
Changes in assets and liabilities		
Patient accounts receivable	(62,538)	(114,011)
Other receivables	(16,218)	(12,603)
Estimated third-party payor settlements	(79,209)	(33,832)
Inventories of supplies, prepaid expenses and other assets	(30,504)	(575)
Accounts payable, accrued expenses and other	29,179	72,345
Salaries and benefits payable	15,586	3,815
Medicare advance payments liability	-	(157,781)
Malpractice costs	9,168	(5,257)
Other	1,267	(11,157)
Net cash provided by operating activities	<u>216,903</u>	<u>161,111</u>
Investing Activities		
Purchases of property and equipment	(237,224)	(253,540)
Net increase of assets limited as to use	(526)	(21,676)
Net cash acquired through acquisitions	<u>2,227</u>	<u>13,713</u>
Net cash used in investing activities	<u>(235,523)</u>	<u>(261,503)</u>
Financing Activities		
Proceeds from the issuance of long-term debt, net	346,909	19,564
Repayment of long-term obligations	(117,590)	(45,200)
Net asset contributions	2,250	6,400
Net proceeds from line of credit	<u>27,219</u>	<u>11,656</u>
Net cash provided by (used in) financing activities	<u>258,788</u>	<u>(7,580)</u>
Increase (decrease) in cash, cash equivalents and restricted cash	240,168	(107,972)
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>683,857</u>	<u>791,829</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 924,025</u>	<u>\$ 683,857</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	<u>\$ 76,147</u>	<u>\$ 64,367</u>
Financing leases for purchase of property and equipment	<u>\$ 48,381</u>	<u>\$ 5,160</u>

West Virginia University Health System and Controlled Entities
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note 1. Organizational Structure and Nature of Operations

West Virginia United Health System, Inc. d/b/a West Virginia University Health System (WVUHS or the System) is a not-for-profit corporation formed to serve as part of an integrated health science and healthcare delivery system. WVUHS serves as the parent corporation to an affiliated group of healthcare providing entities that includes West Virginia University Hospitals, Inc. and controlled entities, United Hospital Center, Inc. and controlled entities, Camden-Clark Health Services, Inc. and controlled entities, Allied Health Services, Inc., West Virginia United Insurance Services, Inc, Peak Health, LLC (Peak) and West Virginia University Innovation Corporation.

West Virginia University (WVU or the University) commenced operations of a tertiary care teaching hospital in 1960 as a component of the Medical Center of the University. In 1984, the West Virginia legislature adopted legislation which authorized separation of the hospital operations from the University and establishment of a separate corporate entity. At that time, West Virginia University Hospitals, Inc. (WVUH) was incorporated as a not-for-profit corporation to operate one or more hospitals in order to provide patient care, including specialized services not widely available in West Virginia, and to facilitate clinical education and research. WVUH currently operates Ruby Memorial Hospital, which is located in Morgantown, West Virginia. Ruby Memorial Hospital serves as a major statewide and regional healthcare referral center and provides the principal clinical, education, and research functions for the University.

On January 1, 2005, WVUH became the sole member of West Virginia University Hospitals - East, Inc. d/b/a University Healthcare (University Healthcare), a not-for-profit corporation formed to serve as part of an integrated health science and healthcare delivery system. University Healthcare serves as the parent corporation to an affiliated group of healthcare providing entities which includes City Hospital, Inc. d/b/a Berkeley Medical Center (BMC), The Charles Town General Hospital d/b/a Jefferson Medical Center (JMC) and University Healthcare Foundation, Inc. (UHCF). BMC is a not-for-profit acute care hospital located in Martinsburg, West Virginia. BMC provides inpatient, outpatient, and emergency care services for residents of the eastern panhandle of West Virginia and the surrounding communities. JMC is a not-for-profit acute care critical access hospital located in Ranson, West Virginia. JMC provides inpatient, outpatient, and emergency care services to the residents of the eastern panhandle of West Virginia and the surrounding communities. JMC was designated as a critical access hospital by the Centers for Medicare and Medicaid Services (CMS) effective December 15, 2005. UHCF is a not-for-profit corporation formed for the purpose of performing fund raising and other activities that benefit University Healthcare and its controlled entities. Effective March 1, 2022, WVUHS became the sole member of University Healthcare.

On February 28, 2014, WVUH became the sole member of Potomac Valley Hospital of W. Va., Inc. (PVH), a for-profit acute care critical access hospital located in Keyser, West Virginia. Immediately following the transaction, PVH was converted to a not-for-profit corporation. Effective April 1, 2022, WVUHS became the sole member of PVH.

On October 1, 2016, WVUH became the sole member of Reynolds Memorial Hospital, Inc. (RMH), a not-for-profit acute care hospital located in Glen Dale, West Virginia. RMH is the sole member of Reynolds Memorial Foundation, Inc. (RMF). Effective December 1, 2022, WVUHS became the sole member of RMH.

United Hospital Center, Inc. (UHC) is a not-for-profit acute care hospital located in Bridgeport, West Virginia. UHC provides inpatient, outpatient, psychiatric, and skilled nursing services for residents of its primary service area, which includes Harrison County, West Virginia and north central West Virginia. UHC is a major referral center in north central West Virginia. UHC is the sole member of United Health Foundation, Inc. (UHF) and United Physicians Care, Inc. (UPC). UHF is a not-for-profit corporation formed for the purpose of performing support activities, including fundraising, that primarily benefit UHC. UPC is a not-for-profit corporation that operates family practice clinics in north central West Virginia.

West Virginia University Health System and Controlled Entities
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

On October 1, 2015, UHC became the sole member of St. Joseph's Hospital of Buckhannon, Inc. (SJH), a not-for-profit acute care critical access hospital located in Buckhannon, West Virginia. This acquisition allows SJH and UHC to operate in an integrated fashion, promoting health in their respective communities through more efficient operations, quality enhancement and more cost effective use of resources, as well as enhanced access to care. SJH is the sole member of St. Joseph's Foundation of Buckhannon, Inc. (SJF). SJH was designated as a critical access hospital by the CMS effective April 1, 2014. Effective September 1, 2022, WVUHS became the sole member of SJH.

On March 1, 2011, WVUHS became the sole member of Camden Clark Health Services, Inc. (CCHS), a not-for-profit corporation formed to serve as part of an integrated health science and healthcare delivery system. CCHS serves as the parent corporation to an affiliated group of healthcare providing entities which includes Camden Clark Medical Center (CCMC), Camden Clark Foundation (CCF) and Camden Clark Physician Corporation (CCPC). CCMC is a not-for-profit acute care hospital located in Parkersburg, West Virginia. CCMC provides inpatient, outpatient, and emergency services for the residents of Wood County and the surrounding communities. CCF is a not-for-profit corporation formed for the purpose of performing fundraising and other activities that benefit CCMC. CCPC is a not-for-profit corporation that operates physician practices in Wood County.

Allied Health Services, Inc. (AHS) is a for-profit corporation engaged in the business of providing laboratory, laundry, and contracted specialty pharmacy services.

Gateway Home Care, LLC d/b/a Allied Health Services Durable Medical Equipment (AHSDME) is a West Virginia limited liability company wholly owned by AHS, LLC. AHSDME provides durable medical equipment in various West Virginia counties within WVUHS' service area.

On October 18, 2017, WVUH executed a management and operating agreement with Recovery Properties, LLC (Recovery), an unrelated third-party, to operate and manage a 40-unit detox and addiction recovery treatment program (Program) in a facility to be designed, financed and constructed by Recovery. WVUH had no ownership or control over Recovery, but the operation of the Program is jointly controlled and operated by both entities. Additionally, both parties shared in the risks and rewards of the Program. Based on the joint control and sharing of risks and rewards of the Program, this transaction was recorded as a collaborative arrangement. Construction of the facility was complete in early 2019 and operation of the Program began on March 4, 2019. On August 1, 2022, WVUH executed a purchase agreement to acquire 100% membership interest in Recovery for \$4,800,000, at which time Recovery became fully controlled by WVUH. WVUH guarantees the debt service commitment of the Program, which had a total debt balance outstanding of \$11,369,000 and \$11,719,000 as of December 31, 2023 and 2022, respectively.

Augusta Insurance Company, Ltd. (Augusta) is a wholly owned captive insurance company incorporated as an exempted company under the Companies Law of the Cayman Islands. Augusta facilitates the structuring of a unified insurance program for the WVUHS, while remaining flexible to meet unique needs that may vary across the WVUHS (Note 12).

United Summit Center, Inc. (USCHM) is a not-for-profit corporation formed for the purpose of providing community mental health and related services to residents of Harrison, Braxton, Doddridge, Lewis, Gilmer, Preston and Marion counties in West Virginia. Effective July 5, 2018, WVUH became the sole member of USCHM.

Braxton County Memorial Hospital (BCMh) is a not-for-profit critical access hospital located in Gassaway, West Virginia. Effective April 1, 2022, WVUHS became the sole member of BCMh.

West Virginia University Health System and Controlled Entities
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

On July 1, 2019, West Virginia Health Care Cooperative Inc. (WVHCC), a not-for-profit corporation with its sole membership held by WVUH on such date, entered into a lease agreement with Summersville Regional Medical Center (SRMC), a critical access hospital, and City of Summersville Building Commission, to lease and operate SRMC for 50 years. SRMC is included in the accompanying consolidated financial statement based on the control gained through the lease agreement. Effective April 1, 2022, WVUHS became the sole member of WVHCC.

Jackson General Hospital (JGH) is a not-for-profit critical access hospital located in Ripley, West Virginia. Effective October 1, 2022, WVUHS became the sole member of JGH.

Effective July 1, 2020, Wetzel County Hospital, Inc. (WCH) a not-for-profit corporation with its sole membership held by WVUH, entered into a lease agreement with the County Commission of Wetzel County, a public corporation and governing body of Wetzel County and Wetzel County Hospital Association, a non-profit county hospital, to lease and operate Wetzel County Hospital to WCH under a 50-year term for WCH to operate the hospital. Effective October 1, 2022, WVUHS became the sole member of WCH.

Effective April 1, 2021, WVUH became the sole member of BHA, a not-for-profit corporation which owns and operates Barnesville Hospital (BH), a critical access hospital located in Belmont County, OH. BHA is also the sole member of Barnesville Hospital Foundation and the sole shareholder of Belmont County Health Services (BCHS), a for-profit corporation, which operates a retail pharmacy in Belmont, OH. In addition, BHA provides management services to Belmont Professional Associates, which employs physicians and advanced practice providers that provide services for and on behalf of BH. Effective July 1, 2022, WVUHS became the sole member of BH.

Effective January 1, 2021, WVUH became the sole member of Uniontown Hospital (UH), a not-for-profit acute care hospital that provides inpatient, outpatient, and emergency services for residents of southwestern Pennsylvania. Also effective January 1, 2021, WVUHS became the sole member of System Medical Group (SMG), a not-for-profit corporation that operates physician practices in southwestern Pennsylvania. Effective November 1, 2022, WVUHS became the sole member of UH.

Effective April 1, 2021, WVUHS entered into a member substitution agreement to become the sole member of Wheeling Hospital, Inc. (WH). WH is a not-for-profit tax-exempt corporation and owns and operates an acute care hospital located in Wheeling, West Virginia. WH subsidiaries, include Harrison Community Hospital (HCH), an ambulatory surgery center, 144-bed skilled and intermediate care center, and a group of primary care and multispecialty physicians. Effective July 1, 2022, a governance restructuring was approved in which WVUHS replaced WH as the sole member of HCH.

Peak Health, LLC (Peak) is a third-party administrator licensed with the West Virginia Offices of the Insurance Commissioner (WVOIC). Peak currently performs administrative services on behalf of self-insured employer-sponsored group health benefit plans, including for its own its non-profit members. Peak was initially formed on July 2, 2021, as a member-managed West Virginia limited liability company with WVUHS as its sole member.

Peak is now majority-owned by Peak Health Holdings, LLC (PHH), whose sole member is WVUHS, along with minority owners Mountain Health Network, Inc. (MHN), University Physicians & Surgeons d/b/a Marshall Health (Marshall Health), and Valley Health System (Valley).

PHH is also the sole shareholder of the Peak Health Insurance Corporation (PHIC), which is a domestic accident and sickness insurer licensed with WVOIC formed with the intent to offer government and commercial health insurance products.

On January 31, 2022, WVUHS, MHN, and Marshall Health entered into an Amended and Restated Operating Agreement whereby WVUHS remained the majority member of Peak with a 92% membership interest and MHN and Marshall Health became minority members with 4% membership interest each. On August 16, 2022, PHH was formed as a member-managed West Virginia limited liability company with WVUHS as its sole member.

West Virginia University Health System and Controlled Entities
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Thereafter, on August 23, 2022, WVUHS transferred its 92% membership interest in Peak to PHH. PHH was formed on August 15, 2022, as a West Virginia corporation with PHH as the sole shareholder. Effective January 1, 2023, WVUHS sold a 15% membership interest in Peak to Valley Health System (VHS) for \$2,250,000. WVUHS is the majority member of Peak with a 77% membership interest. MHN, Marshall Health and VHS are minority members, with MHN with a 4% membership interest, Marshall Health with a 4% membership interest, and VHS with a 15% membership interest.

Effective April 1, 2022, an asset purchase agreement was executed whereby West Virginia University Innovation Corporation (WVUIC) acquired a former pharmaceutical manufacturing facility (Facility) from Viatrix, Inc., Mylan Inc., and Mylan Pharmaceuticals Inc. at an aggregate purchase price of \$1. Included in the asset purchase agreement, the Facility cannot be sold for the first 12 years from the date the Facility was acquired. The Facility includes underlying real estate, two buildings, and certain furniture, fixtures, and equipment within the Facility. The Facility was valued at approximately \$56,295,000 based on the estimated fair value of comparable facilities, and recorded in restricted contributions and grants and restricted contribution – noncontrolling interest on the consolidated statements of changes in net assets. Restrictions of the contribution are released over the term of the 12-year restriction and approximately \$4,691,000 and \$3,519,000 was released from restriction during the years ended December 31, 2023 and 2022, respectively. In valuing the contributed Facility, WVUIC estimated the fair value on the basis of comparable real estate in the market. The Facility is no longer being operated as a pharmaceutical manufacturing facility and WVUIC intends to sub-divide, market, and lease the approximate 1,000,000 available square feet of space to potential future tenants. WVUHS and WVU have equal voting control in WVUIC through appointment of 50% each of the Board of Directors of WVUIC. WVUHS entered into a management services and operations agreement (MSOA) with WVUIC, whereby WVUHS agreed to provide management and operational services to WVUIC and to serve as the fiscal agent of WVUIC with respect to WVUIC's operation and management of the Facility. During the first two years of WVUIC's operation of the Facility, costs and excess revenues will be allocated 75% to WVUHS and 25% to WVU. WVUHS has control over WVUIC through the MSOA and economic interest, thus, WVUIC's financial statements are included in the System's consolidated financial statements. Upon dissolution of WVUIC the remaining net assets after settling of outstanding obligations shall be distributed for one or more exempt purposes.

Effective July 1, 2022, WVUHS became the sole member of GRMC, Inc. (GRMC), a Maryland non-profit corporation and an Operating and Lease Agreement with the Garrett County Commission went into effect whereby GRMC will operate Garrett County Memorial Hospital (GCMH). GCMH is a 55-bed county hospital and a Maryland governmental entity. The initial term of the lease is 15 years.

Effective January 1, 2023, WVUHS became the sole member of Thomas Health System (THS) which includes Thomas Memorial Hospital (TH) – a 241-bed acute care hospital in South Charleston, West Virginia, Thomas Health System Physician Partners, Inc. (THSPP) – a corporation formed to employ physicians working for THS, Charleston Hospital, Inc. d/b/a Saint Francis Hospital (SFH) – a 123-bed acute care hospital as well as a 29-bed skilled nursing unit in Charleston, West Virginia, TMH Services, Inc. (TMHS) – a corporation that provides services including the sales and rental of communications equipment and other services, and Thomas Memorial Hospital Foundation (TMHF) – a Foundation to support TH and SFH. There was no consideration provided for the assets acquired and liabilities assumed.

Effective January 1, 2023, WVUHS became the sole member of Princeton Community Hospital Association, Inc. (PCH) and Princeton Community Hospital Foundation (PCHF). PCH is a 267-bed acute-care facility which includes 64 psychiatric inpatient beds. PCHF's principal activities are fundraising for PCH and the management of Princeton Health & Fitness Center. There was no consideration provided for the assets acquired and liabilities assumed.

Effective May 12, 2023, Ohio Valley Health Corporation (OVHC), a CCHS subsidiary, executed an asset purchase agreement in which OVHC purchased the real and personal property of Ohio Valley Nursing Home, Inc. (Nursing Home) for consideration of \$12,000,000. The Nursing Home is a 66-bed, 38,585 square foot skilled nursing facility on a 2.794 acre parcel in Wood County, West Virginia.

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On July 1, 2023, WVUHS executed an agreement and plan of affiliation with Grant Memorial Hospital (GMH) in which WVUHS would become the sole member of GMH – a critical access hospital to Grant, Hardy, and Pendleton counties in West Virginia and the surrounding communities. There was no consideration provided for the assets acquired and liabilities assumed. GMH’s results of operations are included in the consolidated schedule of operations and changes in net assets beginning July 1, 2023.

Note 2. Significant Accounting Policies

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of WVUHS and its controlled entities, (collectively, the System). All significant intercompany transactions and balances have been eliminated in consolidation.

Use Of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash And Cash Equivalents

Cash and cash equivalents include certain investments in highly-liquid debt instruments purchased with a maturity of three months or less, excluding assets whose use is limited. The carrying amount of cash and cash equivalents approximates fair value.

The System maintains cash and cash equivalent accounts that may, at times, exceed federally insured limits. The System has not experienced any losses from maintaining these accounts in excess of federally insured limits. Management believes it is not subject to significant risks associated with these accounts.

Following is a reconciliation of cash, cash equivalents and restricted cash as presented in the accompanying consolidated statements of cash flows as of December 31 (in thousands):

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 595,830	\$ 545,204
Assets whose use is limited	315,373	130,326
Restricted assets held by third-parties	<u>12,822</u>	<u>8,327</u>
Total cash, cash equivalents and restricted cash shown in the accompanying consolidated statements of cash flows	<u>\$ 924,025</u>	<u>\$ 683,857</u>

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Amounts included in restricted cash held in assets whose use is limited represent those set aside by the Board of Directors (Board) for future capital improvements or strategic initiatives over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets held by trustees under debt agreements where the restriction will lapse when the related debt is paid off; and assets designated for the malpractice programs. Amounts included in restricted cash within restricted assets held by third parties represent those held by foundations and restricted as to use by donor restriction.

Assets Whose Use Is Limited

Assets whose use is limited include assets set aside by the Board for future capital improvements or strategic initiatives over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets held by trustees under debt agreements; assets designated for malpractice programs; and assets held by the foundations. Amounts required to meet current maturities of certain debt and the current portion of malpractice costs have been classified as current in the consolidated balance sheet.

Patient Accounts Receivable

Patient accounts receivables are primarily paid by federal and state governmental authorities (under the Medicare and Medicaid programs), managed health plans, commercial insurance companies, workers' compensation programs, employers and patients. Patient accounts receivable are reported at net realizable value. For accounts receivable associated with services provided to patients who have third-party coverage, the System estimates net realizable value based on the estimated contractual reimbursement percentage, which in turn is based on current contract provisions and historical paid claims by payor. For self-pay accounts, including uninsured and patient responsibility accounts, the net realizable value is determined using historical collection experience, adjusted for estimated conversions of patient responsibility portions, expected recoveries and changes in trends to estimate implicit price concessions. The System does not believe there are any significant concentrations of revenues from any particular payor that would subject the System to any significant credit risks in the collection of patient accounts receivable. Management continually reviews the estimated net realizable value of accounts receivable by monitoring cash collections, economic conditions and trends, changes in payor mix, changes in federal or state healthcare coverage and other matters. Changes in general economic conditions, patient accounting service center operations, payor mix, payor claim processing could affect collections of accounts receivable, cash flows and results of operations.

The System performs periodic assessments to determine if an allowance for expected credit losses is necessary. The System considers its incurred loss experience and adjusts for known and expected events and other circumstances. In estimating its expected credit losses, the System may consider changes in the length of time its receivables have been outstanding, changes in credit ratings for payors, requests from payors to alter payment terms due to financial difficulty, and notices of payor bankruptcies or payors entering receivership. Because the System's accounts receivable is typically paid for by highly-solvent, creditworthy payors, such as Medicare, Medicaid, other governmental programs, and highly-regulated commercial insurers on behalf of the patient, the System's credit losses are immaterial to the consolidated financial statements.

The mix of accounts receivable at December 31, 2023 and 2022, from patients and third-party payors is as follows:

	<u>2023</u>	<u>2022</u>
Medicare	25%	27%
Medicaid	13%	16%
Blue Cross	21%	19%
Commercial, managed care and other	39%	35%
Patients	<u>2%</u>	<u>3%</u>
Total	<u>100%</u>	<u>100%</u>

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Other Receivables

The System provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. The System has considered the various factors and determined an allowance for expected credit losses is not significant to the consolidated financial statements.

Inventories of Supplies

Inventories are recorded at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values, debt securities, exchange traded funds and mutual funds are measured at fair value. Investments in hedge funds, private equity funds and other limited partnerships are measured at net asset value. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law.

The System's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the accompanying consolidated balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, particularly for alternative investments, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

The System has an agreement with the West Virginia University Foundation, Inc. (WVU Foundation), an affiliate of the University, to manage the System's board-designated funds. Some of the System's and WVU Foundation's investments are jointly managed in commingled funds. The investment income and realized and unrealized gains and losses are allocated to the System based upon its relative ownership of each fund.

Restricted Assets Held by Third-Parties

WVU Foundation holds cash and securities, which are available for WVUH's purposes, subject to donor restrictions. Restricted assets are those whose use has been limited by donors to a specific time period or purpose, primarily for capital expenditures, or are required to be maintained in perpetuity.

JMC is a beneficiary of several perpetual income trusts held by third parties. JMC has an irrevocable right to receive its portion, designated by the trust agreements, of the income from the trusts' assets, which are held in perpetuity. JMC has valued its portion of the trusts based on the pro-rata share of the fair value of the assets held in each trust, which represents a proxy for the present value of future cash flows. Income received from the trusts, the use of which has not been restricted by the donors, is included in investment income. Valuation gains and losses are classified as increases or decreases in net assets with donor restrictions.

Other Assets

Other assets include the System's investment in several entities in which the System has a financial interest. Where the System has the ability to influence management, or has a twenty percent but not more than fifty percent interest in the entity, the investment is recorded using the equity method of accounting and adjusted periodically to reflect the System's proportionate share of the entity's undistributed earnings or losses. All other investments in such entities where the System does not have the ability to influence management or has less than twenty percent interest in the entity are recorded at cost.

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Property and Equipment

Property and equipment acquisitions costing more than \$5,000 individually or \$10,000 in the aggregate and having a useful life longer than two years are capitalized and recorded at cost. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Such lives, in the opinion of management, are adequate to allocate asset costs over their productive lives. Maintenance, repairs and minor improvements are expensed as incurred.

Equipment under financing leases is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Depreciation expense, including amortization of equipment under finance leases, was \$228,484,000 in 2023 and \$208,410,000 in 2022.

Gifts of long-lived assets such as land, buildings or equipment are recorded at fair value and reported as increases in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions unless the restrictions are met in the same period as receipt, in which case such amounts are classified within net assets without donor restrictions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Property and Equipment

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets and reported in the non-operating section of the consolidated statement of operations.

Leases

At lease inception, the System determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets, current lease liabilities and noncurrent lease liabilities in the accompanying consolidated financial statements. Finance leases are included in property and equipment, current liabilities and long-term liabilities in the accompanying consolidated financial statements. ROU assets represent the System's right to use leased assets over the term of the lease. Lease liabilities represent the System's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The System uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the System uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs and any prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement.

Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates and the presence of factors that would cause a significant economic penalty to the System if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The System has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in lease expense in the accompanying consolidated statements of operations.

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For finance leases, after lease commencement, the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term.

The discount rate used by the System for finance leases is generally the incremental borrowing rate, as most such leases do not provide a readily determinable implicit interest rate. To the extent a lease arrangement includes both lease and non-lease components, the components are not accounted for separately.

Goodwill and Other Non-Amortizable Intangible Assets

Goodwill and other non-amortizable intangible assets represent the excess of the amount paid to acquire certain businesses over the fair value of the net assets purchased and identifiable intangible assets acquired. Prior to 2021, goodwill and other intangible assets with indefinite lives were not subject to periodic amortization, but rather are reviewed for impairment if circumstances require. The System amortizes goodwill over 10 years on the straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs. For the years ended December 31, 2023 and 2022, amortization expense of approximately \$4,642,000 and \$4,431,000, respectively, was recognized in depreciation and amortization in the accompanying statements of operations. Amortization expense over the next five years is expected to approximate \$4,400,000 annually. In 2023, the System recognized \$4,053,000 of goodwill and other non-amortizable intangible assets related to acquisitions. In 2022, the System recognized \$1,993,000 of goodwill and other non-amortizable intangible assets related to acquisitions. Goodwill and other non-amortizable intangible assets of \$36,624,000 and \$37,212,000 at December 31, 2023 and 2022, respectively, net of accumulated amortization of \$13,369,000 and \$8,728,000 at December 31, 2023 and 2022, respectively, is included in non-current other assets, net in the accompanying consolidated balance sheets.

Cloud Computing Arrangements

The System has entered into hosting arrangements that are service contracts for various cloud computing arrangements. The System capitalizes implementation costs associated with these arrangements and amortizes the asset on a straight-line basis over the term of the arrangement. The System had unamortized capitalized implementation costs recorded in prepaid expenses and other assets of \$32,496,000 on the consolidated balance sheets as of December 31, 2023. For the year ended December 31, 2023, the System recorded \$7,396,000 of amortization expense in professional fees and purchased services on the consolidated statements of operations.

Estimated Malpractice Costs

The provision for estimated medical malpractice costs includes estimates of the ultimate gross costs for both reported claims and claims incurred but not reported. Anticipated insurance recoveries, if any, associated with reported claims are recorded separately in the accompanying consolidated balance sheets at net realizable value.

Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the related debt using the straight-line method, which approximates the effective interest method. Such costs are reflected as a reduction of long-term debt in the accompanying consolidated balance sheets. Amortization of debt issuance costs was \$708,000 in 2023 and \$636,000 in 2022.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the years ended December 31, 2023 and 2022 were approximately \$11,391,000 and \$9,174,000, respectively.

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Noncontrolling Interest

The accompanying consolidated financial statements include all assets, liabilities, revenues and expenses of entities that are controlled by the System and therefore consolidated. Noncontrolling interest in the accompanying consolidated balance sheets represents the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions – net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If the restriction expires during the same period as the amount was received, the contribution is reported as an increase in net assets without donor restrictions.

Measure of Operations

The accompanying consolidated statements of operations reflect operating income, which includes all operating revenues and expenses that are an integral part of the System's healthcare services and supporting activities and net assets released from donor restrictions to support operating expenditures. Changes in revenues in excess of expenses that are excluded from operating income, consistent with industry practice, include investment income (including realized and unrealized gains and losses on investments, interest, dividends and investment expenses), changes in net unrealized gains and losses on derivative financial instruments, inherent contributions recognized from acquisitions and losses on refinancing of long-term debt.

Revenues In Excess of Expenses

The consolidated statements of operations include the determination of revenues in excess of expenses. Changes in net assets without donor restrictions that are excluded from the determination of revenues in excess of expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, adjustments to pension obligations and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets).

Net Patient Service Revenues

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments.

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Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted, as necessary, in future periods as tentative and final settlements are received. It is reasonably possible that the estimates used could change in the near term.

For uninsured patients, the System recognizes revenues on the basis of its standard rates, discounted in accordance with the System's policy. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System estimates an implicit price concession related to uninsured patients in the period the services are provided.

Capitation Payments

The System has agreements with various managed care organizations to provide medical services to subscribing participants. Under these agreements, the System receives monthly capitation payments based on the number of participants, regardless of services actually performed.

Charity Care

The System provides care to patients who meet certain criteria under its patient financial assistance policy without charge or at amounts less than its established rates. Because the System does not pursue collections of amounts determined to qualify as charity care, they are not reported as patient service revenues. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The estimated cost of charity care provided by the System was approximately \$27,922,000 in 2023 and \$24,244,000 in 2022.

Provider Relief Funding

These relief funds are considered non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration (HRSA) section of the U.S. Department of Health and Human Services (HHS). These conditions create a restriction that such funds must be used to prevent, prepare or respond to the coronavirus (COVID-19), creating purpose restriction in addition to conditions. These revenues are recognized as operating revenues to the extent conditions/restrictions for entitlement are met for COVID-19 related expenses or lost revenues. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

Contributions

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received.

Medicaid Provider Tax

The West Virginia Broad Based Health Care Related Tax of 1993 assesses a tax on net patient service revenues at rates ranging from 1.75% to 5.50%, depending on the type of services provided. Additionally, the West Virginia Department of Tax and Revenue assesses a tax on net patient service revenues related to the Directed Payment Program (DPP), formerly known as the Upper Payment Limit (UPL) program (Note 3). The System incurred related taxes of \$117,697,213 in 2023 and \$89,812,000 in 2022, which are included in other operating expenses in the accompanying consolidated statements of operations.

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Federal and State Income Taxes

Most of the entities that comprise the System are tax-exempt organizations and not subject to federal or state income taxes in accordance with Section 501c(3) of the Internal Revenue Code. On such basis, they will not incur any liability for income taxes, except for possible unrelated business income. AHS, BCHS, PHIC, HPN, and TMHS are organizations subject to federal and/or state income taxes. The System does not have any material uncertain tax positions as of December 31, 2023 and 2022.

Health Insurance Benefits

The System self-funds its employee health insurance coverages and accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its individual and aggregate stop-loss insurance coverages, based upon data provided by the third-party administrators of the programs and its historical claims experience.

New Accounting Pronouncement

On January 1, 2023, the System adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to certain qualifying insurance receivables and reinsurance recoveries and receivables. This accounting pronouncement did not have a material impact on the consolidated financial statements.

Subsequent Events

The System evaluated subsequent events for recognition or disclosure through April 18, 2024, the date the consolidated financial statements were issued.

Note 3. Net Patient Service Revenues

Patient care service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurer and government programs) and others. This also includes variable consideration for retroactive revenue adjustments due to settlement of audit, reviews and investigations by third-party payors. Generally, the System bills patients and third-party payors several days after services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. The System measures the performance obligation from admission to the hospital to the point when the hospital is no longer required to provide services to that patient, which is generally the time of discharge. Revenue for performance obligations satisfied at a point in time generally relate to patients receiving outpatient services or patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the System does not believe it is required to provide additional goods or services.

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Because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy and implicit price concessions provided to uninsured patients and patients with third-party payer arrangements that require a copayment or deductible. The System determines its estimates of explicit price concessions for contractual adjustments based on contractual agreements, or discount policies and historical experience. Estimated uncollectible amounts from patients are considered implicit price concessions and, therefore, included in net patient service revenues. The System determines its estimate of implicit price concessions based on its historical collection experience with this class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Management believes that the financial effects of using this practical expedient are not materially different from an individual contract approach.

Management has determined that the System has an unconditional right to payment only subject to the passage of time for services provided to date based on just the need to either finalize billing for such services (i.e., charge lag) or to discharge the patient and bill for such services for patients who are still receiving inpatient care in the System's facilities at the balance sheet date. Accordingly, the System accrues revenues and the related accounts receivables for services performed but not yet billed at the consolidated balance sheet date for in-house patients. Thus, management has determined that the System does not have any amounts that should be reflected separately as contract assets.

The System does not recognize the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the System's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract. Additionally, all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the System otherwise would have recognized is one year or less in duration.

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A significant portion of the System's net patient service revenues are derived from the following third-party payor programs. Revenues received under third-party arrangements are subject to audit and retroactive adjustment.

The System provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. In evaluating whether an allowance for credit losses should be recognized, the System considers information, such as, the amount of time receivables have been outstanding, changes in credit ratings for third-party payors, request from third-party payors to alter payment terms due to financial difficulty or enter payment plans, and notices of payor bankruptcies or receivership. Credit losses are recognized when collection on patient accounts receivable is no longer reasonably assured. Estimated amounts due from third party payors generally represent amounts due from Medicare, Medicaid, and other third-party payors, which are highly-solvent, creditworthy, and highly-regulated payors.

The System has considered the various factors and determined an allowance for expected credit losses is not significant to the consolidated financial statements.

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A summary of the payment arrangements with major third-party payors follows:

Medicare

The majority of the System's inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits, which are subject to retroactive audit and adjustment. Physician services are paid based upon established fee schedules. The System's critical access hospitals are reimbursed based on allowable costs for all services rendered to Medicare and Medicaid beneficiaries.

The Medicare cost reports for certain hospitals within the System have been settled by the Medicare fiscal intermediary through various years ranging from 2014 to 2018.

Medicaid

Inpatient acute care services rendered to the West Virginia Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are paid on a published fee schedule.

The State of West Virginia's disproportionate share plan reimburses hospitals in the State that provide Medicaid services and meet other eligibility criteria. Under the disproportionate share program, the System received approximately \$24,517,000 in 2023 and \$26,756,000 in 2022, which is included in patient service revenues in the accompanying consolidated statements of operations.

The State of West Virginia increases Medicaid reimbursement to qualified hospitals for services to Medicaid-eligible patients. Supplemental payments may be received in an amount up to the difference between current reimbursement and the maximum permissible payments under DPP regulations. The DPP payments are recorded in the period in which they are earned. The System earned DPP revenue of approximately \$148,769,000 in 2023 and \$94,606,000 in 2022, which is included in patient service revenues in the accompanying consolidated statements of operations. The laws and regulations governing DPP reimbursement are complex and subject to interpretation. DPP reimbursement is funded by a portion of the Medicaid Provider Tax (Note 2). There is risk that federal policy may change in the future in a way that might limit or eliminate the DPP payments but maintain the Provider Tax.

Blue Cross

Inpatient and outpatient services rendered to Blue Cross subscribers are paid at either prospectively determined rates per case or discounts from established charges. Revenues from Blue Cross were approximately 21% in 2023 and 19% in 2022 of total net patient service revenues.

Other Payors

The System has also entered into payment agreements with certain commercial insurance carriers, managed care organizations, and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, capitation payments, and prospectively determined daily rates.

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Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations and it is not possible to determine the impact (if any) such claims or penalties would have upon the System. The results of such governmental review could include fines, penalties and exclusion from participation in the Medicare and Medicaid programs. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with each payor, correspondence from such payor and the System's historical settlement activity, 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.

On June 15, 2022, the Supreme Court ruled unanimously that the reduced rates the Centers for Medicare & Medicaid Services (CMS) was paying qualified hospitals for 340B acquired drugs during calendar years 2018 through 2022 were unlawful, and a remedy was needed. All calendar year 2022 claims for 340B-acquired drugs paid on or after September 28, 2022 were paid at the re-established rates as CMS developed a remedy for claims prior to September 28, 2022. In preparing for the remedy, CMS determined that approximately \$10.6 billion was underpaid to 340B hospitals during this time.

In the November 8, 2023 Federal Register, CMS issued its final rule and stated that the remaining \$9 billion would be paid to affected hospitals through a lump-sum payment. The System received approximately \$54,863,000 in January 2024. A receivable and related revenue of approximately \$54,412,000 was recognized as of December 31, 2023 and is included on the accompanying 2023 consolidated balance sheet in estimated third-party payor settlements and in the accompanying 2023 consolidated statement of operations as part of net patient service revenues.

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, review, and investigations. Adjustments arising from a change in the transaction price decreased net patient service revenue approximately \$2,088,000 for the year ended December 31, 2023 and increased net patient service revenue approximately \$2,025,000 for the year ended December 31, 2022.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge for any discounts and price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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Consistent with the System’s mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients.

The System has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, and method of reimbursement. The System’s revenues from third-party payors and others (including uninsured patients) for the years ended December 31, 2023 and 2022 are summarized in the following tables (in thousands):

	2023	
	Total	Ratio
Medicare & Medicare managed care	\$ 1,922,499	37%
Medicaid & Medicaid managed care	695,967	13%
Commercial insurers	2,441,127	47%
Other	<u>161,158</u>	<u>3%</u>
Revenues	<u>\$ 5,220,751</u>	<u>100%</u>

	2022	
	Total	Ratio
Medicare & Medicare managed care	\$ 1,416,159	35%
Medicaid & Medicaid managed care	641,167	16%
Commercial insurers	1,960,021	48%
Other	<u>39,437</u>	<u>1%</u>
Revenues	<u>\$ 4,056,784</u>	<u>100%</u>

Revenue from payment of deductibles and coinsurance by patients and guarantors are included in the categories presented above based on the primary payor.

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Note 4. Assets Whose Use is Limited

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 315,373	\$ 130,326
U.S. Government and agency obligations	193,966	8,302
Marketable equity securities	119,168	59,870
Marketable debt securities	24,670	30,730
Mutual funds		
Domestic equity	71,289	116,008
International equity	115,541	116,059
Domestic fixed income	56,402	62,851
Global bonds	10,006	10,029
Natural resources	46,973	35,760
Exchange traded funds, domestic equity	261,104	300,102
Exchange traded funds, domestic fixed income	66,264	67,336
Alternative investments	<u>508,052</u>	<u>488,121</u>
 Total assets whose use is limited	 1,788,808	 1,425,494
 Less current portion of assets whose use is limited	 <u>27,768</u>	 <u>33,079</u>
 Noncurrent portion of assets whose use is limited	 <u>\$ 1,761,040</u>	 <u>\$ 1,392,415</u>

The System has commitments for the additional purchase of ownership in limited partnerships (private equity and venture capital funds), which are classified as alternative investments in the table above. Total unfunded commitments at December 31, 2023 and 2022 were approximately \$143,968,000 and \$147,367,000, respectively, and are due over approximately the next ten years. Funding for these commitments is expected to come from board-designated funded depreciation assets.

Investment income, gains and losses included in net assets without donor restrictions are comprised of the following in 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Investment income (loss)		
Interest and dividend income	\$ 38,459	\$ 24,640
Fees	(9,415)	(7,108)
Net realized and unrealized gains (losses)	<u>79,221</u>	<u>(138,313)</u>
 Total	 <u>\$ 108,265</u>	 <u>\$ (120,781)</u>

Note 5. Fair Value Measurements and Financial Instruments

The System measures its assets whose use is limited, restricted assets held by third-parties and derivative financial instruments on a recurring basis in accordance with accounting principles generally accepted in the United States. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

- Level 1** Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

- Level 2** Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

- Level 3** Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques. Significant changes in these inputs could result in significant increases or decreases in fair value.

The System has elected the practical expedient to estimate the fair value of certain alternative investments using the net asset value per share (NAV).

West Virginia University Health System and Controlled Entities
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The fair value of financial instruments listed below was determined using the following valuation hierarchy at December 31, 2023 (in thousands):

	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	<u>NAV (A)</u>	<u>Total</u>
Assets – recurring fair value measurements					
Assets whose use is limited					
Cash and cash equivalents	\$ 315,373	\$ -	\$ -	\$ -	\$ 315,373
U.S. Government and agency obligations	185,468	8,498	-	-	193,966
Marketable equity securities	119,168	-	-	-	119,168
Marketable debt securities	24,670	-	-	-	24,670
Mutual funds					
Domestic equity	71,289	-	-	-	71,289
International equity	115,541	-	-	-	115,541
Domestic fixed income	56,402	-	-	-	56,402
Global bonds	10,006	-	-	-	10,006
Natural resources	46,973	-	-	-	46,973
Exchange traded funds, domestic equity	261,104	-	-	-	261,104
Exchange traded funds, domestic fixed income	66,264	-	-	-	66,264
Alternative investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>508,052</u>	<u>508,052</u>
Total assets whose use is limited investments at fair value	<u>\$ 1,272,258</u>	<u>\$ 8,498</u>	<u>\$ -</u>	<u>\$ 508,052</u>	<u>\$ 1,788,808</u>
Other investments					
Marketable equity securities	<u>\$ 14,522</u>	<u>\$ 2,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,887</u>
Restricted assets held by third-parties					
Cash and equivalents	\$ 12,822	\$ -	\$ -	\$ -	\$ 12,822
Other	<u>-</u>	<u>-</u>	<u>5,893</u>	<u>-</u>	<u>5,893</u>
	<u>\$ 12,822</u>	<u>\$ -</u>	<u>\$ 5,893</u>	<u>\$ -</u>	<u>\$ 18,715</u>
Liabilities – recurring fair value measurements					
Derivative financial instruments	<u>\$ -</u>	<u>\$ 13,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,734</u>
Assets disclosed at fair value					
Cash and cash equivalents	<u>\$ 595,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,830</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated balance sheets.

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The fair value of financial instruments listed below was determined using the following valuation hierarchy at December 31, 2022 (in thousands):

	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	<u>NAV (A)</u>	<u>Total</u>
Assets – recurring fair value measurements					
Assets whose use is limited					
Cash and cash equivalents	\$ 130,326	\$ -	\$ -	\$ -	\$ 130,326
U.S. Government and agency obligations	-	8,302	-	-	8,302
Marketable equity securities	59,870	-	-	-	59,870
Marketable debt securities	26,662	4,068	-	-	30,730
Mutual funds					
Domestic equity	116,008	-	-	-	116,008
International equity	116,059	-	-	-	116,059
Domestic fixed income	62,851	-	-	-	62,851
Global bonds	10,029	-	-	-	10,029
Natural resources	35,760	-	-	-	35,760
Exchange traded funds, domestic equity	300,102	-	-	-	300,102
Exchange traded funds, domestic fixed income	67,336	-	-	-	67,336
Alternative investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>488,121</u>	<u>488,121</u>
Total assets whose use is limited investments at fair value	<u>\$ 925,003</u>	<u>\$ 12,370</u>	<u>\$ -</u>	<u>\$ 488,121</u>	<u>\$ 1,425,494</u>
Other investments					
Marketable equity securities	<u>\$ 21,940</u>	<u>\$ 4,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,379</u>
Restricted assets held by third-parties					
Cash and equivalents	\$ 8,327	\$ -	\$ -	\$ -	\$ 8,327
Other	<u>-</u>	<u>-</u>	<u>5,415</u>	<u>-</u>	<u>5,415</u>
	<u>\$ 8,327</u>	<u>\$ -</u>	<u>\$ 5,415</u>	<u>\$ -</u>	<u>\$ 13,742</u>
Liabilities – recurring fair value measurements					
Derivative financial instruments	<u>\$ -</u>	<u>\$ 15,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,346</u>
Assets disclosed at fair value					
Cash and cash equivalents	<u>\$ 545,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,204</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated balance sheets.

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The following table presents the nature and risk of investments reported at NAV as of December 31, 2023 and 2022 (in thousands):

	<u>Fair Value at 12/31/2023</u>	<u>Fair Value at 12/31/2022</u>
Alternative investments		
Hedge funds		
Diversifying strategies	\$ 103,565	\$ 77,420
International equities	-	8,249
Private investments		
Venture capital	215,528	219,350
Buyouts	84,843	82,632
Private opportunistic fixed income	23,720	21,975
Natural resources - private	32,565	35,648
Real estate - private	32,682	27,657
Co-investments	9,616	9,990
Infrastructure	<u>5,533</u>	<u>5,200</u>
Total	<u>\$ 508,052</u>	<u>\$ 488,121</u>

Hedge Funds

The System invests in certain equity and fixed income strategies which, due to lockups, are classified as hedge funds. These investments are estimated using the NAV provided by the hedge fund managers as a practical expedient due to varying levels of determinable fair values and potential inability for redemption. Certain hedge funds may permit partial liquidity upon redemption with the remaining illiquid assets possessing no definite schedule for distribution.

The investments in these strategies are in assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices.

Buyouts and Venture Capital

The System invests in buyout and venture capital funds that are limited partnerships and not publicly traded. These funds have investments in private companies located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives are generally 10 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

Co-Investments

The System invests in co-investments that are limited partnerships and not publicly traded. These vehicles are unique from other private market funds as they are an additional investment in a single private company that is also held within one of the System's larger total fund investments, and can be located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the co-investment vehicle whenever the investment is realized or distributes dividends. Redemptions are not permitted during the life of the partnerships. Partnership lives are generally 10 years with an option to extend additional years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

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Private Opportunistic Fixed Income

The System invests in private opportunistic fixed income funds (distressed debt, mezzanine, and private credit) that are limited partnerships and not publicly traded. These funds have investments in private companies located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives are generally 6 to 10 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

Natural Resources – Private

The System invests in energy, timber, infrastructure, and farmland funds that are limited partnerships and not publicly traded. These funds have investments in private natural resource assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the funds mature. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 10 to 15 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

Infrastructure

The System invests in private infrastructure funds that are limited partnerships and not publicly traded. These funds have investments in private infrastructure assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the funds mature. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 10 to 15 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

Real Estate – Private

The System invests in real estate funds that are limited partnerships and not publicly traded. These funds have investments in properties located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are estimated using the NAV provided by the general partner due to the inability for redemption and the lack of market prices. Distributions are made from the funds as the fund matures. Redemptions are not permitted during the life of the partnerships. Partnership lives range from 8 to 12 years with an option to extend an additional 2 to 3 years. When assets are sold, the proceeds, less any incentives due to the partnership's general partner, are to be distributed to investors.

Beneficial interests in perpetual trusts, which are included in restricted assets held by third-parties, are measured at fair value based on the trusts' underlying investments using unobservable inputs (Level 3). The following is a reconciliation of the opening and closing balances during the period ended December 31, 2023 and 2022:

Balance at December 31, 2021	\$ 6,495
Valuation loss	<u>(1,080)</u>
Balance at December 31, 2022	5,415
Valuation gain	<u>478</u>
Balance at December 31, 2023	<u>\$ 5,893</u>

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The following is a description of the valuation methodologies used for assets and liabilities measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2023 and 2022.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

U.S. Government and agency obligations and marketable debt securities: Valued based on spreads of published interest rate curves.

Marketable equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange traded funds: Valued at the quoted NAV of shares (basis for trade) held by the System at year end.

Mutual funds: Mutual funds include investments in individual mutual funds and commingled funds (fund of funds). The individual mutual funds are valued at the quoted NAV of shares (basis for trade) held by the System at year end and are considered Level 1 or 2. The System has access to a detailed listing of the underlying assets of the commingled funds, the majority of which are publicly traded, but shares of the commingled funds themselves are not publicly traded. The System is provided a NAV per share for these funds that has been calculated in accordance with investment company rules, which among other requirements indicates that the underlying investments be measured at fair value.

Alternative investments: Alternative investments are comprised of hedge funds and private limited partnerships. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. Hedge funds are not publicly traded and offer some liquidity with partial redemptions being permitted while remaining illiquid assets possess no definite schedule for distribution. Hedge fund investments are fully funded at the beginning of the life of the investment. Investments in private limited partnerships in the following asset classes are not publicly traded and do not allow for redemptions during the life of the investment: private equity, venture capital, private opportunistic fixed income, private real estate, private natural resources, and infrastructure. The life of a private partnership is typically 10 to 15 years with some having an option to extend an additional 2 to 3 years. Private limited partnerships have an investment commitment amount that is drawn down over time based on the cash needs of each individual partnership. Management anticipates that distributions from existing limited partnerships will provide much of the liquidity necessary to satisfy remaining unfunded commitments.

Restricted assets held by third-parties: Assets consist primarily of cash and cash equivalents and mutual funds. Beneficial interests in perpetual trusts are valued based on the fair value of the trusts' underlying assets, which represents a proxy for discounted present value of future cash flows.

Derivative financial instruments: Valued based on proprietary models of a valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and was estimated using the zero-coupon discounting method. This method calculates the future payments required by the derivative financial instruments, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the derivative financial instruments. The value represents the estimated exit price the System would pay to terminate the agreements.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Note 6. Property and Equipment

Property and equipment and related accumulated depreciation consist of the following at December 31, 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Land	\$ 78,849	\$ 68,713
Land improvements	104,202	91,453
Buildings and building improvements	1,741,978	1,534,437
Equipment	1,870,600	1,650,722
Leased assets and improvements	<u>55,034</u>	<u>93,542</u>
Total	3,850,663	3,438,867
Less accumulated depreciation	<u>(1,872,489)</u>	<u>(1,693,143)</u>
	1,978,174	1,745,724
Construction in progress	<u>157,731</u>	<u>151,503</u>
Property and equipment, net	<u>\$ 2,135,905</u>	<u>\$ 1,897,227</u>

Construction in progress consists primarily of major renovation and expansion projects. Interest costs incurred on borrowed funds, net of income earned, during the period of construction of facilities are capitalized as a component of the cost of those assets. WVUHS has capitalized approximately \$729,000 and \$2,290,000 of interest associated with outstanding projects during the period ending December 31, 2023 and 2022, respectively. Purchase commitments related to these and other capital related projects were approximately \$143,660,000 and \$41,452,000 at December 31, 2023 and 2022, respectively.

Note 7. Line of Credit

WVUHS maintains unsecured revolving lines of credit in the amount of \$175,000,000. There were borrowings outstanding of approximately \$54,354,000 and \$19,135,000 at December 31, 2023 and 2022, respectively. Borrowings under the agreements bear interest at a variable rate determined by adding 65 basis points to the Daily One Month LIBOR, and by adding 1.5% to the LIBOR rate. In March 2023, the interest rates were amended to be the Term Secured Overnight Financing Rate (SOFR) plus 0.60% and the Daily Simply SOFR plus 0.65%.

WH maintained a revolving line of credit in the amount of \$10,000,000. Interest accrues at a rate per annum which is at all times equal to the sum of the daily SOFR rate plus 90 basis points. There were borrowings outstanding of approximately \$0 and \$8,000,000 as of December 31, 2023 and 2022, respectively. This line of credit is secured by certain assets limited as to use of WH.

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Note 8. Long-Term Debt

A summary of long-term debt at December 31, 2023 and 2022 is as follows (in thousands):

	<u>2023</u>	<u>2022</u>
West Virginia Hospital Finance Authority Bonds		
2023 Series – WVUH, JGH	\$ 285,930	\$ -
2020 Series – WVUHS, WVUH, CCMC	335,000	335,000
2018 Series – WVUH, UHC, CCMC, BMC, JMC	532,475	539,900
2017 Series – WVUH, UHC	185,320	185,320
2016 Series – WVUH, UHC, CCMC, BMC	214,255	224,650
2015 Series – UHC, SJH, PVH	24,511	26,158
2012 Series – WVUH, UHC, CCMC, BMC, JMC, UHCF	10,940	12,315
2007 Series – UTN	31,045	32,660
Other notes payable	312,287	210,662
Finance lease obligations (see Note 14)	<u>104,663</u>	<u>72,269</u>
Total long-term debt	2,036,426	1,638,934
Net unamortized bond premium	22,267	25,325
Debt issuance costs	(10,455)	(9,148)
Current maturities of long-term debt	<u>(58,974)</u>	<u>(76,023)</u>
Long-term debt	<u>\$ 1,989,264</u>	<u>\$ 1,579,088</u>

The scheduled principal repayments as of December 31, 2023 are as follows (in thousands):

Years Ending
December 31

2024	\$ 58,974
2025	55,937
2026	55,088
2027	53,527
2028	48,649
Thereafter	<u>1,764,251</u>
Total	<u>\$ 2,036,426</u>

Obligated Group

The Obligated Group consists of WVUHS, WVUH, UHC, CCMC, BMC, JMC, UHCF, RMH, SJH, PVH, BCMH, SRMC, JGH, WCH, UH, and BHA. All members of the Obligated Group are jointly and severally liable for all outstanding obligations of the Obligated Group. Payments of principal and interest are collateralized by a pledge of revenues of the Obligated Group.

The Obligated Group is required to maintain certain financial ratios, maintain adequate insurance coverage, maintain net revenue requirements, maintain average annual debt service requirements, comply with certain limitations on additional debt, and comply with annual reporting requirements.

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The variable rate demand bonds, while subject to long-term amortization periods, may be put to the System at the option of the bondholders in connection with certain remarketing dates. Such variable rate demand bonds are classified as long-term in the accompanying balance sheets as they are secured by letters of credit or standby bond purchase agreements, totaling \$61,110,000 and \$65,085,000 at December 31, 2023 and 2022, respectively, that do not expire within the next year.

2023 Series – Hospital Revenue Improvement Bonds

In 2023, the West Virginia Hospital Finance Authority (Authority) issued \$285,930,000 of Hospital Revenue Improvement Bonds (2023 Bonds) on behalf of the Obligated Group. The proceeds of the 2023 Bonds were used to reimburse the costs of construction, renovation and construction of various projects at WVUH, construction of a two-story addition including a new emergency department at JGH and pay for the costs of issuance.

The 2023 Bonds include fixed rate serial bonds of \$285,390,000 maturing in 2037 through 2053, with interest rates ranging from 4.125% to 5.000%.

2020 Series – Hospital Revenue Refunding Bonds

In 2020, the Authority issued \$335,000,000 of Hospital Revenue Refunding and Improvement Bonds (2020 Bonds) on behalf of the Obligated Group. The proceeds of the 2020 Bonds were used to advance refund the Series 2013 Bonds; refinance the 2020 Term Loan; finance the acquisition of Wheeling Hospital; reimburse the costs of various capital improvements and equipment for WVUH; and pay for the costs of issuance. The 2020 Bonds are fixed rate taxable bonds that are scheduled to mature in 2050 with an interest rate of 3.15%.

2018 Series – Hospital Revenue Improvement Bonds

In 2018, the Authority issued \$567,870,000 of Hospital Revenue Refunding and Improvement Bonds (2018 Bonds) on behalf of the Obligated Group. The proceeds of the 2018 Bonds were used to advance refund certain then-outstanding debt; reimburse the costs of various capital improvements and equipment for WVUH; and pay for the costs of issuance.

The outstanding 2018 Bonds include fixed rate tax-exempt term bonds of \$218,550,000 maturing in 2051 and 2052 with interest rates ranging from 4.00% to 5.00%; fixed rate taxable term bonds of \$210,850,000 maturing in 2048 with an interest rate of 4.9%, variable rate bonds of \$103,075,000 maturing in 2033, 2034 and 2041 with interest rates ranging from 1.6% to 1.9%.

2017 Series – Hospital Revenue Improvement Bonds

In 2017, the Authority issued \$185,320,000 of Hospital Revenue Improvement Bonds (2017 Bonds) on behalf of the Obligated Group. The proceeds of the 2017 Bonds were used to complete the construction and equipping of the SouthEast Tower at WVUH; construct and equip the Heart and Vascular Institute in the SouthEast Tower at WVUH; construct, equip and/or expand existing space at WVUH; and pay for the costs of issuance.

The 2017 Bonds include fixed rate serial bonds of \$46,135,000 maturing in 2027 through 2037 with interest rates ranging from 3.375% to 5.000%; and fixed rate term bonds of \$139,185,000 maturing in 2042 and 2047, with interest rates ranging from 4.25% to 5.00%.

2016 Series – Hospital Revenue Refunding Bonds

In 2016, the Authority issued \$260,890,000 of Hospital Revenue Refunding Bonds (2016 Bonds) on behalf of the Obligated Group. The proceeds of the 2016 Bonds were used to advance refund certain then-outstanding debt and pay for the costs of issuance.

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The outstanding 2016 Bonds include fixed rate serial bonds of \$176,765,000 scheduled to mature in 2018 through 2036 with interest rates ranging from 2.50% to 5.00% and fixed rate term bonds of \$37,490,000 maturing in 2039 and 2041 with interest rates ranging from 3.25% to 4.00%.

2015 Series – Hospital Revenue Bonds

In 2015, the Authority issued \$33,860,000 of Hospital Revenue Bonds (2015 Bonds) on behalf of the Obligated Group. The proceeds of the 2015 Bonds were used to refund the existing PVH debt; reimburse the costs of various capital improvements and equipment for PVH; finance the acquisition of SJH; refund the existing SJH debt; and pay for the costs of issuance.

The 2015 Bonds include variable rate bonds of \$24,511,000 maturing in 2027 through 2044 with interest rates ranging from 2.90% to 3.372% and 2.90% to 3.19% at December 31, 2023 and 2022, respectively.

2012 Series – Hospital Refunding Bonds

In 2012, the Authority issued \$178,000,000 of Hospital Refunding Bonds (2012 Bonds) on behalf of the Obligated Group. The proceeds of the 2012 Bonds were used to refund certain then-outstanding debt; reimburse the costs of various capital improvements and equipment for WVUH, CCMC and BMC; and pay for the costs of issuance.

The outstanding 2012 Bonds of \$10,940,000 are scheduled to mature at various times through 2030 with a variable interest rate of 4.96% and 4.17% at December 31, 2023 and 2022, respectively.

2007 Series – Hospital Revenue Bonds

In 2007, the Fayette County Hospital Authority issued \$50,000,000 Hospital Revenue Bonds (2007 Bonds) on behalf UH. The proceeds of the 2007 Bonds were used to construct a new patient tower, demolition of existing building and refunding of prior bonds. The outstanding 2007 Bonds of \$31,045,000 are scheduled to mature at various times through 2037 with a variable interest rate of 3.83% and 2.87% at December 31, 2023 and 2022, respectively.

Other Notes Payable and Finance Lease Obligations

In December 2023, the System obtained a \$15,000,000 term loan from a commercial bank. Monthly interest and principal payments are due beginning in January 2024 with a final payment of the remaining outstanding balance on December 18, 2028. Interest is assessed at a fixed rate of 5.39%. The principal balance of the loan was \$15,000,000 at December 31, 2023.

In May 2023, PCH obtained a \$57,000,000 term loan from a commercial bank. Monthly interest payments are due beginning June 1, 2023 and annual principal payments ranging from \$860,000 to \$1,095,000 are due beginning June 1, 2024 with one final payment due May 1, 2030. Interest is assessed at a variable rate equal to Term SOFR plus 0.62% (6.00% at December 31, 2023). The principal balance of the loan was \$57,000,000 at December 31, 2023.

In April 2023, THS obtained a \$70,000,000 term loan from a commercial bank. Monthly interest payments are due beginning on May 20, 2023 with a final balloon payment on April 28, 2030 equal to the then-outstanding principal balance. Interest is assessed at a variable rate equal to Term SOFR plus 0.70% (6.08% as of December 31, 2023). The principal balance of the loan was \$70,000,000 at December 31, 2023.

In June 2022, GRMC obtained a \$12,500,000 term loan from a commercial bank. Annual principal payments of \$833,000 are due beginning on June 30, 2023 with a final maturity on June 30, 2037. Interest is assessed at a fixed rate of 3.35% per annum. The principal balance of the loan was \$11,667,000 and \$12,500,000 at December 31, 2023 and 2022, respectively.

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In July 2021, the System converted a taxable term loan and the Series 2011 Bond to a term loan in the amount of \$14,900,000. Principal and interest payments of \$139,488 are due monthly beginning August 1, 2021 with one final payment for the remaining balance in July 2031. The loan bears a fixed interest rate of 2.73% per annum. The balance of the loan was \$11,753,000 and \$13,082,000 at December 31, 2023 and 2022, respectively.

In April 2020, the System obtained a \$50,000,000 term loan from a commercial bank. The outstanding principal amount of the loan was paid in full on its maturity date of April 28, 2023. Interest was assessed at a variable rate equal to one month LIBOR plus 1.79%. The loan was guaranteed by the Obligated Group. The principal balance of the loan was \$30,000,000 at December 31, 2022.

In June 2019, WVHCC obtained a \$10,000,000 term loan from a commercial bank to refinance SRMC existing debt as part of the SRMC acquisition. Principal payments of \$42,000 are due monthly. Interest is also payable monthly at a variable rate equal to one month LIBOR plus 0.75%. Effective May 1, 2023, the loan was amended to base interest on a variable rate equal to Term SOFR plus 0.75%. All remaining principal and interest is due on the loan maturity date of June 27, 2029. The term loan is guaranteed by the Obligated Group. The principal balance of the loan was \$7,750,000 and \$8,250,000 at December 31, 2023 and 2022, respectively.

In December 2018, the System converted the majority of the then outstanding line of credit balance to a term loan (2018 Term Loan) in the amount of \$28,500,000. Equal principal payments of \$237,500 were due monthly beginning January 2, 2019 with a balloon payment for the remaining balance repaid in full in December 2023. Interest was payable monthly at a variable rate equal to one month LIBOR plus 0.65%. In December 2022, the interest rate was amended to be equal to Daily Simple SOFR plus 0.65%. The balance of this loan was \$17,058,000 at December 31, 2022.

In November 2017, Recovery obtained a \$12,954,000 note payable from a commercial bank. Principal and interest payments of \$70,395 are due monthly beginning December 15, 2017 with a final maturity on January 15, 2044. The note bears a fixed interest rate of 4.28% per annum. The balance of the loan was \$11,369,000 and \$11,719,000 at December 31, 2023 and 2022, respectively.

In August 2014, WVUH purchased a parcel of land and office building for a purchase price of \$21,547,000. WVUH paid \$3,715,500 in cash at closing and financed the remaining purchase price with a 20-year promissory note. Principal and interest payments approximating \$133,000 are due monthly and the note bears interest at a fixed rate of 6.50% per annum. The principal balance of this note was \$12,120,000 and \$12,900,000 at December 31, 2023 and 2022, respectively.

In July 2014, WH entered into a convertible line of credit note that converted to an amortizing term loan payable in the amount of \$10,000,000 to finance various WH capital improvements. The loan bears interest at the daily SOFR plus 0.90%. The loan converted on July 28, 2016, to an amortizing term loan payable and equal monthly principal payments of \$31,000, which began in August 2016. Principal payments are being made over a period of eight years, with a balloon payment due at the end of 2024. This loan is secured by certain investments of WH. The principal balance of this note was \$4,750,000 and \$5,125,000 at December 31, 2023 and 2022, respectively.

In November 2010, WH entered into a mortgage loan agreement in the amount of \$58,370,000 to finance various WH capital improvements. Interest and principal payments are due over a 25-year term maturing in April 2037. The loan bears interest at a fixed interest rate of 4.35% per annum. The balance of this note was \$39,963,000 and \$42,556,000 at December 31, 2023 and 2022, respectively.

Other notes payable and finance leases consist of bank loan agreements and finance leases that are secured by equipment and property with various expiration dates and require monthly principal and interest payments.

Note 9. Derivative Financial Instruments

The System's primary objective for holding derivative financial instruments is to manage interest rate risk. The System does not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes. The derivative financial instruments are recorded at fair value based upon information supplied by the counterparty as described in Note 5.

In 2003, the System entered into two interest rate swap agreements (2003 Agreements) in connection with certain then-existing debt. The first agreement had a notional value of \$4,700,000 and terminated on June 1, 2016. The second agreement, which has transferred to the 2012 Bonds, has a notional value of \$30,150,000 and terminates on June 1, 2033. The 2003 Agreements require the System to pay a fixed rate while receiving variable interest rates based upon 70% of Fallback Compounded SOFR plus 0.80136%. The fair value of the 2003 Agreements liability was \$2,013,000 and \$2,300,000 at December 31, 2023 and 2022, respectively.

In 2004, CCHS entered into an interest rate swap agreement (2004 Agreement) in connection with certain then-existing debt. In conjunction with the affiliation with WVUHS on March 1, 2011, the 2004 Agreement was amended to include the Obligated Group. Further, the 2004 Agreement was amended and restated effective March 13, 2014. The 2004 Agreement, which transferred to the 2018 Bonds, has a notional value of \$40,600,000 and terminates on February 15, 2034. The 2004 Agreement requires the System to pay a fixed rate while receiving a variable interest rate based upon 67% of Fallback Compounded SOFR plus 0.3767%. The fair value of the 2004 Agreement liability was \$2,754,000 and \$3,108,000 at December 31, 2023 and 2022, respectively.

In 2005, the System entered into an interest rate swap agreement (2005 Agreement) in connection with certain then-existing debt. The 2005 Agreement, which has transferred to the 2012 Bonds, has a notional value of \$9,600,000 and terminates on June 1, 2030. The 2005 Agreement requires the System to pay a fixed rate while receiving a variable interest rate of 70% of Fallback Compounded SOFR plus 0.11448%. The fair value of the 2005 Agreement liability was \$447,000 and \$274,000 at December 31, 2023 and 2022, respectively.

In 2006, the System entered into two interest rate swap agreements (2006 Agreements) in connection with certain then-existing debt, which were most recently amended and restated effective March 13, 2014. The first agreement, which has transferred to the 2012 Bonds, has a notional value of \$18,275,000 and terminates on June 1, 2041. The second agreement has a notional value of \$34,100,000 and terminates on June 1, 2041. The 2006 Agreements require the System to pay a fixed rate while receiving variable interest rates based upon 70% of Fallback Compounded SOFR. The fair value of the 2006 Agreements liability was \$5,822,000 and \$6,669,000 at December 31, 2023 and 2022, respectively.

In 2007, CCHS entered into an interest rate swap agreement (2007 Agreement) in connection with certain then-existing debt. In conjunction with the affiliation with WVUHS on March 1, 2011, the 2007 Agreement was amended to include the Obligated Group. Further, the 2007 Agreement was amended and restated effective March 13, 2014. The 2007 Agreement has a notional value of \$14,050,000 and terminates on February 15, 2034. The 2007 Agreement requires the System to pay a fixed rate while receiving a variable interest rate based upon 67% of Daily Simple SOFR plus 0.11448%. The fair value of the 2007 Agreement liability was \$919,000 and \$1,043,000 at December 31, 2023 and 2022, respectively.

In 2007, UH entered into an interest rate swap agreement (2007 UH Agreement) in connection with certain then-existing debt. The 2007 UH Agreement has a notional value of \$23,135,000 and terminates on June 1, 2037. The 2007 UH Agreement requires the System to pay a fixed rate while receiving a variable interest rate based upon 67% of Daily Simple SOFR plus 0.11448%. The fair value of the 2007 UH Agreement liability was \$1,779,000 and \$1,952,000 at December 31, 2023 and 2022, respectively.

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The System recognizes gains and losses from changes in fair values of interest rate swap agreements as non-operating revenue or expense within revenues in excess of expenses in the accompanying consolidated statement of operations. The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. No termination payments would be required if the swap agreements are held to maturity.

Entering into interest rate swap agreements involves, to varying degrees, elements of credit, default, prepayment, market and documentation risk. Such risks involve the possibility that there will be no liquid market for these agreements, the counterparty to these agreements may default on its obligation to perform and there may be unfavorable changes in interest rates. The notional amounts of the swap agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreements. Management believes that losses related to credit risk are remote.

Note 10. Pension Plans

Defined Contribution Plans

The System provides a defined contribution plan that covers substantially all full-time and part-time employees. Employees who are not part of the WVUH local union are eligible to contribute, and the System will match a percentage of their base compensation up to a limit of 4.5%. Employee contributions are 100% vested upon entry into the plan, and employer contributions are subject to a three-year cliff vesting schedule. Employees who are members of the WVUH local union are eligible to contribute, and the System will match a percentage of their based compensation up to a limit of 5%. The employer matching contribution begins after the completion of two-years' service, and both the employee and employer contributions are 100% vested upon entry into the plan.

The System also maintains a frozen defined contribution plan. This plan was used to merge prior 401(k) and 401(a) defined contribution plans as part of a benefit standardization process in January 2019. The plan is frozen to new contributions.

Less than 1% of WVUH's employees continue to be paid by the State of West Virginia. Those employees also participate in a defined contribution plan for State employees. WVUH reimburses the State for all costs of these employees, including salaries and wages, pension expense, and other related fringe benefits.

AHS, LLC provides a defined contribution plan that covers all employees. Employees are eligible to contribute, and AHS, LLC will match, a percentage of their base compensation up to a limit of 4.5%. Employee contributions are 100% vested upon entry into the plan and employer contributions are subject to a three-year cliff vesting schedule.

The System's expense related to the employer match to the 403(b) plans was \$62,866,000 in 2023 and \$40,658,000 in 2022.

Defined Benefit Plans

Current financial reporting standards require the service cost component of net benefit cost to be reported in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period.

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There are minimal service costs associated with the System's defined benefit plans as they were either frozen or terminated as of December 31, 2023 and 2022. The other components of net periodic pension cost are required to be presented in the consolidated statements of operations separately from the service cost component and outside the subtotal operating income. The System's net period benefit costs for the years ended December 31, 2023 and 2022 are presented in other nonoperating expenses in the accompanying consolidated statements of operations.

SJH maintains a noncontributory, defined benefit pension plan that covers substantially all of its employees who were employed on or before December 31, 2013, at which time the plan was frozen to new entrants. Accrued benefits were also frozen as of that date.

UH has a noncontributory, defined benefit pension plan covering all employees who meet certain eligibility requirements. UH's funding policy is to make the minimum annual contributions that are required by applicable regulations, plus such amounts as WVUHS may determine to be appropriate from time to time. Effective June 23, 2012, UH amended the defined benefit plan to effectively freeze the defined benefit pension plan, whereby no further benefits will be accrued under the plan.

BHA sponsored a defined benefit pension plan covering employees who met certain eligibility requirements as to age and length of service. The defined benefit pension plan provides pension benefits that are based on the employee's compensation during their period of credited service. The defined benefit pension plan was frozen February 1, 2009, therefore, no new plan participants have been permitted since that date. BHA's funding policy is to contribute the minimum annual amount required by applicable regulators, plus additional amounts as WVUHS may determine to be appropriate from time to time.

GRMC has a noncontributory, defined benefit pension plan covering all employees who meet certain eligibility requirements. GRMC's funding policy is to contribute the minimum annual contributions required by applicable regulations, plus such amounts as WVUHS may determine to be appropriate from time to time. Accruals for benefits froze for active participants effective June 30, 2022.

PCH has a noncontributory, defined benefit pension plan covering substantially all employees who meet certain eligibility requirements. PCH's funding policy is to contribute the minimum amount required by applicable regulators, plus such amounts as WVUHS may determine to be appropriate from time to time. Effective, January 1, 2022, PCH elected to freeze the defined benefit plan, whereby no further benefits will be accrued under the plan.

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The following table sets forth the combined information for the plans noted above related to the change in benefit obligation, the fair value of plan assets and the amounts recognized in the accompanying consolidated balance sheets at December 31, 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	\$ 117,414	\$ 97,813
Acquisition of BHA, UH, and GRMC	-	50,653
Acquisition of PCH	118,184	-
Service cost	691	810
Interest cost	11,694	3,213
Actuarial gains (loss)	13,279	(25,302)
Benefits paid	(16,337)	(7,580)
Settlement	-	(2,193)
	<u>244,925</u>	<u>117,414</u>
Change in plan assets		
Fair value of plan assets, beginning of year	97,265	80,219
Acquisition of BHA, UH, and GRMC	-	34,058
Acquisition of PCH	65,459	-
Actual return (loss) on plan assets (net of expense)	18,630	(11,492)
Employer contributions	2,862	4,253
Benefits paid	(16,337)	(7,580)
Settlement	-	(2,193)
	<u>167,879</u>	<u>97,265</u>
Fair value of plan assets, end of year	<u>167,879</u>	<u>97,265</u>
Funded status at end of year	<u>\$ (77,046)</u>	<u>\$ (20,149)</u>

The following table sets forth the components of net periodic pension costs in 2023 and 2022, recognized in the accompanying consolidated statements of operations (in thousands):

	<u>2023</u>	<u>2022</u>
Interest cost	\$ 11,694	\$ 3,213
Service cost	691	810
Settlement charge	-	649
Expected return on plan assets	(9,741)	(5,738)
Amortization of actuarial loss	<u>365</u>	<u>501</u>
Net periodic pension cost (benefit)	<u>\$ 3,009</u>	<u>\$ (565)</u>

A net actuarial gain of \$1,197,000 and \$3,875,000 at December 31, 2023 and 2022, respectively, represents the unrecognized component of net periodic pension cost included in net assets without donor restrictions. Estimated amortization of the net gain of \$140,000 is expected to be recognized in net periodic pension cost in the next fiscal year.

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The following assumptions were used to determine benefit obligations at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Discount rate		
UH plan	4.96%	4.96%
SJH plan	4.75%	4.97%
BHA plan	5.05%	5.05%
GRMC plan	5.00%	5.24%
PCH plan	4.73%	N/A

The weighted-average assumptions used in the measurement of net periodic benefit cost for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Discount rate		
UH plan	4.96%	4.96%
SJH plan	4.75%	4.97%
BHA plan	5.05%	5.05%
GRMC plan	5.24%	4.62%
PCH plan	4.73%	N/A
Expected long-term return on plan assets		
UH plan	6.00%	6.00%
SJH plan	4.00%	6.75%
BHA plan	5.25%	4.25%
GRMC plan	7.00%	7.00%
PCH plan	6.50%	N/A

The basis for determining the overall expected long-term rate of return on assets has been based on the assumption that future real returns will approximate historic long-term rates of return experienced for each asset class in the investment policy statement. Based on this analysis, it was determined that the long-term rate of return should be consistently applied.

When determining an appropriate risk tolerance, the System examines the financial ability to accept risk within the investment program and the willingness to accept return volatility. Based on these factors, a range of investment percentages has been established, by asset type, to which the mix of assets should be generally maintained. When necessary, the portfolio will be rebalanced within the target allocations.

Actual allocation and targeted percentages as of December 31, 2023 and 2022 are as follows:

	<u>Actual Percentage</u>		<u>Targeted Percentage</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	91%	6%	-%	-%
Equity securities	4%	54%	25%	25%
Fixed income securities	5%	40%	75%	75%

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The following table summarizes the plans' cash and cash equivalents and Level 1 assets measured at fair value on a recurring basis at December 31, 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 152,323	\$ 5,621
Marketable equity securities	7,788	52,287
Mutual funds, fixed income	<u>7,768</u>	<u>39,357</u>
Total	<u>\$ 167,879</u>	<u>\$ 97,265</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2023 and 2022.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Marketable equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds and exchange traded funds: Valued at the quoted net asset value of shares (basis for trade) held by the System at year end.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following benefit payments are expected to be paid (in thousands):

Years Ending
December 31

2024	\$ 17,009
2025	\$ 17,163
2026	\$ 17,451
2027	\$ 17,481
2028	\$ 17,626
2029-2033	\$ 86,492

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Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purposes		
Pediatric care	\$ 6,408	\$ 2,606
Purchases of property and equipment	1,290	875
Various healthcare related activities	5,151	4,375
Other	<u>11,113</u>	<u>4,003</u>
Total subject to expenditure for specified purposes	23,962	11,859
Contributed property restricted from sale	48,086	52,777
Endowment funds – income expendable to support various healthcare services and purchase equipment	9,248	6,936
Perpetual income trusts – income expendable to support charity care and other healthcare services	<u>5,881</u>	<u>5,452</u>
Total net assets with donor restrictions	<u>\$ 87,177</u>	<u>\$ 77,024</u>

Note 12. Professional and General Liability Coverage

Effective January 1, 2018, the System formed Augusta Insurance Company, Ltd. (Augusta), a wholly owned captive insurance company incorporated as an exempt company under the Companies Law of the Cayman Islands. Augusta facilitates the structuring of a unified insurance program for the System, while remaining flexible to meet unique needs that may vary across the System. In conjunction with the formation of Augusta, the System terminated the previous self-funded programs and transferred approximately \$73,000,000 in assets and approximately \$53,000,000 in liabilities from the self-funded malpractice trusts to Augusta. Ongoing operations of Augusta are funded by premiums paid by the System entities. The operations of Augusta are included in the System’s accompanying consolidated financial statements.

Augusta provides claims-made general and professional liability coverage to WVUHS and its controlled entities. Augusta accepted loss portfolio transfer of remaining liabilities on pre-2018 reported claims from the prior self-funded programs. Additionally, the System has obtained excess claims made coverage policies with five different third-party commercial insurance companies.

A summary of primary and excess coverage is summarized below:

Augusta Insurance Company, Ltd.	\$10 million per occurrence \$35 million aggregate
Other Third-Party Commercial Excess	\$70 million per occurrence \$70 million aggregate
Total Liability Coverage (including Augusta)	\$80 million per occurrence \$105 million aggregate

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Management estimates the provision for malpractice losses using an actuarial reserve analysis prepared by its independent actuaries. The recorded estimated malpractice obligation reflected in the consolidated financial statements is discounted using a 3.0% discount rate is \$90,810,000 and \$74,442,000 at December 31, 2023 and 2022, respectively. The undiscounted amount of the reserve is \$97,658,000 and \$80,385,000 at December 31, 2023 and 2022, respectively. The actuarial estimates are based on the historical data of the program blended together with relevant insurance industry loss development statistics. Actuarial estimates include claims made and tail liabilities. Management believes that the estimated malpractice reserves are reasonable in all material respects.

Medical malpractice and general liability claims are managed by the System's legal staff. Specialized experts and outside attorneys are utilized when such expertise is considered necessary. The System believes it has adequate insurance coverages and accruals for all asserted claims and it has no knowledge of unasserted claims that would exceed its self-insurance and insurance coverages and accruals. The outcome of certain labor and other related claims not covered by insurance is currently unknown and the potential related liability cannot be estimated, therefore, the System has not recognized a liability for these claims. Because of the extended period over which losses are settled and the general uncertainty surrounding the recorded estimate, the ultimate settlement costs could vary and these differences could be material. The estimate is continually reviewed and, as adjustments to the liability become necessary, the adjustments are reflected in current operations.

UH is a member of the Community Hospital Alternative for Risk Transfer (CHART), a reciprocal risk retention group approved to provide malpractice coverage in Pennsylvania. This group was formed in order to stabilize the cost and availability of malpractice insurance for community hospitals throughout the region by taking advantage of the self-funding capabilities of a large homogenous group and leveraging the group's purchasing power. UH purchases primary and excess medical malpractice insurance under claims-made policies. Based upon UH's claims experience, an accrual has been made for UH's estimated medical malpractice costs (reported and unreported incidents), including costs associated with litigating or settling claims, under its malpractice insurance policy. The recorded estimated malpractice obligation reflected in the consolidated financial statements for UH is \$1,311,000 and \$1,511,000 at December 31, 2023 and 2022, respectively.

GRMC is a shareholder of Freestate, a captive insurance company, that provides insurance coverage on a claims-made basis for professional liability claims and comprehensive general liability of \$2,000,000 for each loss event. Freestate has entered into reinsurance and excess policy agreements with independent insurance companies to limit its losses for professional liability and comprehensive general liability claims. Freestate has \$4,000,000 of additional insurance in the aggregate through such reinsurance arrangements which is applicable to GRMC. Retrospective premium assessments and credits are calculated based on the aggregate experience of all named insureds under the policy. Each named insured's assessment or credit is based on the percentage of their actual exposure to the actual exposure of all named insureds. Each named insured will not be charged or entitled to any retrospective premium assessments or credits until the policy period has been closed and no further claim obligations are expected. If the financial condition of Freestate were to materially deteriorate in the future, and Freestate was unable to pay its claim obligations, the payment of such claims would be the responsibility of the member hospitals. The estimated cost of claims is actuarially determined based upon past experience and discounted using a discount rate of 3.5%. The recorded estimated malpractice obligation reflected in the consolidated financial statements for GRMC is \$447,000 at December 31, 2023 and 2022.

Since the formation of Augusta on January 1, 2018, new hospitals and physician practice acquisitions are evaluated by its independent actuaries for coverage within Augusta. Barnesville Hospital continued to maintain their primary coverage from commercial third-party insurance carriers through December 31, 2022, with coverage moving to Augusta effective January 1, 2023.

As part of the Member Transfer Agreement, WH's wholly owned insurance captive domiciled in the Cayman Islands, Mountaineer Freedom (MFLTD), was acquired by WVUHS. The MFLTD insurance program was for medical professional liability and general liability, including excess coverage. MFLTD annually provided WH with primary professional liability coverage of \$1,000,000 per incident or \$3,000,000 in the aggregate and primary

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general liability coverage of \$1,000,000 per occurrence or \$1,000,000 in the aggregate. There were no deductibles.

Additionally, MFLTD provided WH with two layers of excess coverage. The first excess coverage was \$2,000,000 per incident or \$4,000,000 in the aggregate with respect to professional liability and \$2,000,000 per occurrence or \$2,000,000 in the aggregate with respect to general liability. The second excess coverage was \$15,000,000 per medical incident or \$15,000,000 in the aggregate with respect to professional liability and \$15,000,000 per occurrence or \$15,000,000 in the aggregate with respect to general liability. WH owned 100% of the common stock of MFLTD. Accordingly, MFLTD is included within these consolidated financial statements. As part of the overall malpractice risk management, on October 1, 2021, MFLTD merged with Augusta. As a result of this merger, assets of approximately \$21,850,000 and liabilities of \$19,178,000 of MFLTD were transferred to Augusta.

In management's opinion, the assets of Augusta are sufficient to meet its obligations as of December 31, 2023 and 2022. If the financial condition of Augusta were to materially deteriorate in the future, and Augusta was unable to pay its claim obligations, the responsibility to pay those claims would return to WVUHS and its controlled entities. Additionally, in the event that other third-party commercial general liability companies were unable to meet their obligations under the insurance agreements, the responsibility to pay those claims would return to WVUHS and its controlled entities.

On April 1, 2017, THS purchased claims-made insurance coverage for professional liability up to \$1,000,000 for individual claims and aggregate coverage per year of \$5,000,000. Incidents occurring through December 31, 2023 may result in the assertion of a claim or other claims may be asserted arising from past services provided. THS has estimated the ultimate costs for asserted, unasserted and incurred but not reported claims. The accrued malpractice liability under the plan as of December 31, 2023 was \$7,452,000, and is included in the current and noncurrent portions of accrued malpractice liability. Accrued malpractice liabilities have been discounted at 3% and in management's opinion provide an adequate reserve for loss contingencies.

Note 13. Related-Party Transactions

WVUH has entered into a Joint Operating Agreement (JOA) with West Virginia University Medical Corporation d/b/a University Health Associates (UHA) and the University in order to further integrate their mission and purpose, management, clinical activities and economic and financial activities. WVUH and UHA will function as a single strategic and economic unit while retaining their separate corporate identities. The JOA, as amended, requires an equalization of the operating margin between WVUH and UHA on a three to one basis, respectively. WVUH recorded approximately \$256,287,000 and \$192,784,000 for the periods ending December 31, 2023 and 2022, respectively, associated with these support payments. These amounts have been recorded as physician support in the consolidated statement of operations.

Additionally, the JOA, as amended, requires a transfer of excess funds from WVUH to the University's School of Medicine (SOM). In 2023, \$22,000,000 was transferred to the SOM, with WVUH responsible for funding \$16,500,000 and UHA responsible for funding \$5,500,000. In 2022, total required transfers were \$22,095,000, with WVUH responsible for funding \$18,720,000 and UHA responsible for funding \$3,375,000. These contributions are included in transfers to the School of Medicine in the accompanying consolidated statements of changes in net assets. Amounts payable to the University associated with this required transfer was \$0 and \$4,103,000 at December 31, 2022 and is recorded in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

WVUHS and UHA agree to finance the University's resident and intern program and provide clinical teaching subsidies. Total support of \$20,167,000 and \$13,650,000 for the years ended December 31, 2023 and 2022, respectively, with WVUHS responsible for funding \$15,125,000 and \$10,275,000, respectively, and UHA responsible for funding \$5,042,000 and \$3,375,000, respectively, is recorded as operating expenses in the

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accompanying consolidated statements of operations. WVUH also pays the University for other expenses such as state employee salaries, certain utilities, and rents. Other payments made to the University were \$49,233,000 and \$42,662,000 for the periods ending December 31, 2023 and 2022, respectively, all of which are recorded as operating expense in the accompanying consolidated statements of operations.

WVUHS provides certain information technology services on behalf of UHA, for which approximately \$14,944,000 and \$14,164,000 was recorded for the periods ending December 31, 2023 and 2022, respectively. Approximately \$12,112,000 and \$10,202,000 was recorded for the periods ending December 31, 2023 and 2022, respectively, for other services provided by WVUHS on behalf of UHA. These amounts have been included in other revenues in the accompanying consolidated statements of operations. The total amount payable from UHA is \$466,000 and \$673,000 at December 31, 2023 and 2022, respectively, and is recorded in other accounts receivable in the accompanying consolidated balance sheets.

UHA provides various medical director services and other medical service support to WVUH, BMC, and JMC. Payments for these services were \$3,696,000 in 2023 and \$3,540,000 in 2022 and the associated expenses are included in physician support and purchased services in the accompanying consolidated statements of operations. The total amount payable to UHA for these services was \$585,000 and \$710,000 at December 31, 2023 and 2022, respectively, and is recorded in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Effective January 1, 2013, University Healthcare entered into a Mission Support Agreement (MSA) with University Healthcare Physicians (UHP). On January 1, 2023, UHP merged into UHA and the former operations of UHP are operated as UHA East. The MSA ensures UHA East operating losses are funded by University Healthcare on a monthly basis. Break even operations are calculated on a monthly basis for UHA East and any losses are recorded by BMC and JMC as mission support. Total mission support was \$30,623,000 in 2023 and \$21,265,000 in 2022 and is included in physician support in the accompanying consolidated statements of operations. The total amount payable to UHP for these support payments was \$615,000 and \$1,304,000 at December 31, 2023 and 2022, respectively, and is recorded in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

WVUH, Charleston Area Medical Center and Cabell Huntington Hospital are members of HealthNet, Inc. (HNET), an aeromedical transport service company. Each member's ownership percentage is 33.33%. HNET is a West Virginia nonprofit corporation, which the Internal Revenue Service has determined is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. HNET's members are required to support HNET to the extent that expenses exceed revenues. HNET had total assets of \$43,189,000 and total liabilities of \$43,159,000 and total equity of \$30,000 as of December 31, 2023. Amounts due from HNET were \$15,567,000 at December 31, 2023 and \$15,213,000 at December 31, 2022 and are included in other assets, net in the accompanying consolidated balance sheets. WVUH guaranteed certain capital equipment loans for HNET. The outstanding balance for these equipment loans was approximately \$5,565,000 and \$6,891,000 as of December 31, 2023 and 2022, respectively. The outstanding loan is scheduled to mature in November 2030. WVUH is obligated to pay the amounts due under the loan in the event of a default. There are no known events of default on this loan as of December 31, 2023.

The total amount receivable from affiliated organizations was \$66,663,000 and \$62,840,000 at December 31, 2023 and 2022, respectively, and is recorded in other accounts receivable in the accompanying consolidated balance sheets.

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Note 14. Leases

The System leases certain equipment and office buildings under the terms of non-cancellable operating leases. For leases with terms greater than 12 months, the related right-of-use assets and right-of-use obligations are recorded at the present value of lease payments over the term. Many of the leases include rental escalation clauses and renewal options that are factored into the determination of lease payments when appropriate.

The components of lease expense (and related classification in the accompanying statements of operations) were as follows during 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Operating lease cost (other expense)	\$ 31,677	\$ 24,830
Finance lease cost		
Amortization of right-of use assets (depreciation and amortization)	13,359	8,489
Interest on lease liabilities (interest expense)	3,769	2,846
Sublease income (other operating income)	<u>(1,736)</u>	<u>(1,825)</u>
Total lease cost	<u>\$ 47,069</u>	<u>\$ 34,340</u>

Cash paid for amounts included in the measurement of lease liabilities for the years ended December 31 are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Operating cash flows from operating leases	\$ 23,776	\$ 21,554
Operating cash flows from finance leases	4,281	3,486
Financing cash flows from finance leases	<u>11,414</u>	<u>4,893</u>
Total	<u>\$ 39,471</u>	<u>\$ 29,933</u>

Right-of-use assets obtained in exchange for new lease obligations for the years ended December 31 are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 48,381	\$ 5,160
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 26,465	\$ 24,837

The following table presents lease-related assets and liabilities at December 31, 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Operating leases		
Right-of-use operating lease assets	\$ 43,743	\$ 41,519
Current operating lease liabilities	\$ 14,018	\$ 13,042
Noncurrent operating lease liabilities	<u>29,061</u>	<u>29,661</u>
Total operating lease liabilities	<u>\$ 43,079</u>	<u>\$ 42,703</u>

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Current operating lease liabilities are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. Noncurrent operating lease liabilities are included in right-of-use operating lease obligations in the accompanying consolidated balance sheets.

The following table presents lease-related assets and liabilities at December 31, 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Finance leases		
Property and equipment, net	\$ 94,357	\$ 64,815
Current finance lease liabilities	\$ 12,509	\$ 7,523
Noncurrent finance lease liabilities	<u>92,154</u>	<u>64,746</u>
Total finance lease liabilities	<u>\$ 104,663</u>	<u>\$ 72,269</u>

Current finance lease liabilities are included in current maturities of long-term debt in the accompanying consolidated balance sheets. Noncurrent finance lease liabilities are included in long-term debt, net, in the accompanying consolidated balance sheets.

	<u>2023</u>	<u>2022</u>
Other information		
Weighted-average remaining lease term – operating leases	4.9 years	5.2 years
Weighted-average remaining lease term – finance leases	7.4 years	9.2 years
Weighted-average discount rate – operating leases	4.87%	4.83%
Weighted-average discount rate – finance leases	5.23%	4.76%

The following is a schedule of lease liability maturities related to leases with third-parties for the years ending (in thousands):

	<u>Operating</u>	<u>Finance</u>
2024	\$ 14,371	\$ 12,060
2025	9,268	11,105
2026	6,480	8,799
2027	4,904	6,709
2028	2,951	4,884
Thereafter	<u>6,004</u>	<u>22,639</u>
Total	43,978	66,196
Less: interest	<u>(4,809)</u>	<u>(13,092)</u>
Lease liability	<u>\$ 39,169</u>	<u>\$ 53,104</u>

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The following is a schedule of lease liability maturities related to leases with affiliates for the years ending (in thousands):

	<u>Operating</u>	<u>Finance</u>
2024	\$ 1,062	\$ 3,042
2025	1,018	2,946
2026	684	2,846
2027	503	2,741
2028	345	432
Thereafter	<u>952</u>	<u>105,592</u>
Total	4,564	117,599
Less: interest	<u>(654)</u>	<u>(66,040)</u>
Lease liability	<u>\$ 3,910</u>	<u>\$ 51,559</u>

Note 15. Commitments and Contingencies

Workers' Compensation Claims Coverage

The System maintains insurance policies with a stated per occurrence deductible and a stated deductible aggregate for workers' compensation claims. The policies provide statutory workers' compensation limits of liability. The System was required to establish loss funds and provide letters of credit to secure the deductible obligations. The letters of credit total \$5,392,000 at December 31, 2023 and 2022 and are automatically renewed by the issuing bank every July 1 unless notified 90 days prior to the renewal date.

Asbestos

Certain facilities owned by the System, which were constructed prior to the passage of the Clean Air Act, contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe fashion prior to the demolition and renovation of these buildings. The fair value of the liability for such asbestos removal cannot be reasonably estimated at this time. Management does not believe that remediation of such items will have a material effect on the consolidated financial statements.

Disproportionate Share Hospital State Plan

The State of West Virginia Disproportionate Share Hospital (DSH) State Plan was amended to provide for a settlement process among participating hospitals. Beginning with 2011, the State is completing a final settlement and redistribution process. In December 2020, the 2017 DSH audits were finalized. The redistribution based on these results has not yet occurred. The Bureau for Medical Services of the State of West Virginia Department of Health and Human Resources has contracted with a third-party vendor to assist with the audit settlement process for DSH. The laws and regulations governing the DSH settlement process are complex, involving a wide range of data from all participating hospitals and subject to interpretation. Accordingly, the System is not able to estimate the possible loss or gain that could arise upon completion of the DSH settlement process. The results of the resolution of the settlement process could materially impact the System's future results of operations or cash flows in a particular period.

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Healthcare Industry

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the accompanying consolidated financial statements; however, the possible future financial effects of this matter on the System, if any, are not presently determinable.

Note 16. Liquidity and Availability

As of December 31, 2023 and 2022, the System has a working capital of approximately \$967,115,000 and \$771,722,000, respectively, and average days (based on normal expenditures) cash and board designated investments on hand of 122 days and 149 days, respectively.

Financial assets available for general expenditure within one year of the balance sheet date consist of the following at December 31 (in thousands):

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 595,830	\$ 545,204
Patients accounts receivable	755,792	626,718
Other accounts receivables	102,096	76,448
Assets whose use is limited, current	<u>27,768</u>	<u>33,079</u>
Total	<u>\$ 1,481,486</u>	<u>\$ 1,281,449</u>

In addition to the assets in the table above, the System has other assets whose use is limited for specified purposes and because they are not available for general expenditure within one year are not reflected in the amounts above. The System does, however, have certain long-term assets whose use is limited by board designation and could be made available for general expenditure within one year, if necessary.

Additionally, the System has \$185,000,000 in revolving lines of credit (Note 7). As of December 31, 2023, approximately \$130,646,000 remained available on the System's lines of credit for use in the normal course of operations if needed.

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Note 17. Functional Expenses

The System provides general health care and related services to individuals within its geographic region. Expenses related to providing these services for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	2023			
	Healthcare Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 1,644,096	\$ 412,159	\$ 70	\$ 2,056,325
Employee benefits	472,726	136,695	8	609,429
Supplies and purchased services	1,311,342	31,630	-	1,342,972
Physician support	442,825	11,409	-	454,234
Professional fees	245,758	170,162	31	415,951
Depreciation and amortization	144,807	88,319	-	233,126
Interest	52,060	23,352	-	75,412
Other	221,459	482,005	1,450	704,914
Total	<u>\$ 4,535,073</u>	<u>\$ 1,355,731</u>	<u>\$ 1,559</u>	<u>\$ 5,892,363</u>

	2022			
	Healthcare Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 1,255,703	\$ 301,801	\$ 72	\$ 1,557,576
Employee benefits	325,319	108,573	15	433,907
Supplies and purchased services	998,556	3	-	998,559
Physician support	332,267	358	-	332,625
Professional fees	233,538	118,359	32	351,929
Depreciation and amortization	111,479	101,362	-	212,841
Interest	39,334	23,394	-	62,728
Other	320,538	191,339	69	511,946
Total	<u>\$ 3,616,734</u>	<u>\$ 845,189</u>	<u>\$ 188</u>	<u>\$ 4,462,111</u>

The accompanying consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest and other occupancy costs, are allocated to a function based on location of the respective assets.

Note 18. Business Combinations

Grant Memorial Hospital

Effective July 1, 2023, WVUHS became the sole member of GMH, a critical access hospital located in Petersburg, West Virginia.

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The following table summarizes the fair value of the assets acquired and the liabilities assumed as of the date of acquisition (in thousands):

Assets	
Cash and cash equivalents	\$ 4,469
Patient receivables	5,593
Inventories of supplies	1,313
Prepaid expenses and other current assets	257
Property and equipment, net	10,114
Investments and assets limited as to use	<u>7,809</u>
Total assets	<u>\$ 29,555</u>
Liabilities	
Current maturities of long-term debt	\$ 492
Accounts payable and accrued expenses	4,092
Estimated third-party payor settlements	6,493
Long-term debt, net	<u>4,169</u>
Total liabilities	<u>\$ 15,246</u>
Net assets without donor restrictions	<u>\$ 14,309</u>
Net assets acquired over liabilities assumed	<u>\$ 14,309</u>

The results of operations for GMH are included in the consolidated schedule of operations and changes in net assets beginning July 1, 2023. For the period July 1, 2023 through December 31, 2023, GMH had total operating revenues of \$27,967,000, operating income of \$973,000, and excess or revenues over expenses of \$15,834,000, inclusive of an inherent contribution of \$14,309,000. Additionally, for the period July 1, 2023 through December 31, 2023, GMH recognized an increase in net assets without donor restriction of \$12,312,000.

Ohio Valley Health Corporation

On May 12, 2023, Ohio Valley Health Corporation, a WVUHS subsidiary, executed an asset purchase agreement in which Ohio Valley Health Corporation purchased the real and personal property of Ohio Valley Nursing Home, Inc. for consideration of \$12,000,000.

The following table summarizes the fair value of the assets acquired as of the date of acquisition (in thousands):

Assets	
Property and equipment, net	\$ 8,890
Other assets, net	<u>3,110</u>
Total assets	<u>\$ 12,000</u>

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Princeton Community Hospital

Effective January 1, 2023, WVUHS became the sole member of PCH and PCHF.

The following table summarizes the fair value of the assets acquired and the liabilities assumed as of the date of acquisition (in thousands):

Assets	
Cash and cash equivalents	\$ 8,369
Current portion of assets limited as to use	20,804
Patient receivables	23,913
Other receivables	1,047
Estimated third-party payor settlements	4,436
Prepaid expenses and other current assets	8,342
Property and equipment, net	57,491
Assets limited as to use	34,178
Other assets, net	<u>7,531</u>
Total assets	<u>\$ 166,111</u>
Liabilities	
Current maturities of long-term debt	\$ 1,875
Accounts payable and accrued expenses	25,484
Long-term debt, net	30,613
Pension liability	52,725
Malpractice	<u>10,895</u>
Total liabilities	<u>\$ 121,592</u>
Net assets without donor restrictions	\$ 42,817
Net assets with donor restrictions	<u>1,702</u>
Net assets acquired over liabilities assumed	<u>\$ 44,519</u>

The results of operations for PCH and PCHF are included in the consolidated schedule of operations and changes in net assets beginning January 1, 2023. For the year ended December 31, 2023, PCH and PCHF had total operating revenues of \$267,433,000, an operating loss of \$8,481,000, and revenues in excess of expenses of \$36,044,000, inclusive of an inherent contribution of \$42,817,000. Additionally, for the year ended December 31, 2023, PCH and PCHF recognized an increase in net assets without donor restrictions of \$21,059,000 and an increase in net assets with donor restrictions of \$1,702,000.

Thomas Health System

Effective January 1, 2023, WVUHS became the sole member of THS which includes TH – a 241-bed acute care hospital in South Charleston, West Virginia, THSPP – a corporation formed to employ physicians working for THS, SFH – a 123-bed acute care hospital as well as a 29-bed skilled nursing unit in Charleston, West Virginia, TMHS – a corporation that provides services including the sales and rental of communications equipment and other services, and TMHF – a Foundation to support TH and SFH. There was no consideration provided for the assets acquired and liabilities assumed.

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The following table summarizes the fair value of the assets acquired and the liabilities assumed as of the date of acquisition (in thousands):

Assets	
Cash and cash equivalents	\$ 1,389
Current portion of assets whose use is limited	17,994
Patient receivables	37,030
Other receivables	8,383
Inventories of supplies	9,221
Prepaid expenses and other current assets	11,856
Property and equipment, net	103,412
Investments	8,243
Other assets, net	<u>502</u>
Total assets	<u>\$ 198,030</u>
Liabilities	
Current maturities of long-term debt	\$ 5,099
Accounts payable and accrued expenses	36,023
Long-term debt, net	74,596
Malpractice	<u>5,975</u>
Total liabilities	<u>\$ 121,693</u>
Net assets without donor restrictions	\$ 74,346
Net assets with donor restrictions	<u>1,991</u>
Net assets acquired over liabilities assumed	<u>\$ 76,337</u>

The results of operations for THS, TH, THSPP, SFH, TMHS, and TMHF are included in the consolidated schedule of operations and changes in net assets beginning January 1, 2023. For the year ended December 31, 2023, these entities had total operating revenues of \$398,273,000, operating loss of \$9,175,000, and revenue in excess of expenses of \$61,456,000, inclusive of an inherent contribution of \$74,346,000. Additionally, for the year ended December 31, 2023, these entities recognized an increase in net assets without donor restriction of \$61,391,000 and an increase of \$2,031,000 in net assets with donor restrictions.

Garrett County Memorial Hospital

Effective July 1, 2022, WVUHS became the sole member of GRMC, Inc. (GRMC), a Maryland non-profit corporation and an Operating and Lease Agreement went into effect whereby GRMC will operate Garrett County Memorial Hospital (GCMH).

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The following table summarizes the fair value of the assets acquired and the liabilities assumed as of the date of acquisition (in thousands):

Assets	
Cash and cash equivalents	\$ 18,189
Current portion of assets whose use is limited	408
Patient receivables	8,529
Other receivables	4,162
Inventories of supplies	1,978
Prepaid expenses and other current assets	907
Property and equipment, net	20,726
Right-of-use operating lease assets	74
Investments	9,932
Other assets, net	<u>891</u>
Total assets	<u>\$ 65,796</u>
Liabilities	
Current maturities of long-term debt	\$ 849
Accounts payable and accrued expenses	7,810
Estimated third-party payor settlements	544
Long-term debt, net	11,676
Pension liability	16,595
Right-of-use operating lease obligations	8
Other liabilities	<u>1,299</u>
Total liabilities	<u>\$ 38,781</u>
Net assets without donor restrictions	\$ 26,325
Net assets with donor restrictions	<u>690</u>
Net assets acquired over liabilities assumed	<u>\$ 27,015</u>

The results of operations for GRMC are included in the consolidated schedule of operations and changes in net assets beginning July 1, 2022. For the period July 1, 2022 through December 31, 2022, GRMC had total operating revenues of \$33,829,000, operating loss of \$125,000, and excess or revenues over expenses of \$30,446,000 inclusive of an inherent contribution of \$26,325,000. Additionally, for the period July 1, 2022 through December 31, 2022, GRMC recognized an increase in net assets without donor restriction of \$29,652,000 and an increase of \$858,000 in net assets with donor restrictions.

Recovery Properties, LLC

On August 1, 2022, WVUH executed a purchase agreement to acquire 100% membership interest in Recovery for \$4,800,000, at which time Recovery became fully controlled by WVUH.

West Virginia University Health System and Controlled Entities
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

The following table summarizes the fair value of the assets acquired and the liabilities assumed as of the date of acquisition (in thousands):

Assets	
Cash and cash equivalents	\$ 324
Other receivables	1,756
Prepaid expenses and other current assets	27
Property and equipment, net	15,660
Other assets, net	<u>1,050</u>
Total assets	<u>\$ 18,817</u>
Liabilities	
Accounts payable and accrued expenses	\$ 2,157
Long-term debt, net	<u>11,860</u>
Total liabilities	<u>\$ 14,017</u>
Net assets without donor restrictions	<u>\$ 4,800</u>
Net assets acquired over liabilities assumed	<u>\$ 4,800</u>

Note 19. COVID-19 Pandemic Funding

On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. Various state governments took action to provide economic relief and emergency assistance. HHS has issued Post-Payment Notices of Reporting Requirements (PPNRR) and frequently asked questions and answers (FAQs) which establish the reporting criteria for providers who received Provider Relief Fund (PRF) funding under the CARES Act. The PPNRR and FAQs also provide guidance related to the determination of lost revenues and COVID-19 related expenses under the terms and conditions of the PRF funding received by the System. This guidance is advisory in nature and subject to change, and it is unknown at the report date what impact future guidance will have on PRF funding and revenue recognition. During the year ended December 31, 2022, the System received approximately \$11,787,000, in general and targeted PRF and other COVID-19 related grant funding. There were no amounts received during the year ended December 31, 2023.

The System has recognized other operating revenue of \$7,114,000 and \$18,944,000 related to PRF funding for the years ended December 31, 2023 and 2022, respectively, to the extent the conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for or respond to COVID-19, have been met, resulting in the simultaneous release of restrictions. As of December 31, 2023, all funds received have been recognized as revenue. The funds are also subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

Note 20. Subsequent Event

On March 27, 2024, WVUHS entered into a letter of intent with Weirton Medical Center, Inc. (WMC), whereby WVUHS would become the sole member of WMC. WMC is a not-for-profit acute care hospital located in Weirton, West Virginia. WMC had annual operating revenue of approximately \$218,712,000, total assets of approximately \$125,644,000 and total liabilities of approximately \$92,764,000 as of and for the year ended June 30, 2023. WMC is the sole member of WMC Physician Practices, LLC (WPP), a single member limited liability company organized to employ physicians working for WMC. WVUHS would become the indirect parent or the controlling affiliate of WPP. Closing of this transaction is expected to occur on or around January 1, 2025, and subject to satisfactory completion of due diligence. In conjunction with this proposed transaction, WVUHS exercised a \$20,000,000 revolving line of credit promissory note to WMC.

Consolidating Supplementary Information

West Virginia University Health System and Controlled Entities
Consolidating Balance Sheet
December 31, 2023
(in thousands)

	OBLIGATED GROUP																	NON-OBLIGATED GROUP							Total Consolidated			
	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	West Virginia University Health System	St. Joseph's Hospital	Potomac Valley Hospital	Reynolds Memorial Hospital	Summersville Regional Memorial Hospital	Braxton County Memorial Hospital	Jackson General Hospital	Wetzel County Hospital	Uniontown Hospital	Barnesville Hospital	Eliminations	Total Obligated Group	Wheeling	Garrett Regional Medical Center	Thomas Hospitals	Saint Francis Hospital	Princeton Community Hospital	Augusta		Other Non-Obligated Group	Eliminations	
ASSETS																												
Current Assets																												
Cash and cash equivalents	\$ 63,658	\$ 196,651	\$ 7,937	\$ 20,182	\$ 13,971	\$ 343	\$ 24,382	\$ 20,436	\$ 15,300	\$ 4,649	\$ 13,029	\$ 9,817	\$ 17,481	\$ 4,338	\$ 2,315	\$ 475	\$ -	\$ 414,964	\$ 21,182	\$ 23,103	\$ 475	\$ 317	\$ 37,284	\$ 12,381	\$ 86,124	\$ -	\$ 595,830	
Current portion of assets whose use is limited	8,872	2,196	1,184	1,068	-	-	741	-	-	-	-	-	-	-	-	-	-	14,061	14,062	-	-	-	-	24,671	-	(25,026)	27,768	
Accounts receivable																												
Patients	268,924	59,016	59,008	47,011	13,484	-	(3,625)	14,506	12,112	18,486	8,052	2,776	5,167	4,631	19,383	3,675	-	532,606	66,852	14,551	47,197	6,489	40,523	-	47,574	-	755,792	
Other	43,159	2,032	(1,799)	5,244	697	49	5,861	503	714	1,604	251	162	497	(2)	374	256	-	59,602	6,849	1,119	5,556	334	763	276	29,138	(1,341)	102,096	
Affiliates	27,476	15,317	9,846	1,003	264	104	94,467	388	9,846	4,023	275	72	244	349	3,365	389	(86,328)	72,038	2,515	4,179	-	-	1	-	(2,044)	(76,689)	-	
Inventories of supplies	41,441	9,452	7,471	5,439	1,260	-	1,158	2,563	890	2,124	1,577	468	416	448	3,227	206	-	78,140	4,580	1,990	8,151	2,359	5,158	-	3,522	-	103,898	
Estimated third-party payor settlements	35,206	11,113	18,937	13,081	-	-	-	-	-	3,037	-	-	-	-	-	1,319	150	-	62,643	5,936	-	9,339	2,137	11,878	-	4,916	-	117,049
Prepaid expenses and other current assets	4,430	1,714	2,111	1,654	4,689	18	32,114	210	902	775	1,170	562	436	132	528	277	-	51,722	7,519	241	676	107	4,412	-	6,972	(4,619)	67,030	
Total current assets	493,166	297,491	104,695	94,682	34,365	514	155,098	38,606	30,702	34,698	24,354	13,857	24,241	9,896	30,511	5,428	(86,328)	1,305,976	129,295	45,183	71,394	11,743	100,017	37,328	176,202	(107,675)	1,769,463	
Assets Whose Use is Limited																												
Board-designated funds																												
Funded depreciation	585,414	542,289	20,444	27,416	56,671	14,715	11,501	48,218	-	331	-	-	-	-	19,091	-	-	1,326,090	6,035	-	-	-	673	-	16,167	-	1,348,965	
Strategic initiatives	30,613	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,613	-	-	-	-	-	-	-	-	-	30,613
Under trust indenture, held by trustee	235,490	-	-	-	-	-	-	-	-	-	-	-	16,051	-	-	-	-	251,541	30,256	-	-	-	-	-	-	-	281,797	
Malpractice investments	19,005	13,677	14,248	8,426	-	-	34,228	-	-	-	-	-	-	-	-	-	-	89,584	10,486	-	-	-	1,220	82,367	-	(95,794)	87,863	
Foundation investments	-	-	-	-	-	-	-	-	-	6,918	-	-	-	-	-	-	-	6,918	1,935	-	-	-	-	-	-	2,949	11,802	
Noncurrent portion of assets whose use is limited	870,522	555,966	34,692	35,842	56,671	14,715	45,729	48,218	-	7,249	-	-	16,051	-	19,091	-	-	1,704,746	48,712	-	-	-	1,893	82,367	19,116	(95,794)	1,761,040	
Property and Equipment, Net	885,504	287,655	124,207	71,982	16,609	21,823	141,674	16,441	21,928	40,499	12,468	6,247	31,160	12,842	40,256	4,558	-	1,735,853	71,907	21,057	90,235	30,057	55,444	-	131,352	-	2,135,905	
Restricted Assets Held by Third-Parties	12,667	-	-	-	5,842	10	-	-	-	-	-	-	-	40	-	-	-	18,559	-	156	-	-	-	-	-	-	18,715	
Right-of-Use Operating Lease Asset	5,668	2,828	4,032	1,879	91	-	2,624	265	3,577	1,815	322	161	159	600	-	219	-	24,240	4,821	-	1,032	362	2,561	-	10,727	-	43,743	
Due From Affiliates	-	-	-	-	-	-	42,205	-	-	-	-	-	-	-	-	-	(42,703)	(498)	-	-	-	-	2,408	-	(1,976)	66	-	
Other Investments	6,373	6,884	3,251	71	308	-	-	-	-	-	-	-	-	-	-	-	-	16,887	-	-	-	-	-	-	-	-	16,887	
Prepaid Expenses and Other Assets, Net	38,443	1,072	578	1,911	(169)	880	36,771	7,509	3,450	(140)	2,020	280	1,055	1,226	10,637	5,505	-	111,028	16,776	10,008	1,041	-	1,031	-	38,056	(15,887)	162,053	
Total assets	\$ 2,312,343	\$ 1,151,896	\$ 271,455	\$ 206,367	\$ 113,717	\$ 37,942	\$ 424,101	\$ 111,039	\$ 59,657	\$ 84,121	\$ 39,164	\$ 20,545	\$ 72,666	\$ 24,604	\$ 100,495	\$ 15,710	\$ (129,031)	\$ 4,916,791	\$ 271,511	\$ 76,404	\$ 163,702	\$ 42,162	\$ 163,354	\$ 119,695	\$ 373,477	\$ (219,290)	\$ 5,907,806	

West Virginia University Health System and Controlled Entities
Consolidating Schedule of Changes in Net Assets
Year Ended December 31, 2023
(in thousands)

	OBLIGATED GROUP																	NON-OBLIGATED GROUP										
	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	West Virginia University Health System	St. Joseph's Hospital	Potomac Valley Hospital	Reynolds Memorial Hospital	Summersville Regional Memorial Hospital	Braxton County Memorial Hospital	Jackson General Hospital	Wetzel County Hospital	Uniontown Hospital	Barnesville Hospital	Eliminations	Total Obligated Group	Wheeling	Garrett Regional Medical Center	Thomas Hospitals	Saint Francis Hospital	Princeton Community Hospital	Augusta	Non-Obligated Group	Eliminations	Total Consolidated	
Changes in Net Assets Without Donor Restrictions																												
Revenues in excess of (less than) expenses	\$ 74,080	\$ 105,450	\$ 12,016	\$ 20,567	\$ 12,733	\$ 398	\$ (32,890)	\$ 20,631	\$ 8,225	\$ 7,472	\$ (4,404)	\$ 1,227	\$ 5,817	\$ 2,544	\$ (9,146)	\$ 710	\$ -	\$ 225,430	\$ 10,588	\$ 21,976	\$ 364,432	\$ 111,657	\$ 33,220	\$ (1,427)	\$ (409,866)	\$ (2,872)	\$ 353,138	
Pension liability adjustment	-	-	-	-	-	-	-	1,046	-	-	-	-	-	-	1,674	60	-	2,780	-	387	-	-	(5,845)	-	-	-	(2,678)	
Transfers to the School of Medicine and strategic initiatives	(18,686)	(753)	(586)	(472)	(120)	-	-	(131)	(69)	(134)	(110)	(72)	(126)	(48)	(271)	(40)	-	(21,618)	(505)	(35)	-	-	-	-	(159)	-	(22,317)	
Contributions and grants for/pt long-lived assets	1,002	-	-	-	-	-	-	189	-	-	-	-	-	-	-	-	-	1,191	-	-	-	-	-	-	-	-	3,082	
Net assets released from restrictions for long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,691	-	4,691
Net asset contribution	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	(107)	-	-	-	-	-	-	-	-	333	-	227	-	(5,692)	-	-	-	-	-	1,040	-	(4,425)
Investment in subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (to) from affiliates	(32,766)	(11,002)	(8,198)	(6,481)	(1,906)	-	79,179	(1,900)	(1,077)	(2,113)	(1,314)	(703)	(1,080)	(516)	(1,670)	(81)	-	8,372	(3,245)	(1,144)	(6)	(59)	(11,693)	53	19,648	(11,926)	-	
Change in net assets without donor restrictions, controlling interest	23,630	93,695	3,232	13,614	10,707	399	46,289	19,728	7,079	5,225	(5,828)	452	4,611	1,980	(9,413)	982	-	216,382	6,838	15,492	364,426	111,598	15,682	(1,374)	(382,755)	(14,798)	331,491	
Change in Net Assets Without Donor Restrictions, Noncontrolling Interest																												
Revenues in excess of (less than) expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,089)	-	(3,089)
Noncontrolling interest net asset contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,250	-	2,250
Change in net assets without donor restrictions, noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(839)	-	(839)
Changes in Net Assets With Donor Restrictions																												
Increase in restricted assets held by WVU Foundation	4,495	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,495	-	-	-	-	-	-	-	-	-	4,495
Contributions and grants	48	-	-	65	-	(105)	-	-	51	4,044	-	-	-	-	28	-	-	4,131	2,250	38	-	-	-	-	-	(127)	-	6,292
Contribution - noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inherent contributions with donor restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,693	-	3,693
Change in restricted assets held by affiliated foundation	-	-	-	-	478	-	-	-	-	-	-	-	-	-	-	-	-	478	-	-	-	-	-	-	-	-	-	478
Net assets released from restrictions, noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,346)	-	(2,346)
Net assets released from restrictions for long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(114)	-	-	-	-	-	(2,345)	-	(2,459)
Change in net assets with donor restrictions	4,543	-	-	65	478	(105)	-	-	51	4,044	-	-	-	-	28	-	-	9,104	2,136	38	-	-	-	-	-	(1,125)	-	10,153
Change in net assets	28,173	93,695	3,232	13,679	11,185	294	46,289	19,728	7,130	9,269	(5,828)	452	4,611	1,980	(9,385)	982	-	225,486	8,974	15,530	364,426	111,598	15,682	(1,374)	(384,719)	(14,798)	340,805	
Net Assets (Deficit), Beginning	986,494	811,163	(28,529)	119,081	85,440	31,408	107,813	61,078	20,119	25,099	21,636	14,676	20,111	8,389	10,540	6,143	-	2,300,661	88,261	30,510	-	-	-	26,358	124,383	(9,196)	2,560,977	
Net Assets (Deficit), Ending	\$ 1,014,667	\$ 904,858	\$ (25,297)	\$ 132,760	\$ 96,625	\$ 31,702	\$ 154,102	\$ 80,806	\$ 27,249	\$ 34,368	\$ 15,808	\$ 15,128	\$ 24,722	\$ 10,369	\$ 1,155	\$ 7,125	\$ -	\$ 2,526,147	\$ 97,235	\$ 46,040	\$ 364,426	\$ 111,598	\$ 15,682	\$ 24,984	\$ (260,336)	\$ (23,994)	\$ 2,901,782	

West Virginia University Health System and Controlled Entities
 Consolidating Balance Sheet
 December 31, 2022
 (in thousands)

	OBLIGATED GROUP																	NON-OBLIGATED GROUP					Total Consolidated		
	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	West Virginia University Health System	St. Joseph's Hospital	Potomac Valley Hospital	Reynolds Memorial Hospital	Summersville Regional Memorial Hospital	Braxton County Memorial Hospital	Jackson General Hospital	Wetzel County Hospital	Uniontown Hospital	Barnesville Hospital	Eliminations	Total Obligated Group	Wheeling	Garrett Regional Medical Center	Augusta	Other Non-Obligated Group		Eliminations	
ASSETS																									
Current Assets																									
Cash and cash equivalents	\$ 101,009	\$ 116,758	\$ 7,010	\$ 19,490	\$ 15,408	\$ 2,495	\$ 81,974	\$ 20,949	\$ 10,984	\$ 6,060	\$ 22,320	\$ 11,456	\$ 18,611	\$ 4,486	\$ 2,496	\$ 1,681	\$ -	\$ 443,187	\$ 25,088	\$ 17,759	\$ 9,155	\$ 50,015	\$ -	\$ 545,204	
Current portion of assets whose use is limited	7,477	2,196	1,184	1,068	-	-	741	-	-	116	-	-	-	-	-	-	-	12,782	17,371	-	24,671	-	(21,745)	33,079	
Accounts receivable																									
Patients	267,415	62,305	54,765	44,851	12,602	-	(2,694)	12,704	12,011	18,436	7,697	3,078	5,464	4,853	21,088	3,871	-	528,446	59,948	10,365	-	27,959	-	626,718	
Other	15,361	2,584	8,002	2,989	298	99	7,431	436	720	1,834	263	144	479	(69)	1,172	194	-	41,937	5,422	1,233	212	31,160	(3,516)	76,448	
Affiliates	36,440	23,519	9,901	5,660	234	528	32,416	179	499	4,123	257	7	9	33	17	130	(50,443)	63,509	1,579	96	-	6,185	(71,369)	-	
Inventories of supplies	30,765	8,014	8,630	5,661	1,121	-	2,630	2,181	821	2,198	1,963	464	437	403	3,602	218	-	69,108	5,474	1,869	-	8,238	-	84,689	
Estimated third-party payor settlements	9,772	8,982	6,232	4,699	-	-	-	-	-	2,749	-	-	-	-	850	428	-	33,712	4,579	-	-	2,445	-	40,736	
Prepaid expenses and other current assets	3,643	6,060	3,790	1,119	408	-	19,097	1,078	405	476	694	267	134	153	1,631	-	-	38,955	4,255	748	-	1,285	-	45,243	
Total current assets	471,882	230,418	99,514	85,537	30,071	3,122	141,595	37,527	25,440	35,992	33,194	15,416	25,134	9,859	30,856	6,522	(50,443)	1,231,636	123,716	32,070	34,038	127,287	(96,630)	1,452,117	
Assets Whose Use is Limited																									
Board-designated funds																									
Funded depreciation	550,109	512,704	17,265	29,704	53,380	15,045	5,978	28,434	-	318	-	-	-	-	18,017	-	-	1,230,954	6,968	-	-	15,507	-	1,253,429	
Strategic initiatives	23,707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,707	-	-	-	-	-	-	23,707
Under trust indenture, held by trustee	7	8	4	1	12	-	-	-	-	-	-	-	-	-	-	-	-	32	27,635	-	-	-	-	-	27,667
Malpractice self-insurance, investments	22,986	14,035	12,494	6,967	-	-	20,802	-	-	(116)	-	-	-	-	-	-	-	77,168	9,998	-	70,503	-	(82,672)	74,997	
Foundation investments	-	-	-	-	-	-	-	-	-	7,944	-	-	-	-	-	-	-	7,944	1,741	-	-	2,930	-	-	12,615
Noncurrent portion of assets whose use is limited	596,809	526,747	29,763	36,672	53,392	15,045	26,780	28,434	-	8,146	-	-	-	-	18,017	-	-	1,339,805	46,342	-	70,503	18,437	(82,672)	1,392,415	
Property and Equipment, Net	881,063	288,502	117,943	64,252	15,958	18,904	149,920	16,327	20,361	30,110	10,481	5,780	11,636	12,015	43,770	3,940	-	1,690,962	90,394	19,204	-	96,667	-	1,897,227	
Restricted Assets Held by Third-Parties	8,124	-	-	-	5,415	11	-	-	-	-	-	-	-	38	-	-	-	13,588	-	154	-	-	-	13,742	
Right-of-Use Operating Lease Asset	6,954	2,334	4,812	1,173	39	-	3,977	157	3,392	1,539	225	236	204	129	9	-	-	25,180	5,941	382	-	10,016	-	41,519	
Due From Affiliates	5,270	-	-	-	-	-	40,111	-	-	-	-	-	-	-	-	-	(37,955)	7,426	-	-	-	-	(7,426)	-	
Other Investments	9,963	10,761	5,082	110	463	-	-	-	-	-	-	-	-	-	-	-	-	26,379	-	-	-	-	-	26,379	
Prepaid Expenses and Other Assets, Net	49,959	1,411	369	3,768	351	1,133	6,265	8,616	4,421	292	2,154	317	1,205	1,292	10,152	4,453	-	96,158	1,527	9,122	-	23,606	-	130,413	
Total assets	\$ 2,030,024	\$ 1,060,173	\$ 257,483	\$ 191,512	\$ 105,689	\$ 38,215	\$ 368,648	\$ 91,061	\$ 53,614	\$ 76,079	\$ 46,054	\$ 21,749	\$ 38,179	\$ 23,333	\$ 102,804	\$ 14,915	\$ (88,398)	\$ 4,431,134	\$ 267,920	\$ 60,932	\$ 104,541	\$ 276,013	\$ (186,728)	\$ 4,953,812	

West Virginia University Health System and Controlled Entities
Consolidating Balance Sheet
December 31, 2022
(in thousands)

	OBLIGATED GROUP																	NON-OBLIGATED GROUP					Total Consolidated		
	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	West Virginia University Health System	St. Joseph's Hospital	Potomac Valley Hospital	Reynolds Memorial Hospital	Summersville Regional Memorial Hospital	Braxton County Memorial Hospital	Jackson General Hospital	Wetzel County Hospital	Uniontown Hospital	Barnesville Hospital	Eliminations	Total Obligated Group	Wheeling	Garrett Regional Medical Center	Augusta	Other Non-Obligated Group		Eliminations	
LIABILITIES AND NET ASSETS																									
Current Liabilities																									
Line of credit	\$ 848	\$ -	\$ 3,711	\$ -	\$ -	\$ -	\$ 1,925	\$ -	\$ -	\$ 1,727	\$ -	\$ -	\$ 2,211	\$ 1,813	\$ -	\$ -	\$ -	\$ 12,235	\$ 8,000	\$ -	\$ -	\$ 6,900	\$ -	\$ 27,135	
Current maturities of long-term debt	9,070	6,029	6,583	3,284	529	347	30,887	806	989	2,432	876	749	673	570	4,042	-	-	67,866	5,124	833	-	2,200	-	76,023	
Accounts payable, accrued expenses and other	101,096	20,923	27,433	20,921	5,100	143	52,945	5,332	3,494	5,057	3,183	1,621	2,772	2,669	12,209	1,152	-	266,050	25,615	4,425	3,761	30,022	783	330,656	
Due to affiliates	10,734	4,246	11,017	3,916	2,612	207	6,370	1,555	750	4,570	788	395	1,060	4,487	10,955	98	(41,253)	22,507	10,468	231	-	32,674	(65,880)	-	
Estimated third-party payor settlements	-	-	-	-	4,446	-	-	10,108	5,491	-	5,679	1,152	6,763	50	-	-	-	33,689	-	544	-	240	-	34,473	
Salaries and benefits payable	51,862	20,163	11,186	5,482	1,220	45	26,147	3,624	1,434	5,893	2,632	758	1,516	1,118	7,967	1,039	-	142,086	24,056	2,457	-	14,293	-	182,892	
Accrued interest payable	3,003	796	313	132	11	1	220	24	45	-	-	-	-	-	-	-	-	4,545	-	-	-	-	-	4,545	
Current portion of malpractice costs	7,477	2,196	1,184	1,068	-	-	741	-	-	116	-	-	-	-	-	-	-	12,782	4,469	-	24,671	27	(17,278)	24,671	
Total current liabilities	184,090	54,353	61,427	34,803	13,918	743	119,235	21,449	12,203	19,795	13,158	4,675	14,995	10,707	35,173	2,289	(41,253)	561,760	77,732	8,490	28,432	86,356	(82,375)	680,395	
Long-Term Debt, Net	841,281	176,679	195,777	33,490	6,286	5,999	99,392	6,554	18,202	5,457	10,917	2,237	2,602	2,267	41,851	4,596	-	1,453,587	86,417	11,678	-	27,406	-	1,579,088	
Malpractice Costs	9,114	9,710	7,283	3,176	-	-	23,554	-	-	-	295	-	365	100	1,511	-	-	55,108	9,012	447	49,751	668	(65,235)	49,751	
Right-of-Use Operating Lease Obligations	3,944	1,346	3,952	722	11	-	3,228	-	3,090	1,198	48	161	106	65	562	154	-	18,587	4,621	106	-	6,347	-	29,661	
Derivative Financial Instruments	2,300	6,502	4,318	240	34	-	-	-	-	-	-	-	-	-	1,952	-	-	15,346	-	-	-	-	-	15,346	
Due to Affiliates	-	-	13,014	-	-	-	9,190	-	-	24,530	-	-	-	-	230	-	(47,145)	(181)	-	-	-	30,103	(29,922)	-	
Pension Liability	-	-	-	-	-	-	-	1,899	-	-	-	-	-	(681)	8,107	1,733	-	11,058	-	9,091	-	-	-	20,149	
Other Liabilities	2,801	420	241	-	-	65	6,236	81	-	-	-	-	-	2,486	2,878	-	-	15,208	1,877	610	-	750	-	18,445	
Total liabilities	1,043,530	249,010	286,012	72,431	20,249	6,807	260,835	29,983	33,495	50,980	24,418	7,073	18,068	14,944	92,264	8,772	(88,398)	2,130,473	179,659	30,422	78,183	151,630	(177,532)	2,392,835	
Net Assets (Deficit)																									
Net assets without donor restrictions																									
Controlling interest	978,352	811,163	(31,431)	119,081	80,025	30,513	107,813	60,818	20,102	23,183	22,736	14,306	20,273	8,389	10,342	5,356	-	2,281,021	87,035	29,652	26,358	65,978	(9,196)	2,480,848	
Noncontrolling interest	-	-	2,902	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,902	-	-	-	203	-	-	3,105
Net assets without donor restrictions	978,352	811,163	(28,529)	119,081	80,025	30,513	107,813	60,818	20,102	23,183	22,736	14,306	20,273	8,389	10,342	5,356	-	2,283,923	87,035	29,652	26,358	66,181	(9,196)	2,483,953	
Net assets with donor restrictions																									
Controlling interest	8,142	-	-	-	5,415	895	-	260	17	1,916	(1,100)	370	(162)	-	198	787	-	16,738	1,226	858	-	31,814	-	50,636	
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,388	-	-	26,388
Net assets with donor restrictions	8,142	-	-	-	5,415	895	-	260	17	1,916	(1,100)	370	(162)	-	198	787	-	16,738	1,226	858	-	58,202	-	77,024	
Total net assets	986,494	811,163	(28,529)	119,081	85,440	31,408	107,813	61,078	20,119	25,099	21,636	14,676	20,111	8,389	10,540	6,143	-	2,300,661	88,261	30,510	26,358	124,383	(9,196)	2,560,977	
Total liabilities and net assets	\$ 2,030,024	\$ 1,060,173	\$ 257,483	\$ 191,512	\$ 105,689	\$ 38,215	\$ 368,648	\$ 91,061	\$ 53,614	\$ 76,079	\$ 46,054	\$ 21,749	\$ 38,179	\$ 23,333	\$ 102,804	\$ 14,915	\$ (88,398)	\$ 4,431,134	\$ 267,920	\$ 60,932	\$ 104,541	\$ 276,013	\$ (186,728)	\$ 4,953,812	

West Virginia University Health System and Controlled Entities
Consolidating Schedule of Operations
Year Ended December 31, 2022
(in thousands)

	OBLIGATED GROUP																	NON-OBLIGATED GROUP					Total Consolidated		
	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	West Virginia University Health System	St. Joseph's Hospital	Potomac Valley Hospital	Reynolds Memorial Hospital	Summersville Regional Memorial Hospital	Braxton County Memorial Hospital	Jackson General Hospital	Wetzel County Hospital	Uniontown Hospital	Barnesville Hospital	Eliminations	Total Obligated Group	Wheeling	Garrett Regional Medical Center	Augusta	Other Non-Obligated Group		Eliminations	
Operating Revenues																									
Net patient service revenues	\$ 1,553,574	\$ 516,352	\$ 357,466	\$ 304,224	\$ 85,474	\$ -	\$ -	\$ 98,506	\$ 66,614	\$ 123,605	\$ 60,642	\$ 26,721	\$ 47,883	\$ 33,680	\$ 141,804	\$ 21,098	\$ 144	\$ 3,437,787	\$ 425,882	\$ 32,613	\$ -	\$ 160,502	\$ -	\$ 4,056,784	
CARES Act funding	2,125	1,889	7,750	192	48	-	-	713	138	134	1,379	141	45	362	552	-	-	15,468	581	-	-	-	-	18,944	
Other revenues	242,045	46,245	32,490	14,908	792	3,264	353,120	4,631	1,830	6,043	4,406	2,236	1,136	437	4,662	1,453	(277,752)	441,946	24,883	1,216	19,626	265,469	(164,941)	588,199	
Total operating revenues	1,797,744	564,486	397,706	319,324	86,314	3,264	353,120	103,850	68,582	129,782	66,427	29,098	49,064	34,479	147,018	22,551	(277,608)	3,895,201	451,346	33,829	19,626	428,866	(164,941)	4,663,927	
Operating Expenses																									
Salaries and wages	466,517	156,972	93,538	69,950	17,990	732	151,488	30,667	21,825	50,877	26,043	7,541	18,587	15,238	44,991	8,824	585	1,182,365	174,630	16,594	-	180,011	3,976	1,557,576	
Employee benefits	144,351	40,081	32,408	22,284	5,778	215	48,229	9,407	5,913	13,492	7,650	2,681	4,932	3,659	10,982	2,962	85	355,109	34,658	3,487	-	40,653	-	433,907	
Supplies	432,850	105,892	76,737	60,458	8,429	3	835	15,601	9,694	18,176	7,861	2,417	5,107	3,360	24,209	1,493	3	773,125	116,845	5,211	-	123,245	(19,867)	998,559	
Physician support	207,606	24,708	47,697	35,160	10,829	-	-	4,514	3,043	326	3,135	3,580	-	5	21,250	71	(10,341)	351,583	15,994	344	-	23,807	(59,103)	332,625	
Professional fees and purchased services	105,582	29,905	39,355	59,660	17,528	46	35,909	7,076	4,383	10,222	2,831	1,780	2,682	1,863	22,753	3,301	(5,791)	339,085	44,376	2,164	-	18,121	(51,817)	351,929	
Depreciation and amortization	77,908	22,568	16,586	10,804	2,605	903	41,374	3,398	2,168	2,805	1,275	643	1,367	659	4,539	455	-	190,057	14,969	1,761	-	6,054	-	212,841	
Interest	32,474	6,884	9,823	1,430	316	146	3,273	264	523	858	327	96	55	79	1,445	70	-	58,063	4,292	220	-	1,070	(917)	62,728	
Other	275,659	80,808	69,785	52,889	13,700	973	95,136	15,753	10,643	22,178	11,338	5,245	9,116	5,667	25,258	4,320	(262,149)	436,319	51,048	4,173	26,338	48,457	(54,389)	511,946	
Total operating expenses	1,742,947	467,818	385,929	312,635	77,175	3,018	376,244	86,680	58,192	118,934	60,460	23,983	41,846	30,530	155,427	21,496	(277,608)	3,685,706	456,812	33,954	26,338	441,418	(182,117)	4,462,111	
Operating income (loss)	54,797	96,668	11,777	6,689	9,139	246	(23,124)	17,170	10,390	10,848	5,967	5,115	7,218	3,949	(8,409)	1,055	-	209,495	(5,466)	(125)	(6,712)	(12,552)	17,176	201,816	
Nonoperating Income (Loss)																									
Investment income	(50,225)	(39,688)	(2,421)	(5,732)	(6,977)	(2,657)	(1,225)	(769)	-	(794)	27	6	99	(7)	335	-	-	(110,028)	(12,972)	4,025	(11,465)	(1,263)	10,922	(120,781)	
Inherent contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,325	-	-	-	26,325
Change in fair value of derivative financial instruments	4,195	10,251	7,312	847	120	-	-	-	-	-	-	-	-	-	3,468	-	-	26,193	-	-	-	-	-	-	26,193
Other, net	(343)	65	37	(106)	-	(91)	-	(474)	-	-	-	-	-	(319)	61	-	-	(1,170)	(523)	221	-	383	-	(1,089)	
Total nonoperating income	(46,373)	(29,372)	4,928	(4,991)	(6,857)	(2,748)	(1,225)	(1,243)	-	(794)	27	6	99	(326)	3,864	-	-	(85,005)	(13,495)	30,571	(11,465)	(880)	10,922	(69,352)	
Revenues in excess of (less than) expenses	8,424	67,296	16,705	1,698	2,282	(2,502)	(24,349)	15,927	10,390	10,054	5,994	5,121	7,317	3,623	(4,545)	1,055	-	124,490	(18,961)	30,446	(18,177)	(13,432)	28,098	132,464	
Less noncontrolling interest	-	-	824	-	-	-	-	-	-	-	-	-	-	-	-	-	-	824	-	-	-	-	1,397	-	2,221
Revenues in excess of expenses attributable to controlling interest	8,424	67,296	17,529	1,698	2,282	(2,502)	(24,349)	15,927	10,390	10,054	5,994	5,121	7,317	3,623	(4,545)	1,055	-	125,314	(18,961)	30,446	(18,177)	(12,035)	28,098	134,685	
Pension Liability Adjustment	-	-	-	-	-	-	-	1,181	-	-	-	-	-	-	1,039	1,152	-	3,372	-	3,752	-	-	-	7,124	
Transfers to the School of Medicine and Strategic Initiatives	(18,720)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,720)	-	-	-	-	-	(18,720)	
Contributions and Grants for Long-Lived Assets	12,808	-	-	-	-	-	-	35	-	-	-	-	-	-	-	-	-	12,843	-	-	-	-	-	12,843	
Net Assets Released From Restriction for Long-Lived Assets	38,473	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,473	607	-	-	3,519	-	42,599	
Other	89	-	-	-	-	-	677	1,054	-	-	-	-	-	-	-	(1,846)	-	(26)	-	-	-	(1,586)	-	(1,612)	
Net Asset Contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,800	-	4,800	
Transfers (To) From Affiliates	(27,211)	(7,696)	(5,592)	(4,350)	(1,336)	-	42,034	(1,275)	(707)	(1,534)	(856)	191	(748)	(618)	(4,798)	(314)	-	(14,810)	(1,764)	(4,546)	-	24,112	(2,992)	-	
Change in net assets without donor restrictions	\$ 13,863	\$ 59,600	\$ 11,937	\$ (2,652)	\$ 946	\$ (2,502)	\$ 18,362	\$ 16,922	\$ 9,683	\$ 8,520	\$ 5,138	\$ 5,312	\$ 6,569	\$ 3,005	\$ (8,304)	\$ 47	\$ -	\$ 146,446	\$ (20,118)	\$ 29,652	\$ (18,177)	\$ 18,810	\$ 25,106	\$ 181,719	

West Virginia University Health System and Controlled Entities
Consolidating Schedule of Changes in Net Assets
Year Ended December 31, 2022
(in thousands)

	OBLIGATED GROUP																	NON-OBLIGATED GROUP					Total Consolidated	
	West Virginia University Hospital	United Hospital Center	Camden Clark Medical Center	Berkeley Medical Center	Jefferson Medical Center	University Healthcare Foundation	West Virginia University Health System	St. Joseph's Hospital	Potomac Valley Hospital	Reynolds Memorial Hospital	Summersville Regional Memorial Hospital	Braxton County Memorial Hospital	Jackson General Hospital	Wetzel County Hospital	Uniontown Hospital	Barnesville Hospital	Eliminations	Total Obligated Group	Wheeling	Garrett Regional Medical Center	Augusta	Other Non-Obligated Group		Eliminations
Changes in Net Assets Without Donor Restrictions																								
Revenues in excess of (less than) expenses	\$ 8,424	\$ 67,296	\$ 17,529	\$ 1,698	\$ 2,282	\$ (2,502)	\$ (24,349)	\$ 15,927	\$ 10,390	\$ 10,054	\$ 5,994	\$ 5,121	\$ 7,317	\$ 3,623	\$ (4,545)	\$ 1,055	\$ -	\$ 125,314	\$ (18,961)	\$ 30,446	\$ (18,177)	\$ (12,035)	\$ 28,098	\$ 134,685
Pension liability adjustment	-	-	-	-	-	-	-	1,181	-	-	-	-	-	-	1,039	1,152	-	3,372	-	3,752	-	-	-	7,124
Transfers to the School of Medicine and strategic initiatives	(18,720)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,720)	-	-	-	-	-	(18,720)
Contributions and grants for long-lived assets	12,808	-	-	-	-	-	-	35	-	-	-	-	-	-	-	-	-	12,843	-	-	-	-	-	12,843
Net assets released from restrictions for long-lived assets	38,473	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,473	607	-	-	3,519	-	42,599
Net asset contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,800	-	4,800
Other	89	-	-	-	-	-	677	1,054	-	-	-	-	-	-	-	(1,846)	-	(26)	-	-	-	(1,586)	-	(1,612)
Investment in subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (to) from affiliates	(27,211)	(7,696)	(5,592)	(4,350)	(1,336)	-	42,034	(1,275)	(707)	(1,534)	(856)	191	(748)	(618)	(4,798)	(314)	-	(14,810)	(1,764)	(4,546)	-	24,112	(2,992)	-
Change in net assets without donor restrictions, controlling interest	13,863	59,600	11,937	(2,652)	946	(2,502)	18,362	16,922	9,683	8,520	5,138	5,312	6,569	3,005	(8,304)	47	146,446	(20,118)	29,652	(18,177)	18,810	25,106	181,719	
Change in Net Assets Without Donor Restrictions, Noncontrolling Interest																								
Revenues in excess of (less than) expenses	-	-	(824)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(824)	-	-	-	(1,397)	-	(2,221)
Noncontrolling interest net asset contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,600	-	1,600
Change in net assets without donor restrictions, noncontrolling interest	-	-	(824)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(824)	-	-	-	203	-	(621)
Changes in Net Assets With Donor Restrictions																								
Increase in restricted assets held by WVU Foundation	(1,863)	-	-	-	-	-	-	-	(8)	-	-	-	-	-	-	-	-	(1,871)	-	-	-	-	-	(1,871)
Contributions and grants	-	-	-	-	-	(160)	-	-	12	(139)	-	-	(284)	-	9	-	(562)	-	168	-	28,651	-	28,257	
Contribution - noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,148	-	28,148	
Restricted assets held by affiliated foundation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	690	-	-	-	690	
Change in restricted assets held by affiliated foundation	-	-	-	-	(1,080)	-	-	-	-	-	-	-	-	-	-	-	-	(1,080)	-	-	-	-	-	(1,080)
Net assets released from restrictions, noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,760)	-	(1,760)
Net assets released from restrictions for long-lived assets	(38,473)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(38,473)	(607)	-	-	(1,759)	-	(40,839)
Change in net assets with donor restrictions	(40,336)	-	-	-	(1,080)	(160)	-	-	4	(139)	-	-	(284)	-	9	-	(41,986)	(607)	858	-	53,280	-	11,545	
Change in net assets	(26,473)	59,600	11,113	(2,652)	(134)	(2,662)	18,362	16,922	9,687	8,381	5,138	5,312	6,285	3,005	(8,295)	47	103,636	(20,725)	30,510	(18,177)	72,293	25,106	192,643	
Net Assets (Deficit), Beginning	1,012,967	751,563	(39,642)	121,733	85,574	34,070	89,451	44,156	10,432	16,718	16,498	9,364	13,826	5,384	18,835	6,096	2,197,025	108,986	-	44,535	52,090	(34,302)	2,368,334	
Net Assets (Deficit), Ending	\$ 986,494	\$ 811,163	\$ (28,529)	\$ 119,081	\$ 85,440	\$ 31,408	\$ 107,813	\$ 61,078	\$ 20,119	\$ 25,099	\$ 21,636	\$ 14,676	\$ 20,111	\$ 8,389	\$ 10,540	\$ 6,143	\$ 2,300,661	\$ 88,261	\$ 30,510	\$ 26,358	\$ 124,383	\$ (9,196)	\$ 2,560,977	

West Virginia University Health System and Controlled Entities
 Consolidating Balance Sheet - Non-Obligated Group
 December 31, 2023
 (in thousands)

	Non-Obligated Consolidated	Eliminations	University Healthcare	CCPC	OVASC	CCF	AHS	UPC	UHF	USCHM	AHS GPO	AHSL	SJHF	WVUHSCH	SMG	AHSDME	HCH	HCHF	PEAK	PHIC	PEPS	GAS	WVUC	RECOVERY	OVHC	PCHF	THSPP	TMHS	THS	TMHF	BCHS	GMH	SPGC			
LIABILITIES AND NET ASSETS																																				
Current Liabilities																																				
Line of credit	\$ 36,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,500	\$ -	\$ 662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,200	\$ -	\$ -	\$ -	\$ 16,367	\$ -	\$ -	\$ -	\$ -	\$ -		
Current maturities of long-term debt	5,331	-	-	217	45	-	252	-	-	-	-	-	-	919	11	149	668	-	-	-	-	-	-	365	(137)	-	-	2,787	-	-	-	-	-			
Accounts payable, accrued expenses and deferred revenue	80,047	-	1,067	3,480	931	1	1,375	1,358	-	1,701	16,357	3	411	1,852	12,261	417	274	(15)	745	80	483	-	1,628	1,669	190	1,092	859	362	26,955	4	384	3,033	1,090			
Due to affiliates	26,986	(15,846)	275	6,181	-	218	11,511	5,375	-	475	286	2,640	(411)	1,777	3,106	1,279	345	15	2,008	673	19	278	36	369	-	-	997	-	698	440	4,234	-	-			
Estimated third-party payor settlements	6,753	-	-	-	-	-	(1)	-	-	(1)	-	-	-	-	-	437	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,318	-	-		
Salaries and benefits payable	30,494	-	629	3,017	22	14	400	2,327	-	756	582	605	-	1,939	8,834	202	385	-	1,033	-	73	10	152	-	96	26	2,925	-	4,375	-	4	1,714	374			
Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current portion of malpractice costs	874	-	-	-	-	-	-	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	847	-	-	-	-	-	-		
Total current liabilities	187,214	(15,846)	1,971	12,895	998	233	13,537	9,087	-	2,931	17,235	3,248	-	11,987	24,212	2,709	2,107	-	3,786	753	575	288	1,816	2,034	14,718	1,118	3,784	362	52,328	4	1,086	11,560	5,698			
Long-Term Debt, Net	115,244	-	-	494	56	-	1,767	-	-	-	-	-	-	2,518	-	608	10,557	-	-	-	-	-	-	11,003	-	457	-	5,791	72,349	-	-	9,644	-			
Malpractice Costs	7,115	-	-	-	-	-	-	-	-	-	-	-	-	-	273	-	-	-	-	-	237	-	-	-	-	-	-	-	6,605	-	-	-	-			
Right-of-Use Operating Lease Obligations	7,291	-	171	7	-	-	-	1,456	-	297	1,046	-	-	436	2,992	491	-	-	247	-	-	-	-	-	-	-	-	-	79	-	-	69	-			
Due to Affiliates	316,121	(1,976)	-	-	-	-	2,868	-	18	-	-	-	-	1,162	3,813	-	-	-	-	-	-	-	9,496	-	-	-	106,703	(751)	191,998	-	-	2,790	-			
Pension Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Other Liabilities	828	-	504	-	-	-	-	132	-	-	94	-	-	-	47	-	-	-	51	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Total liabilities	633,813	(17,822)	2,646	13,396	1,054	233	18,172	10,675	18	3,228	18,375	3,248	-	16,103	31,337	3,808	12,664	-	4,084	753	812	288	11,312	13,037	14,718	1,575	110,487	5,402	323,359	4	1,086	24,063	5,698			
Net Assets (Deficit)																																				
Net assets without donor restrictions	(316,777)	-	(18)	2,722	6,897	1,989	20,936	4,389	11,448	3,837	13,997	728	149	(4,293)	664	3,323	(2,908)	-	8,121	2,670	(82)	543	554	4,946	365	5,377	(98,441)	(386)	(317,132)	1,326	1,889	12,312	(2,699)			
Controlling interest	(636)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,917	-	-	(2,553)	-	-	-	-	-	-	-	-	-	-	-		
Noncontrolling interest	(636)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Net assets with donor restrictions	33,035	-	-	-	-	1,718	-	-	3,702	-	-	-	-	(18)	-	-	(144)	-	-	-	-	-	24,044	-	-	1,702	-	-	-	-	-	2,031	-	-		
Controlling interest	24,042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,042	-	-	-	-	-	-	-	-	-	-	-	-	
Noncontrolling interest	8,993	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total net assets	(260,336)	-	(18)	2,722	6,897	3,707	20,936	4,389	15,150	3,837	13,997	728	149	(4,311)	664	3,323	(3,052)	-	10,038	2,670	(82)	543	46,087	4,946	365	7,079	(98,441)	(386)	(317,132)	3,357	1,889	12,312	(2,699)			
Total liabilities and net assets	\$ 373,477	\$ (17,822)	\$ 2,628	\$ 16,118	\$ 7,951	\$ 3,940	\$ 39,108	\$ 15,064	\$ 15,168	\$ 7,065	\$ 32,372	\$ 3,976	\$ 149	\$ 11,792	\$ 32,001	\$ 7,131	\$ 9,612	\$ -	\$ 14,122	\$ 3,423	\$ 730	\$ 831	\$ 57,399	\$ 17,983	\$ 15,083	\$ 8,654	\$ 12,046	\$ 5,016	\$ 6,227	\$ 3,361	\$ 2,975	\$ 36,375	\$ 2,999			

West Virginia University Health System and Controlled Entities
 Consolidating Schedule of Operations - Non-Obligated Group
 Year Ended December 31, 2023
 (in thousands)

	Non-Obligated Consolidated	Eliminations	University Healthcare	CCPC	OVASC	CCF	AHS	UPC	UHF	USCHM	AHSGPO	AHSL	SJHF	WVUHSCH	SMG	AHSDME	HCH	HCHF	PEAK	PHIC	PEPS	GAS	WVUIC	RECOVERY	OVHC	PCHF	THSPP	TMHS	THS	TMHF	BCHS	GMH	SPGC		
Operating Revenues																																			
Net patient service revenues	\$ 288,652	\$ -	\$ -	\$ 46,977	\$ 4,026	\$ -	\$ -	\$ 36,578	\$ -	\$ 8,085	\$ -	\$ -	\$ -	\$ 40,087	\$ 50,293	\$ 6,825	\$ 15,062	\$ -	\$ -	\$ -	\$ 1,714	\$ 584	\$ -	\$ -	\$ 3,606	\$ -	\$ 38,492	\$ -	\$ -	\$ -	\$ 5,168	\$ 27,271	\$ 3,884		
CARES Act funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other revenues	353,478	(43,415)	16,836	29,047	-	56	175,196	18,491	-	7,860	18,232	3	118	7	105,813	48	4,471	-	14,120	-	-	(1)	1,684	(3,125)	20	1,730	1,006	1,236	2,401	761	48	696	139		
Total operating revenues	642,130	(43,415)	16,836	76,024	4,026	56	175,196	55,069	-	15,945	18,232	3	118	40,094	156,106	6,873	19,533	-	14,120	-	1,714	583	1,684	(3,125)	3,626	1,730	39,498	1,236	2,401	761	5,216	27,967	4,023		
Operating Expenses																																			
Salaries and wages	341,973	(44)	11,322	46,318	1,226	118	9,510	31,810	163	7,932	4,049	(87)	-	25,824	101,285	2,879	6,968	-	8,605	118	2,805	1,182	2,429	-	1,045	710	28,144	-	27,708	-	535	11,853	6,966		
Employee benefits	91,477	(69)	3,367	6,259	273	15	3,319	7,883	50	3,224	1,114	66	-	9,165	11,733	1,112	2,287	-	2,166	11	211	154	659	-	473	163	3,988	-	30,283	-	142	2,686	1,563		
Supplies	169,367	(3)	5	541	840	-	144,053	3,390	-	52	-	-	-	1,855	2,289	1,825	3,339	-	-	-	-	-	-	-	84	-	926	-	489	-	4,336	5,189	157		
Physician support	35,241	(36,526)	342	10,528	-	-	4,085	-	-	-	-	-	-	-	27,090	-	2,081	-	-	-	-	-	-	-	-	27,403	-	59	-	-	-	179			
Professional fees and purchased services	47,823	(6,287)	282	6,074	95	16	1,061	1,758	6	341	48	3	-	1,352	2,321	940	720	-	3,417	5,946	45	280	1,470	9	124	65	1,086	264	22,464	-	112	3,523	288		
Depreciation and amortization	9,288	-	37	508	915	-	786	432	-	116	-	-	-	871	409	338	448	-	748	-	-	-	1,471	377	163	220	131	191	193	-	71	820	43		
Interest	7,507	-	-	24	-	-	520	-	-	-	-	-	-	200	1	81	457	-	-	-	-	-	194	474	366	8	-	299	4,811	-	-	72	-		
Other	84,821	(486)	1,582	5,826	928	58	12,289	5,729	579	3,221	1,998	(54)	207	5,550	10,879	860	2,853	-	5,397	78	453	51	2,444	(4,010)	405	697	939	457	21,678	550	164	2,851	848		
Total operating expenses	787,497	(43,415)	16,937	75,878	4,277	207	171,538	55,087	798	14,886	7,209	(72)	207	44,817	156,007	8,035	19,153	-	20,333	6,153	3,514	1,667	8,667	(3,150)	3,260	1,863	61,697	1,211	107,685	550	5,360	26,994	10,144		
Operating income (loss)	(145,367)	-	(101)	146	(251)	(151)	3,658	(18)	(798)	1,059	11,023	75	(89)	(4,723)	99	(1,162)	380	-	(6,213)	(6,153)	(1,800)	(1,084)	(6,983)	25	366	(133)	(22,199)	25	(105,284)	211	(144)	973	(6,121)		
Nonoperating Income (Loss)																																			
Investment income	3,654	-	86	-	-	68	233	18	800	211	-	-	1	14	40	-	6	-	40	106	-	-	-	-	-	328	-	-	888	263	-	552	-		
Inherent contribution	(266,437)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,629	(76,242)	(411)	(207,574)	852	-	14,309	-		
Change in fair value of derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other, net	357	-	15	(146)	85	-	(255)	-	336	-	-	-	-	-	-	-	14	-	-	-	-	-	308	-	-	-	-	-	-	-	-	-	-		
Loss on refinancing	(5,162)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,162)	-	-	-	-		
Total nonoperating income (loss)	(267,588)	-	101	(146)	85	68	(22)	18	1,136	211	-	-	1	14	40	-	20	-	40	106	-	-	308	-	-	2,957	(76,242)	(411)	(211,848)	1,115	-	14,861	-		
Revenues in excess of (less than) expenses	(412,955)	-	-	-	(166)	(83)	3,636	-	338	1,270	11,023	75	(88)	(4,709)	139	(1,162)	400	-	(6,173)	(6,047)	(1,800)	(1,084)	(6,675)	25	366	2,824	(98,441)	(386)	(317,132)	1,326	(144)	15,834	(6,121)		
Change in noncontrolling interest	3,089	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,420	-	-	-	1,669	-	-	-	-	-	-	-	-	-	-		
Revenues in excess of expenses attributable to controlling interest	(409,866)	-	-	-	(166)	(83)	3,636	-	338	1,270	11,023	75	(88)	(4,709)	139	(1,162)	400	-	(4,753)	(6,047)	(1,800)	(1,084)	(5,006)	25	366	2,824	(98,441)	(386)	(317,132)	1,326	(144)	15,834	(6,121)		
Pension Liability Adjustment																																			
Transfers to the School of Medicine and Strategic Initiatives	(159)	-	-	(30)	-	-	(4)	(19)	-	(14)	(28)	-	-	(36)	(19)	-	(9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributions For and Grants of Long-Lived Assets	1,891	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,891	-	-	-	-	-	-	-	-	
Other	1,040	-	-	-	-	-	(51)	-	-	-	(1,400)	-	-	-	-	-	-	-	(341)	-	-	-	-	-	-	249	-	-	-	-	2,583	-	-		
Net Assets Released From Restrictions for Long-Lived Assets	4,691	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,691	-	-	-	-	-	-	-	-	-	-	-	
Net Asset Contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers (To) From Affiliates	19,648	-	-	(183)	(677)	-	(214)	(114)	-	(51)	(2,729)	-	-	5,825	(93)	3,000	(836)	(288)	6,391	6,590	1,694	1,411	-	-	(1)	413	-	-	-	-	(550)	(3,522)	3,562		
Change in net assets without donor restrictions	\$ (382,755)	\$ -	\$ -	\$ (193)	\$ (843)	\$ (83)	\$ 3,367	\$ (133)	\$ 338	\$ 1,205	\$ 6,866	\$ 75	\$ (89)	\$ 1,080	\$ 27	\$ 1,838	\$ (445)	\$ (288)	\$ 1,297	\$ 543	\$ (106)	\$ 327	\$ (315)	\$ 25	\$ 365	\$ 5,377	\$ (98,441)	\$ (386)	\$ (317,132)	\$ 1,326	\$ 1,889	\$ 12,312	\$ (2,559)		

West Virginia University Health System and Controlled Entities
 Consolidating Balance Sheet - Non-Obligated Group
 December 31, 2022
 (in thousands)

ASSETS	Non-	University																									
	Obligated	Eliminations	Healthcare	CCPC	OVASC	CCF	AHS	UPC	WVUIS	UHF	USCHM	AHS GPO	AHSL	SJHF	WVUHSCH	SMG	AHSDME	HCH	HCHF	PEAK	PHIC	PEPS	GAS	WVUIC	RECOVERY	SPGC	
Current Assets																											
Cash and cash equivalents	\$ 50,015	\$ -	\$ 1,267	\$ 1,132	\$ 20	\$ 703	\$ 3,080	\$ 9,879	\$ -	\$ 110	\$ 378	\$ 9,896	\$ 1,880	\$ 237	\$ 636	\$ 7,768	\$ 313	\$ 4,734	\$ 403	\$ 3,616	\$ 2,015	\$ 172	\$ 37	\$ 1,076	\$ 601	\$ 62	
Accounts receivable																											
Patients, net	27,959	-	-	8,569	274	-	712	4,184	-	-	2,057	-	-	-	5,274	3,373	1,658	1,329	-	-	-	146	159	-	-	224	
Other	31,160	-	38	33	-	3	24,987	(3)	-	72	721	2,195	(165)	-	111	226	(3)	539	19	150	-	47	165	163	1,767	95	
Affiliates	6,185	(2,309)	633	110	-	-	67	338	-	321	16	1,644	1,604	-	47	636	46	-	-	5,206	-	-	-	-	(2,174)	-	
Inventories of supplies	8,238	-	-	-	298	-	7,209	-	-	-	-	-	-	-	-	-	-	-	731	-	-	-	-	-	-	-	
Estimated third-party payor settlements	2,445	-	-	1,632	-	-	-	813	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prepaid expenses and other current assets	1,285	-	122	139	5	3	46	58	-	-	63	90	-	-	208	331	44	6	-	35	-	53	-	77	5	-	
Total current assets	127,287	(2,309)	2,060	11,615	597	709	36,101	15,269	-	503	3,235	13,825	3,319	237	6,276	12,334	2,058	7,339	422	9,007	2,015	418	361	1,316	199	381	
Assets Whose Use is Limited																											
Board-designated funds																											
Funded depreciation	15,507	-	-	-	-	-	-	-	-	12,062	3,445	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Malpractice investments																											
Foundation investments	2,930	-	-	-	-	2,881	-	-	-	-	-	-	-	-	-	-	-	-	49	-	-	-	-	-	-	-	
Noncurrent portion of assets whose use is limited	18,437	-	-	-	-	2,881	-	-	-	12,062	3,445	-	-	-	-	-	-	-	49	-	-	-	-	-	-	-	
Property and Equipment, Net	96,667	-	130	2,660	120	150	7,626	217	-	-	368	-	-	-	3,094	576	1,944	3,458	-	3,292	-	-	-	57,431	15,533	68	
Restricted Assets Held by Third-Parties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Right-of-Use Operating Lease Asset	10,016	-	425	81	875	-	-	1,783	-	-	779	-	-	-	1,103	3,877	550	-	-	543	-	-	-	-	-	-	
Due From Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prepaid Expenses and Other Assets, Net	23,606	-	537	17	7,211	12	8,292	2,690	-	2,567	9	94	-	-	-	869	140	6	-	-	112	-	-	-	1,050	-	
Total assets	\$ 276,013	\$ (2,309)	\$ 3,152	\$ 14,373	\$ 8,803	\$ 3,752	\$ 52,019	\$ 19,959	\$ -	\$ 15,132	\$ 7,836	\$ 13,919	\$ 3,319	\$ 237	\$ 10,473	\$ 17,656	\$ 4,692	\$ 10,803	\$ 471	\$ 12,842	\$ 2,127	\$ 418	\$ 361	\$ 58,747	\$ 16,782	\$ 449	

West Virginia University Health System and Controlled Entities
 Consolidating Balance Sheet - Non-Obligated Group
 December 31, 2022
 (in thousands)

LIABILITIES AND NET ASSETS	Non-	University																									
	Obligated	Eliminations	Healthcare	CCPC	OVASC	CCF	AHS	UPC	WVUIS	UHF	USCHM	AHS GPO	AHSL	SJHF	WVUHSCH	SMG	AHSDME	HCH	HCHF	PEAK	PHIC	PEPS	GAS	WVUIC	RECOVERY	SPGC	
Current Liabilities																											
Line of credit	\$ 6,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,500	\$ -	\$ 1,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current maturities of long-term debt	2,200	-	-	211	45	-	252	-	-	-	-	-	-	-	688	23	48	583	-	-	-	-	-	-	-	350	-
Accounts payable, accrued expenses and deferred revenue	30,022	-	761	2,810	940	(11)	1,054	1,602	-	329	3,614	5,913	-	-	1,486	8,286	403	590	-	346	-	34	75	1,572	142	76	
Due to affiliates	32,674	(2,309)	1,062	5,308	-	73	4,518	11,012	-	-	475	170	2,066	-	1,775	1,774	710	342	-	3,852	-	-	-	1,846	-	-	
Estimated third-party payor settlements	240	-	-	-	-	-	-	-	-	-	37	-	-	-	-	-	-	203	-	-	-	-	-	-	-	-	
Salaries and benefits payable	14,293	-	531	2,383	22	23	800	1,880	-	-	597	611	600	-	1,982	2,998	202	622	-	336	-	123	70	-	-	513	
Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Current portion of malpractice costs	27	-	-	-	-	-	-	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total current liabilities	86,356	(2,309)	2,354	10,712	1,007	85	6,624	14,521	-	329	4,723	6,694	2,666	-	11,431	13,081	2,763	2,340	-	4,534	-	157	145	3,418	492	589	
Long-Term Debt, Net	27,406	-	-	711	56	-	2,033	-	-	-	-	-	-	-	2,451	11	17	10,758	-	-	-	-	-	-	11,369	-	
Malpractice Costs	668	-	-	-	-	-	-	(10)	-	-	-	-	-	-	273	-	168	-	-	-	237	-	-	-	-	-	
Right-of-Use Operating Lease Obligations	6,347	-	279	35	-	-	-	807	-	-	481	-	-	-	663	3,258	427	-	-	397	-	-	-	-	-	-	
Due To Affiliates	30,103	-	-	-	-	-	25,793	-	-	28	-	-	-	-	1,319	396	-	-	-	-	-	-	-	2,567	-	-	
Pension Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Liabilities	750	-	537	-	-	-	-	119	-	-	-	94	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total liabilities	151,630	(2,309)	3,170	11,458	1,063	85	34,450	15,437	-	357	5,204	6,788	2,666	-	15,864	17,019	3,207	13,266	-	4,931	-	394	145	5,985	11,861	589	
Net Assets (Deficit)																											
Net assets without donor restrictions																											
Controlling interest	65,978	-	(18)	2,915	7,740	2,072	17,569	4,522	-	11,110	2,632	7,131	653	237	(5,373)	637	1,485	(2,463)	288	6,824	2,127	24	216	869	4,921	(140)	
Noncontrolling interest	203	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,087	-	-	-	(884)	-	-	
Net assets with donor restrictions																											
Controlling interest	31,815	-	-	-	-	1,595	-	-	-	3,665	-	-	-	-	(18)	-	-	-	183	-	-	-	-	26,390	-	-	
Noncontrolling interest	26,387	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,387	-	-	
Total net assets	124,383	-	(18)	2,915	7,740	3,667	17,569	4,522	-	14,775	2,632	7,131	653	237	(5,391)	637	1,485	(2,463)	471	7,911	2,127	24	216	52,762	4,921	(140)	
Total liabilities and net assets	\$ 276,013	\$ (2,309)	\$ 3,152	\$ 14,373	\$ 8,803	\$ 3,752	\$ 52,019	\$ 19,959	\$ -	\$ 15,132	\$ 7,836	\$ 13,919	\$ 3,319	\$ 237	\$ 10,473	\$ 17,656	\$ 4,692	\$ 10,803	\$ 471	\$ 12,842	\$ 2,127	\$ 418	\$ 361	\$ 58,747	\$ 16,782	\$ 449	

West Virginia University Health System and Controlled Entities
Consolidating Schedule of Operations - Non-Obligated Group
Year Ended December 31, 2022
(in thousands)

	Non-Obligated		University		CCPC	OVASC	CCF	AHS	UPC	WVUIS	UHF	USCHM	AHSPO	AHS	SJHF	WVUHS	SMG	AHSME	HCH	HCHF	PEAK	PHIC	PEPS	GAS	WVUIC	RECOVERY	SPGC
	Consolidated	Eliminations	Healthcare																								
Operating Revenues																											
Net patient service revenues	\$ 160,502	\$ (62)	\$ -	\$ 41,888	\$ 4,065	\$ -	\$ 6,994	\$ 34,609	\$ -	\$ -	\$ -	\$ 8,609	\$ -	\$ -	\$ -	\$ 31,421	\$ 19,523	\$ 4,539	\$ 6,066	\$ -	\$ -	\$ -	\$ 780	\$ 666	\$ -	\$ -	\$ 1,404
CARES Act funding	2,895	-	-	2,277	-	-	-	107	-	-	-	108	-	9	-	-	47	-	347	-	-	-	-	-	-	-	
Other revenues	265,469	(260)	13,764	23,428	-	51	146,400	11,562	-	-	-	7,330	16,356	-	132	38	42,417	(132)	1,966	4	-	-	1	2,371	41		
Total operating revenues	428,866	(322)	13,764	67,593	4,065	51	153,394	46,278	-	-	-	16,047	16,356	9	132	31,459	61,987	4,407	8,379	4	-	-	780	667	2,371	1,445	
Operating Expenses																											
Salaries and wages	180,011	(2)	8,833	42,260	1,247	134	10,120	28,719	-	176	9,468	3,978	69	-	23,376	35,313	2,102	3,219	-	4,282	-	1,261	1,342	1,435	-	2,679	
Employee benefits	40,653	2	2,640	7,787	314	28	3,032	6,730	-	53	4,172	1,089	135	-	6,984	4,119	612	615	-	1,229	-	79	69	431	-	533	
Supplies	123,245	-	2	799	797	-	113,268	2,548	-	-	69	-	-	-	1,446	726	1,238	2,282	-	-	-	-	-	-	(1)	71	
Physician support	23,807	-	357	5,528	-	-	-	708	-	-	-	-	-	-	-	16,317	-	897	-	-	-	-	-	-	-	-	
Professional fees and purchased services	18,121	(63)	344	5,568	96	13	4,953	1,699	-	10	555	310	15	-	681	947	823	358	-	197	185	63	438	812	29	88	
Depreciation and amortization	6,054	-	36	474	949	-	947	447	-	-	216	-	-	-	433	446	292	395	-	169	-	-	-	1,097	127	26	
Interest	1,070	(129)	-	24	4	-	687	-	-	-	-	-	-	-	92	33	13	128	-	-	-	-	-	7	210	1	
Other	48,457	(130)	1,481	5,152	883	22	13,639	5,408	-	329	3,583	4,558	42	48	5,085	3,872	794	1,052	11	535	-	173	132	2,123	(719)	384	
Total operating expenses	441,418	(322)	13,693	67,592	4,290	197	146,646	46,259	-	568	18,063	9,935	261	48	38,097	61,773	5,874	8,946	11	6,412	185	1,576	1,981	5,905	(354)	3,782	
Operating income (loss)	(12,552)	-	71	1	(225)	(146)	6,748	19	-	(568)	(2,016)	6,421	(252)	84	(6,638)	214	(1,467)	(567)	(7)	(6,412)	(185)	(796)	(1,314)	(3,534)	354	(2,337)	
Nonoperating Income (Loss)																											
Investment income	(1,263)	-	(79)	-	-	(83)	20	(19)	-	(858)	(251)	-	-	-	5	-	-	-	-	-	2	-	-	-	-	-	
Inherent contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Change in fair value of derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other, net	383	-	-	-	85	-	15	-	-	343	3	-	-	-	-	(65)	-	2	-	-	-	-	-	-	-	-	
Total nonoperating income	(880)	-	(79)	-	85	(83)	35	(19)	-	(515)	(248)	-	-	-	5	(65)	-	2	-	-	2	-	-	-	-	-	
Revenues in excess of (less than) expenses	(13,432)	-	(8)	1	(140)	(229)	6,783	-	-	(1,083)	(2,264)	6,421	(252)	84	(6,633)	149	(1,467)	(565)	(7)	(6,412)	(183)	(796)	(1,314)	(3,534)	354	(2,337)	
Change in noncontrolling interest	1,397	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	513	-	-	-	884	-	-	
Revenue in excess of expenses attributable to controlling interest	(12,035)	-	(8)	1	(140)	(229)	6,783	-	-	(1,083)	(2,264)	6,421	(252)	84	(6,633)	149	(1,467)	(565)	(7)	(5,899)	(183)	(796)	(1,314)	(2,650)	354	(2,337)	
Pension Liability Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributions and Grants for Long-Lived Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	(1,586)	-	-	-	(862)	-	-	-	-	(34)	-	(700)	-	-	-	-	-	-	-	-	10	-	-	-	-	-	
Net Assets Released From Restrictions for Long-Lived Assets	3,519	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,519	-	-	
Net Asset Contribution	4,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,800	-	
Transfers (To) From Affiliates	24,112	-	-	(197)	-	68	(346)	(114)	-	-	(81)	(1,325)	-	-	6,426	447	1,500	(1,898)	295	12,713	2,310	820	1,530	-	(233)	2,197	
Change in net assets without donor restrictions	\$ 18,810	\$ -	\$ (8)	\$ (196)	\$ (1,002)	\$ (161)	\$ 6,437	\$ (114)	\$ -	\$ (1,117)	\$ (2,345)	\$ 4,396	\$ (252)	\$ 84	\$ (207)	\$ 596	\$ 33	\$ (2,463)	\$ 288	\$ 6,824	\$ 2,127	\$ 24	\$ 216	\$ 869	\$ 4,921	\$ (140)	

West Virginia University Health System and Controlled Entities
Consolidating Schedule of Changes in Net Assets - Non-Obligated Group
Year Ended December 31, 2022
(in thousands)

	Non-Obligated Consolidated	Eliminations	University Healthcare	CCPC	OVASC	CCF	AHS	UPC	WVUIS	UHF	USCHM	AHSGPO	AHSL	SJHF	WVUHSCH	SMG	AHSDME	HCH	HCHF	PEAK	PHIC	PEPS	GAS	WVUIC	RECOVERY	SPGC	
Changes in Net Assets Without Donor Restrictions																											
Revenues in excess of (less than) expenses	\$ (12,035)	\$ -	\$ (8)	\$ 1	\$ (140)	\$ (229)	\$ 6,783	\$ -	\$ -	\$ (1,083)	\$ (2,264)	\$ 6,421	\$ (252)	\$ 84	\$ (6,633)	\$ 149	\$ (1,467)	\$ (565)	\$ (7)	\$ (5,899)	\$ (183)	\$ (796)	\$ (1,314)	\$ (2,650)	\$ 354	\$ (2,337)	
Net assets released from restrictions for long-lived assets	3,519	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,519	-	-	
Net asset contribution	4,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,800	-	
Other	(1,586)	-	-	-	(862)	-	-	-	-	(34)	-	(700)	-	-	-	-	-	-	-	10	-	-	-	-	-	-	
Transfers (to) from affiliates	24,112	-	-	(197)	-	68	(346)	(114)	-	-	(81)	(1,325)	-	-	6,426	447	1,500	(1,898)	295	12,713	2,310	820	1,530	-	(233)	2,197	
Change in net assets without donor restrictions	18,810	-	(8)	(196)	(1,002)	(161)	6,437	(114)	-	(1,117)	(2,345)	4,396	(252)	84	(207)	596	33	(2,463)	288	6,824	2,127	24	216	869	4,921	(140)	
Change in Net Assets Without Donor Restrictions, Noncontrolling Interest																											
Revenues in excess of (less than) expenses	(1,397)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(513)	-	-	-	(884)	-	-	
Noncontrolling interest net asset contributions	1,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,600	-	-	-	-	-	-	
Change in net assets without donor restrictions, noncontrolling interest	203	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,087	-	-	-	(884)	-	-	
Changes in Net Assets With Donor Restrictions																											
Contributions and grants	28,651	-	-	-	-	304	-	-	-	34	-	-	-	-	(18)	-	-	-	183	-	-	-	-	28,148	-	-	
Contribution - noncontrolling interest	28,148	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,148	-	-	
Net assets released from restrictions, noncontrolling interest	(1,760)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,760)	-	-	
Net assets released from restrictions	(1,759)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,759)	-	-	
Change in net assets with donor restrictions	53,280	-	-	-	-	304	-	-	-	34	-	-	-	-	(18)	-	-	-	183	-	-	-	-	52,777	-	-	
Change in net assets	72,293	-	(8)	(196)	(1,002)	143	6,437	(114)	-	(1,083)	(2,345)	4,396	(252)	84	(225)	596	33	(2,463)	471	7,911	2,127	24	216	52,762	4,921	(140)	
Net Assets (Deficit), Beginning	52,090	-	(10)	3,111	8,742	3,524	11,132	4,636	-	15,858	4,977	2,735	905	153	(5,166)	41	1,452	-	-	-	-	-	-	-	-	-	
Net Assets (Deficit), Ending	\$ 124,383	\$ -	\$ (18)	\$ 2,915	\$ 7,740	\$ 3,667	\$ 17,569	\$ 4,522	\$ -	\$ 14,775	\$ 2,632	\$ 7,131	\$ 653	\$ 237	\$ (5,391)	\$ 637	\$ 1,485	\$ (2,463)	\$ 471	\$ 7,911	\$ 2,127	\$ 24	\$ 216	\$ 52,762	\$ 4,921	\$ (140)	