Health System and Affiliates

Consolidated Financial Statements and Consolidating Supplemental Schedules

June 30, 2024 and 2023

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Report of Independent Auditors

To the Board of Directors of Christiana Care Health System and Affiliates

Opinion

We have audited the accompanying consolidated financial statements of Christiana Care Health System and its affiliates (the "System"), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the System as of June 30, 2024 and 2023, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the System's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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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 US 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying condensed consolidating information as of and for the years ended June 30, 2024 and 2023 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplemental information is not intended to present, and we do not express an opinion on, the financial position, results of operations and changes in net assets, and cash flows of the individual entities. The supplemental 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 supplemental 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 auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
September 26, 2024

Christiana Care Health System and Affiliates
Consolidated Balance Sheet
June 30, 2024 and 2023
(Dollars in thousands)

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 455,511	$ 219,719
Short-term investments	2,480	87,707
Patient accounts receivable, net	574,370	454,910
Other current assets	122,682	101,474
Total current assets	1,155,043	863,810
Assets limited as to use	22,542	22,568
Long-term investments	2,396,590	2,200,753
Property and equipment, net	1,171,643	1,200,654
Other assets	196,295	196,196
Total assets	$ 4,942,113	$ 4,483,981
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 7,385	$ 6,978
Current portion of finance lease liabilities	4,277	5,175
Accounts payable and accrued expenses	475,655	482,322
Advances from third party payors	-	2,392
Total current liabilities	487,317	496,867
Long-term debt, net of current portion	329,348	338,772
Finance leases, net of current portion	101,078	105,360
Pension and postretirement benefits	196,370	146,358
Other liabilities	99,217	92,212
Total liabilities	1,213,330	1,179,569
Net assets		
Without donor restrictions		
Christiana Care Health System & Affiliates	3,665,750	3,246,601
Noncontrolling Interests	(2,463)	(2,943)
Total net assets without donor restrictions	3,663,287	3,243,658
With donor restrictions		
Purpose and time restricted	29,241	26,247
Perpetual in nature	36,255	34,507
Total net assets with donor restrictions	65,496	60,754
Total net assets	3,728,783	3,304,412
Total liabilities and net assets	$ 4,942,113	$ 4,483,981

See accompanying notes to consolidated financial statements.

Christiana Care Health System and Affiliates
Consolidated Statement of Operations and Changes in Net Assets
Years Ended June 30, 2024 and 2023
(Dollars in thousands)

	2024	2023
Operating revenues and other support		
Net patient service revenue	$ 2,952,369	$ 2,746,011
Other revenue	125,040	122,605
Net assets released from donor restrictions used for operations	3,374	4,229
Total operating revenues and other support	3,080,783	2,872,845
Operating expenses		
Salaries, wages, and benefits	1,835,835	1,804,510
Supplies and other expenses	976,998	909,451
Interest expense	13,481	10,959
Depreciation expense	128,226	125,335
Total operating expenses	2,954,540	2,850,255
Excess of revenues over expenses from operations	126,243	22,590
Nonoperating revenues, gains, and (losses)		
Investment return, net	329,225	230,348
Other nonoperating revenues, gains, and (losses), net	(8,219)	(4,928)
Pension settlement charge	-	(1,764)
Total nonoperating revenues, gains, and (losses)	321,006	223,656
Excess of revenues over expenses	$ 447,249	$ 246,246
Less: (deficit) of revenues over expenses attributable to noncontrolling interests	(1,295)	(3,067)
Excess of revenues over expenses attributable to parent	$ 448,544	$ 249,313

(Continued on next page)

See accompanying notes to consolidated financial statements.

(Dollars in thousands)

	2024	2023
Change in net assets without donor restrictions		
Excess of revenues over expenses		
Attributable to parent	$ 448,544	$ 249,313
Attributable to noncontrolling interests	(1,295)	(3,067)
Excess of revenues over expenses	447,249	246,246
Net assets released from donor restrictions used for purchase of property and equipment	1,230	864
Net assets attributable to noncontrolling interests	1,817	207
Other changes in pension and postretirement liabilities	(30,667)	(46,014)
Increase in net assets without donor restrictions	419,629	201,303
Change in net assets with donor restrictions		
Contributions	4,410	4,685
Investment return, net	4,025	2,948
Net assets released from donor restrictions	(4,671)	(5,094)
Change in value of assets	978	438
Increase in net assets with donor restrictions	4,742	2,977
Increase in net assets	424,371	204,280
Net assets		
Beginning of year	3,304,412	3,100,132
End of year	$ 3,728,783	$ 3,304,412

See accompanying notes to consolidated financial statements.

Christiana Care Health System and Affiliates
Consolidated Statement of Cash Flows
Years Ended June 30, 2024 and 2023
(Dollars in thousands)

	2024	2023
Cash flows from operating activities		
Increase (Decrease) in net assets	$ 424,371	$ 204,280
Adjustments to reconcile Increase (Decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	125,599	122,805
(Gain) on sale of land and disposal of equipment	(90)	(564)
Net realized and unrealized (gains) on investments	(263,126)	(186,124)
Restricted contributions received	(2,201)	(1,974)
Other changes in pension and postretirement benefits	30,667	46,014
(Increase) decrease in		
Patient accounts receivable	(119,460)	(63,494)
Other current assets	(21,208)	(5,105)
Other assets	32,571	12,997
Increase (decrease) in		
Accounts payable and accrued expenses	(6,955)	32,959
Advances from third party payors	(2,392)	(49,805)
Pension and postretirement benefits	18,037	(2,453)
Other liabilities	(3,600)	(14,729)
Net cash provided by operating activities	212,213	94,807
Cash flows from investing activities		
Purchase of property and equipment	(98,161)	(117,359)
Proceeds from sale of land and equipment	144	1,910
Proceeds from sale of investments and assets limited as to use	2,389,820	1,145,352
Purchase of investments and assets limited as to use	(2,237,278)	(1,079,634)
Purchase of other third party investments	(20,997)	(6,740)
Loan made to third party	-	(250)
Net cash provided by (used in) investing activities	33,528	(56,721)
Cash flows from financing activities		
Borrowings under line of credit agreement	127,708	2,198
Repayments under line of credit agreement	(127,560)	(2,323)
Repayment of long-term debt	(6,550)	(6,839)
Principal payments under finance leases	(5,338)	(5,218)
Restricted contributions received	2,201	1,974
Other financing activities	(410)	410
Net cash (used in) financing activities	(9,949)	(9,798)
Net increase in cash and cash equivalents	235,792	28,288
Cash, cash equivalents, restricted cash, and restricted cash equivalents		
Beginning of year	219,719	191,431
End of year	$ 455,511	$ 219,719
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	$ 11,406	$ 9,907
Accrued property and equipment acquisitions	$ 6,948	$ 5,840

See accompanying notes to consolidated financial statements.

1. Description of the Organization

Christiana Care Health System, Inc. (the "System") is a Delaware not-for-profit corporation, whose primary activity is to accept donations and engage in fundraising activities for the benefit of the Christiana Care affiliates. System is the parent organization of:

- Christiana Care Health Services, Inc. ("Health Services"), a Delaware not-for-profit corporation, is the parent organization of Affinity Health Alliance, Inc. ("Affinity") and Christiana Care Home Health and Community Services, Inc. ("Home Health"). Health Services' primary activity is to provide healthcare services to the residents of Delaware and the surrounding counties in Maryland, Pennsylvania, and New Jersey, which is accomplished through Affinity and Home Health, and the operation of Christiana Hospital, Wilmington Hospital, Eugene DuPont Preventive Medicine and Rehabilitation Institute, Helen F. Graham Cancer Center & Research Institute, a free-standing emergency department, a physician network, residency training programs, and numerous ambulatory and physician office locations.
- Christiana Care Health Initiatives, Inc., ("Health Initiatives") a not-for-profit corporation, provides health services primarily in physician office locations.
- Christiana Care Health Plans, Inc. ("Health Plans"), a Delaware not-for-profit corporation, offered managed care products for the Medicaid and commercial markets until 2005. Although Health Plans maintains its status as a licensed insurance company, it is an inactive subsidiary.
- Christiana Care Gene Editing Institute, Inc.("GEI") is a Delaware not-for-profit corporation that advances gene editing technology to improve human life through groundbreaking research and development.
- Leeward Health, LLC, ("Leeward") is a Delaware limited liability company formed with Bayhealth Medical Center, Inc. that collaborates with Highmark Delaware in the development and implementation of a Medicare Advantage product.
- Christiana Care Strategic Investments, LLC ("CCSI"), formed as a Christiana Care portfolio investment entity to advance Christiana Care's diversified revenue goals through strategically targeted venture investments.

Health Services is the parent organization of:

- Affinity, a Maryland not-for-profit corporation that primarily owns and operates three exempt organizations: Union Hospital of Cecil County, Inc. ("Union Hospital"), an acute care hospital facility, Union Hospital of Cecil County Health Services, Inc., ("UHCC Services") which provides other health-related services to the residents of Cecil County and the surrounding areas through various physician office locations, and Union Hospital of Cecil County Oncology, Inc., ("UHCC Oncology") which provides radiation oncology services. Affinity also owns and operates Open MRI & Imaging Center of Elkton, LLC as a subsidiary of its for-profit stock corporation, Union Hospital of Cecil County Ventures, Inc. ("UHCC Ventures").
- Home Health, a wholly owned subsidiary of Health Services, is a not-for-profit health care agency that provides professional healthcare and other services in the home and community.
- Christiana Care Insurance Company, Ltd. ("CCIC" or "Captive") is incorporated under the laws of the Cayman Islands and provides direct issue primary medical professional liability and primary general liability insurance coverage to Health Services. See Note 15 "Self-Insurance Liabilities" to the System's Notes to Consolidated Financial Statements for additional discussion.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Certain balances in the prior fiscal year have been reclassified to conform to the presentation requirements in the current fiscal year.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the System and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and such differences could be material to the consolidated financial statements. The System believes its estimates related to net realizable value of patient accounts receivables, the valuation of certain investments, actuarially determined pension and postretirement benefits, and medical and professional liability and other self-insurance reserves to be the most sensitive estimates impacting financial position and results of operations.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with an original maturity of less than 90 days. The carrying amounts of cash and cash equivalents approximate their fair values due to their short-term maturities. Operating cash equivalents and highly liquid investments that are reported as assets whose use is limited and investments, at fair value, are considered investments through policy and are therefore excluded from the Statements of Cash Flows.

Financial instruments that subject the System to credit risk consist primarily of cash and cash equivalents and accounts receivable. At June 30, 2024 and 2023, the System had cash balances in financial institutions which exceed federal depository insurance limits and therefore, bears a risk of loss. In an effort to reduce Federal Deposit Insurance Corporation (“FDIC”) insurance risk, management set up a sweep into Money Market Mutual Funds that are 100% invested in United States Treasuries in 2024 and 2023. These deposits have 100% same day liquidity and therefore qualify as cash and cash equivalents. As of June 30, 2024 and 2023, these deposits amounted to $304,942 and $192,790, which represents 67% and 88% of the balance of $455,511 and $219,719, respectively, recorded as cash and cash equivalents.

In February 2024, the System’s Board of Directors approved the establishment of a Christiana Care portfolio investment entity, CCSI. The purpose of the entity is to advance Christiana Care’s diversified revenue goals through increasing returns generated from strategically targeted venture investments. The entity will provide the right focus and housing of capabilities to drive that strategic investment strategy. The investments overseen by this new entity will not include investments that are part of the long-term investment portfolio. In June 2024, Health Services initiated a one-time equity transfer of cash to CCSI in the amount of $100 million and the transfer of existing venture investments with a book value of approximately $53.7 million. The $100M was invested in an operating account and is included in Cash and Cash equivalents as of June 2024. In August 2024, management authorized a sweep into Money Market Mutual Funds that are 100% invested in United States Treasuries similar to the operating cash model noted above.

Lines of Credit

On December 4, 2023, the System and Bank of America executed a $75 million revolving line of credit facility with an annual renewal. Terms are Secured Overnight Financing Rate (“SOFR”) plus 74 Basis Points (“BPS”) if the line is drawn and 10 BPS unused fee if line is not drawn.

On March 5, 2024, in response to the liquidity concerns driven by the Change Healthcare cybersecurity event, the System drew on the Bank of America line, as well as a $50 million revolving line maintained with PNC Bank to fund short-term working capital. The PNC line was established on April 7, 2020, and terms are currently SOFR plus 60 BPS with an unused fee of 10 bps and an annual renewal.

On May 15, 2024, the System and PNC Bank amended the terms of the existing revolving credit facility. The revolving credit line increased from $50 million to $100 million with an expiration date of March 28, 2025. Each advance outstanding will bear interest at a rate of SOFR plus 60 BPS. The System shall pay an unused fee of 10 BPS if the line is not drawn.

On May 20, 2024, the System and Bank of America amended the terms of the existing revolving credit facility. The revolving credit line increased from $75 million to $100 million with an expiration date of December 3, 2024. Terms for the $25 million incremental part of the credit line are SOFR plus 90 BPS if the line is drawn with an unused fee of 12.5 bps if the line is not drawn. The original $75 million credit line is still under the terms from December 2023.

On May 8, 2024, the Bank of America $75 million line was repaid in full and on May 23rd, 2024, the PNC $50 million line was also repaid in full.

Patient Accounts Receivables

Patient accounts receivables are reported at the amounts that reflect the consideration to which the System expects to be entitled in exchange for providing patient care, Patient accounts receivable consists of amounts owed by various governmental agencies, insurance companies, and patients. The System manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. Amounts that the System receives for the treatment of patients covered by governmental programs and third-party payors, as well as directly from patients, are subject to both explicit and implicit price concessions. The System estimates these price concessions using contractual agreements, discount policies, and historical experience. The System writes off amounts that have been deemed uncollectible because of circumstances that affect the ability of payors to make payments as they occur.

See Note 3 “Revenue Recognition and Accounts Receivable” to the System’s Notes to the Consolidated Financial Statements for additional discussion.

Investments and Assets Limited as to Use

Investment income or loss (consisting of realized and unrealized gains and losses on investments, interest, and dividends) are included in the excess of revenues over expenses unless the income or loss is restricted by donors. Investments and assets limited as to use are measured at fair value in the balance sheets based on the methodology described in Note 7 “Investments, Assets Limited as to Use, and Investment Income” to the System’s Notes to the Consolidated Financial Statements.

The System invests in a combination of high-quality mutual funds and individual securities with a general goal of an asset mix of 60% equities, 35% fixed income and 5% hedge funds. Significant changes in market value can impact this and therefore the desired mix is a goal, not an absolute requirement. The assets are classified based on the fair value hierarchy. Approximately 17.8% of the portfolio is valued at Net Asset Value (“NAV”) as a practical expedient. The System strives to maintain high liquidity levels and as of June 30, 2024, approximately 88.8% of the portfolio can be liquidated within 7 days, 5.7% within 30 days, 2.4% within 45 days, 2.8% within 100 days and 0.3% is cash.

The System classifies investments as trading securities. Investment income or loss generated by trading securities is classified within nonoperating revenues, gains, and losses within the Consolidated Statement of Operations and Changes in Net Assets. The System considers the activity of the investment portfolio and the associated cash receipts and cash purchases resulting from purchases and sales of investments classified as trading securities as an investing activity and classifies this activity accordingly within the Consolidated Statement of Cash Flows.

Assets limited as to use include designated assets set aside by the Board of Directors (“Board”).

Investments Held in Trust

The System is entitled to beneficial interests in perpetual trusts at various percentages, which are maintained by outside trustees. The System’s share of the market value of the trusts is recorded in long-term investments and is updated on an annual basis. The change in value of the assets is recorded within net assets with donor restrictions. The periodic income distributions received from the trustees are recorded as increases in either net assets without restrictions or net assets with donor restrictions, based on the donors' intentions.

Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326 – "*Financial Instruments – Credit Losses*") which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The System adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements.

Supplies

Supplies primarily consist of medical and surgical devices and pharmaceuticals. Supplies are valued at the lower of cost (determined by the first-in, first-out method) or market (defined as net realizable value).

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis, based upon the estimated useful lives of the various asset classes:

The estimated useful lives are as follows:

Equipment	4 to 15 years
Land improvements	10 years
Buildings and building improvements	15 to 40 years
Leasehold improvements	Useful life or term of lease, if shorter

Costs incurred for repairs and maintenance that do not improve or extend the useful life of the assets are expensed as incurred. The cost and accumulated depreciation on property and equipment sold, retired, or otherwise disposed of is removed from the respective accounts and the resulting gains and losses are reflected in other income. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions at fair value as of the date of the gift and are excluded from the Excess of Revenues over Expenses, 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 net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Leases

Lease agreements, which primarily include the System's rental of facilities, are evaluated to determine whether they are operating or finance leases in accordance with ASC 842, "*Leases*." The System evaluates whether a contract is or contains a lease at the inception of the contract. Upon lease commencement, the date on which a lessor makes the underlying asset available to the System for use, the System classifies the lease as either an operating or finance lease. Most of the System's facility and equipment leases are classified as operating.

For both operating and finance leases, the System recognizes a right-of-use asset and lease liability at lease commencement. A right-of-use asset represents the System's right to use an underlying asset for the lease term while the lease liability represents an obligation to make lease payments arising from a lease which are measured on a discounted basis. The System elected the short-term lease exemption for its leases, and accordingly, leases with terms of 12 months or less are not recorded on the Consolidated Balance Sheet.

Lease liabilities are measured at the present value of the remaining fixed lease payments at lease commencement. As the System's leases do not specify an implicit rate, the System uses its incremental borrowing rate, which coincides with the lease term at the commencement of a lease, in determining the present value of its remaining lease payments. The System's leases may also specify extension or termination clauses. These options are factored into the measurement of the lease liability when it is reasonably certain that the System will exercise the option. Right-of-use assets are measured at an amount equal to the initial lease liability, plus any prepaid lease payments (less any incentives received, such as reimbursement for leasehold improvements) and initial direct costs, at the lease commencement date.

For the System's operating leases, rent expense, a component of supplies and other expenses on the Consolidated Statement of Operations, is recognized on a straight-line basis over the lease term. The straight-line rent expense is reflective of the interest expense on the lease liability using the effective interest method and the amortization of the right-of-use asset. For the System's finance leases, interest expense on the lease liability is recognized using the effective interest method. Amortization expense related to the right-of-use asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

The System makes payments, which are not fixed at lease commencement, for property taxes, insurance, and common area maintenance related to its facility leases. These variable lease payments, which are expensed as incurred, are included as a component of supplies and other expenses on the Consolidated Statement of Operations.

See also Note 17 "Lease Commitments" to the System's Notes to Consolidated Financial Statements for additional discussion.

Bond Issuance Costs

Bond Issuance costs are recorded as a direct deduction from long-term debt and represent the cost of issuing long-term debt. Such costs are amortized over the life of the applicable indebtedness using the effective interest method.

Net Assets

The System reports its net assets as either net assets without donor restrictions or net assets with donor restrictions. Net assets without donor restrictions include undesignated amounts as well as amounts designated by the Board for a specific purpose. Net assets with donor restrictions are those assets whose use has been limited by donors to a specific purpose or maintained by the System in perpetuity.

Net assets that are perpetual in nature include gifts, trusts, pledges, income, and gains that are required by donor-imposed restrictions to be maintained in perpetuity. Investment return derived from net assets that are perpetual in nature may be spent for general or specific purposes in accordance with donor-imposed restrictions, based on the amounts appropriated for expenditure annually by Health Services' endowment spending policy.

Net assets that are donor restricted for a purpose include gifts, pledges, income, and gains for which donor-imposed restrictions have not yet been met. Such restrictions are purpose restrictions imposed by donors, which are normally released upon the incurrence of expenditures that fulfill specific donor purposes.

Donor Restricted Contributions

Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Consolidated Statement of Operations and Changes in Net Assets as net assets released from donor restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions in the accompanying consolidated financial statements.

Excess (Deficit) of Revenues Over Expenses

The Consolidated Statement of Operations and Changes in Net Assets includes Excess (Deficit) of Revenues over Expenses. Changes in net assets without donor restrictions, which are excluded from Excess (Deficit) of Revenues over Expenses, consistent with industry practice, include permanent transfers of assets for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and other changes in pension and postretirement liabilities.

CARES Act and FEMA Funding

As part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, American Rescue Plan Act of 2021 and other State and local fundings, the System received $0 and $699 in 2024 and 2023 respectively in relief funding. The System also received $23,321 and $27,706 during fiscal 2024 and 2023, respectively, in funding from the Federal Emergency Management Agency ("FEMA"). This funding was related to expenditures incurred for supplies, equipment, laboratory testing, premium labor, and contracted labor during the COVID-19 pandemic. The System recognized revenue when both the conditions and restrictions associated with the relief funding were met.

$14,446 of the FEMA relief funding is recorded in other operating revenue on the Consolidated Statement of Operations. The System accounted for the relief funding under the contribution model of accounting in ASC 958, "*Not-for-Profit Entities*".

Medicare Accelerated and Advance Payments Program

In accordance with the CARES Act, Centers for Medicare & Medicaid Services ("CMS") temporarily expanded its Medicare Accelerated and Advance Payment Program ("MAAPP") for providers. Under this program, qualified healthcare providers received advance or accelerated payments from CMS. The System received $270,871 of advanced payments under this program in April 2020.

Repayment of amounts received under the MAAPP were due over an 18-month period after the advanced payment was issued. Failure to repay the advanced payments when due results in interest charges on the outstanding balance owed. CMS has the ability to recoup the advanced payments through future Medicare claims billed by the System's hospitals, beginning one year after the advanced payment was issued.

Under the terms of the program, as of June 30, 2023 the total of $270,871 has been recouped and repaid to CMS, of which $49,667 occurred in 2023.

Change Healthcare Cyber Incident

On February 22, 2024, UnitedHealth Group Incorporated ("UnitedHealth") indicated in a Form 8-K filing, that a suspected nation-state associated cyber security threat actor had gained access to some of its Change Healthcare information technology systems. In the Form 8-K filing, UnitedHealth indicated that it cannot estimate the duration or extent of the disruption. To the best of the System's knowledge this did not directly have any impact on our information technology systems; however, as a result of the disruption to the Change Healthcare systems, certain of our patient billing and collections processes were disrupted which caused delays in a portion of patient bills being received by commercial payers thereby delaying the related cash remittances to the System. In addition, in connection with our acute care segment commercial health insurer, certain functions, including certain administrative functions, interfaced directly and/or indirectly with Change Healthcare systems. Such functions include, but are not limited to, eligibility and enrollment, patient access, claims management and payments, and billings and collections. As of the filing date of this report, the Change Healthcare systems have regained operations, and the System has begun receiving funds.

The System received $89.9 million of advanced payments under Change Healthcare's Temporary Funding Assistance Program from March 15, 2024 to May 22, 2024. Under the terms of the program, all advanced payments have been repaid as of June 30, 2024.

On June 30, 2024, Patient Accounts Receivable, net is $574.4 million compared to the $454.9 million for the same period in the prior year, which was an increase of $119.5 million or 26%.

Tax Status

Substantially all of the individual members of the System are non-profit corporations that have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. The affiliates that are subject to federal and state income tax are Health Plans and UHCC Ventures, and its wholly owned subsidiary, Open MRI & Imaging Center, LLC. Such taxes are immaterial and have been reported with other expenses in the accompanying consolidated financial statements. The joint ventures the System or an affiliate has invested in are treated as partnerships for tax purposes, which operate to further the exempt purposes of the System and the allocable income of such joint ventures is included in the accompanying consolidated financial statements.

Recently Issued Accounting Standards

In August 2023, the FASB issued ASU 2023-05, "*Business Combinations – Joint Venture Formations* (Subtopic 805-60): *Recognition and Initial Measurement*" ("ASU 2023-05"), which clarifies the business combination accounting for joint venture formations. The amendments in the ASU seek to reduce diversity in practice that has resulted from a lack of authoritative guidance regarding the accounting for the formation of joint ventures in separate financial statements. The amendments also seek to clarify the initial measurement of joint venture net assets, including businesses contributed to a joint venture. The guidance is applicable to all entities involved in the formation of a joint venture. ASU 2023-05 is effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Early adoption and retrospective application of the amendments are permitted. The System is currently evaluating the impact this new standard will have on the related disclosures in the consolidated financial statements, but do not believe there will be a material impact.

Other recent accounting pronouncements issued by the FASB (including the Emerging Issues Task Force) did not, or management believes will not, have a material impact on the Company's present or future consolidated financial statements.

3. Revenue Recognition and Accounts Receivable

Net Patient Service Revenue

The System's revenues generally relate to contracts with patients in which the System's performance obligations are to provide health care services to the patients. Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including government programs and commercial insurance companies), and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the System bills the patient and third-party payors several days after the services are performed and/or the patient is discharged from a 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. 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 obligation.

Generally, performance obligations satisfied over time relate to patients in our hospitals, or within physician practices receiving health care services. The System measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when there are no further services required for the patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided to patients and customers in a retail setting (for example, pharmaceuticals), and the System does not believe it is required to provide additional goods or services to the patient. Because all the System's performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the practical expedient and, therefore, is not required to disclose the aggregate amounts 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 satisfied 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 the 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 the services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the System's policies, and/or implicit price concessions provided to uninsured or underinsured patients. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience. The System determines the estimate of implicit price concessions based on the historical collection experience with these classes of patients using a portfolio approach as a practical expedient. The portfolio approach is used as the System has a large volume of similar contracts with similar classes of patients. Management's judgement to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. The System reasonably expects the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately.

Agreements with third-party payors typically provide for payments at amounts less than established charges. For services provided under Medicare, inpatient acute care services rendered to program beneficiaries are paid at prospectively determined rates per diagnosis. These rates vary according to a patient classification system that is based on clinical diagnosis related groupings and add-ons for items such as outliers. Medicare outpatient services are paid at a prospectively determined rate, based on clinical procedures performed and Medicare physician services are paid based upon established fee schedules. Additionally, Medicare provides reimbursement for direct graduate medical education, certain allied health professional training, and organ procurement based on cost. This cost and additional data influencing add-on payments for uncompensated care and indirect medical education, is determined based upon information contained in the annual Medicare cost report submission. The System is reimbursed for these cost-related items and the applicable add-ons included in the Medicare cost report at a tentative rate. Final settlements are determined after audits of the cost report data by the fiscal intermediary. For services provided under Medicaid, inpatient acute services are paid based upon two primary case rates, with adjustment for outliers. Medicaid outpatient services are paid at a predetermined rate based on the type of service provided. Payment arrangements with commercial insurance carriers include prospectively determined rates per discharge and discounts from established charges.

Medicare and Medicaid revenues are estimated using the latest available financial information, patient utilization data, government provided data and in accordance with applicable Medicare and Medicaid payment rules and regulations. The laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation and as a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Cost report settlements under reimbursement agreements with Medicare that result in retroactive adjustments due to audits, reviews or investigations are considered variable and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical experience. Estimated settlements are adjusted in future periods as final settlements are determined. The 2024 and 2023 net patient service revenue increased $3,057 and $10 respectively, because of tentative settlements, final settlements, and final appeals for years that are no longer subject to audits, reviews, and investigations, as well as other changes in estimates. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims.

In July 2022, the Supreme Court unanimously ruled that the reduced rates CMS was paying qualified hospitals for 340B Drug Pricing Program ("340B") during the calendar years 2018 through 2022 was unlawful. CMS determined that approximately $10.6 billion was underpaid to hospitals during this time. As of December 31, 2023, approximately $1.6 billion has been repaid to hospitals through reprocessed claims. In January 2024, the Outpatient Prospective Payment System ("OPPS") final rule stated that CMS is to repay the remaining $9 billion to affected hospitals through a lump sum payment. For the fiscal year 2024, the System recorded $22.9 million, which was recorded in Net Patient Service Revenues on the Consolidated Statement of Operations and Changes in Net Assets. The System does not expect any further payments from CMS regarding this issue.

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 and underinsured patients. The transaction price for both uninsured patients as well as insured patients with deductibles and coinsurance is estimated based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit 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 results of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense is reported in operating expenses in the statements of operations and changes in net assets and was not significant for the years ended June 30, 2024 and 2023.

(Dollars in thousands)

The composition of net patient service revenues by payor for the years ended June 30, 2024 and 2023 are as follows:

	2024		2023	
Medicare	$ 998,825	33.8%	$ 891,772	32.5%
Medicaid	454,178	15.4%	446,560	16.3%
Commercial	1,357,273	46.0%	1,273,629	46.4%
Self-Pay and Other	142,093	4.8%	134,050	4.8%
	$ 2,952,369	100.0%	$ 2,746,011	100.0%

Revenue from patients' deductibles and coinsurance is included in the preceding categories based on the primary payor and is transferred to guarantor after consideration is received from the primary payor. Self-pay and other, which includes auto insurance, worker's compensation, referring agency, and other commercial insurance payers, are grouped together because they share similar historical collection patterns.

The System has elected the practical expedient and does not adjust 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, in certain instances, the System allows for payment agreements with patients where the payment plan is more than one year. For those cases, the financing component is not deemed to be significant to the contract.

4. Charity Care, Uninsured Discounts and Community Benefit

In accordance with the System's mission to improve the health of residents of Delaware and the surrounding counties of Maryland, Pennsylvania, and New Jersey, the System provides care to patients regardless of their ability to pay as more fully set forth in the System's Financial Assistance Policy. Under the policy, the System provides care without charge to patients whose gross household income is at or below 200% or 400% of the federal poverty level depending on where the patient services are provided. Criteria for financial assistance considers the patient's gross household income, net worth, and other factors. Because the System does not pursue collections of amounts determined to qualify as charity care, they are not reported as revenue.

While not included in charity care, the System also offers discounts for uninsured patients who do not qualify under the charity care policy and provides flexible, long-term payment plans for patients.

In addition, the System provides services to beneficiaries of public programs and various other community health services intended to improve the health of the communities in which the System operates.

The System uses the following four categories to identify the resources utilized for the care of persons who are underserved and for providing community benefit programs to the needy:

- Traditional charity care, which includes the cost of services provided to persons who are uninsured and cannot afford health care because of inadequate resources.
- Unpaid cost of Medicare, which represents the unpaid cost of services provided to persons through the government program for individuals aged 65 and older as well as those that qualify for federal disability benefits.
- Unpaid cost of Medicaid, which represents the unpaid cost of services provided to persons covered by the government program for medically indigent patients.
- Community benefit programs, which consist of the unreimbursed costs of certain programs and services for the general community, mainly for indigent patients but also for people with chronic health risks. Examples of these programs include health promotion and education, free clinics and screenings, and other community services.

(Dollars in thousands)

Direct and indirect costs for services provided to charity patients amounted to $21,120 and $18,343 in 2024 and 2023, respectively. The cost of providing charity care services is calculated by multiplying a ratio of cost to charges by the gross uncompensated charges associated with providing care to charity patients.

5. Concentrations of Credit Risk

The financial instruments which potentially subject the System to concentrations of credit risk consist primarily of cash, cash equivalents, investments, and accounts receivable.

Included in accounts receivable are amounts related to the services performed for individuals, as well as under various contractual agreements with third-party payors. Management believes its concentration of credit risk, with respect to accounts receivable, is limited by a large customer base. The composition of net patient account receivables by payor for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Medicare	18.2%	19.1%
Medicaid	18.7%	19.4%
Commercial	53.3%	52.1%
Self-Pay and Other	9.8%	9.4%
	100.0%	100.0%

6. Other Revenue

Other revenue consists primarily of FEMA reimbursements, research and grant revenue, specialty, retail and contract pharmacy revenue, revenue from services agreements, rental revenue, and cafeteria revenue.

For the majority of its grants, the System has determined that there is no exchange back to the granting agency. Therefore, the System accounts for these grants under the contribution model of accounting in ASC 958, "*Not-for-Profit Entities*", which is outside the scope of ASC 606, "*Revenue Recognition*,", and revenue is recognized as expenses for these grants are incurred. Revenue recorded for FEMA funding is recognized when the conditions are met and obligated.

The System's retail pharmacies offer a full inventory of standard, specialty, and over-the-counter medications, and revenue is recognized as prescriptions are filled. Revenue from service agreements with third parties is recognized when performance obligations under the terms of the respective contract are satisfied.

The remaining amount of other revenue is primarily generated from rental agreements and the System's cafeterias. The System recognizes rental income over the lease term in accordance with ASC 842. The System's cafeterias offer food and beverage products to our visitors and employees, and revenue is recognized when the goods are exchanged. The composition of other revenue for the years ended June 30, 2024 and 2023 are as follows:

	2024		2023	
FEMA & other relief funding	$ 14,446	11.6%	$ 28,405	23.2%
Research and grant revenue	25,490	20.4%	24,035	19.6%
Specialty, mail order, retail & contract pharmacy	54,116	43.3%	46,261	37.7%
Service agreements	11,042	8.8%	10,147	8.3%
Rental, cafeteria, & other revenue	19,946	15.9%	13,757	11.2%
	$ 125,040	100.0%	$ 122,605	100.0%

(Dollars in thousands)

7. Investments, Assets Limited as to Use, and Investment Income

The composition of investments and assets limited as to use at June 30, 2024 and 2023 is set forth in the following table. Investments and assets limited as to use are stated at fair value.

	2024	2023
Short-term investments	$ 2,480	$ 87,707
Assets limited as to use		
Internally designated by Board of Directors		
Infant mortality	8,775	8,795
Harrington VIP/VICP fund	7,396	7,936
Transitional cancer research	6,371	5,837
Total Assets limited as to use	22,542	22,568
Long-term investments		
Without donor restrictions	2,346,742	2,155,399
Purpose restricted	14,098	11,396
Perpetual in nature	35,750	33,958
Total Long-term investments	2,396,590	2,200,753
Total Investments and Assets limited as to use	$ 2,421,612	$ 2,311,028

Within the Consolidated Statement of Operations and Changes in Net Assets, investment return without donor restrictions for June 30, 2024 and 2023 is comprised of the following:

	2024	2023
Interest and dividend income	$ 66,099	$ 47,127
Net realized gains	172,527	1,992
Net unrealized gains (losses)	90,599	181,229
	$ 329,225	$ 230,348

Similarly, investment return with donor restrictions for June 30, 2024 and 2023 is comprised of the following:

	2024	2023
Interest and dividend income	$ 612	$ 482
Net realized gains	2,284	38
Net unrealized gains	1,129	2,428
	$ 4,025	$ 2,948

Investment return is shown net of the related expenses on the Consolidated Statement of Operations and Changes in Net Assets.

The System adheres to applicable accounting guidance for fair value measurements and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The System applies the following fair value hierarchy:

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

(Dollars in thousands)

Level 2 Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These included quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 Unobservable inputs that reflect the reporting entity's own assumptions.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of June 30, 2024 and 2023, there were no transfers between Levels 1, 2, and 3.

The System has certain long-term investments that are presented at NAV. The underlying assets are invested in high quality, public institutional funds subject to the same board investment policy as the rest of the long-term investment portfolio. These assets are located in pooled investments. The funds are valued monthly. The funds that would ultimately be realized upon sale are subject to market change over the maximum 100-day liquidity period.

The following table presents the financial instruments carried at fair value as of June 30, 2024 in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments and Assets limited as to use:				
Money market funds	$ 39,908	$ -	$ -	$ 39,908
U.S. Government and agency securities	76,454	-	-	76,454
Corporate and other debt securities	-	884,955	-	884,955
Equity securities	552,056	427,130	-	979,186
Investments held by others	-	-	9,679	9,679
Total assets at fair value	668,418	1,312,085	9,679	1,990,182
Other investments measured at net asset value				431,430
Total Investments and Assets limited as to use				$ 2,421,612

The following table presents the financial instruments carried at fair value as of June 30, 2023 in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments and Assets limited as to use:				
Money market funds	$ 131,131	$ -	$ -	$ 131,131
U.S. Government and agency securities	99,021	-	-	99,021
Corporate and other debt securities	-	612,807	-	612,807
Equity securities	724,172	247,269	-	971,441
Investments held by others	-	-	8,701	8,701
Total assets at fair value	954,324	860,076	8,701	1,823,101
Other investments measured at net asset value				487,927
Total Investments and Assets limited as to use				$ 2,311,028

(Dollars in thousands)

The following table illustrates the change in Level 3 assets:

Fair value at June 30, 2022	$ 8,264
Contributions	-
Change in value of assets	437
Fair value at June 30, 2023	8,701
Contributions	-
Change in value of assets	978
Fair value at June 30, 2024	$ 9,679

The following table illustrates the nature, characteristics and risks of the investments valued at NAV as of June 30, 2024:

	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Northern Trust Russell 100 Index Fund [a]	$ 174,773	Daily	Advance on large transaction, no specific notice period
Wellington Global Equity Growth Fund [b]	132,490	Daily	No notice period
ABS Offshore Hedge Fund [c]	55,962	Quarterly	45 calendar day notice
Riverview Partners Hedge Fund [d]	64,864	Quarterly	100 calendar day notice
Alex Brown/Raymond James Funds [e]	3,341		
Total	$ 431,430		

a. Northern Trust Russell 1000 Index Fund is a passive US Large Cap Equity Strategy. The Northern Trust index investment philosophy is grounded in the belief that to efficiently replicate benchmark characteristics, it is vital to consider liquidity, transaction costs, and risk throughout the investment process.

b. Wellington Global Equity Growth fund is an active global equity strategy with a quality growth tilt. The fund seeks long-term total returns in excess of the MSCI All Country World Index, with an emphasis on a balance of growth, valuation, capital return and quality criteria in selecting stocks.

c. The ABS Offshore Hedge Fund is a mid-net exposure (30% to 60%) equity long/short fund of hedge funds that invests in a portfolio of approximately 20-30 small to mid-sized managers. The Fund generally targets a regional geographic distribution similar to the MSCI ACWI index and aims to capture global market upside with approximately 50% of the risk over a full market cycle. The Fund utilizes diversification across sectors, strategies and geographies to achieve a steady and consistent return over the time. The strategy can be viewed as “defensive equity” and may be considered a diversifier within the equity segment of an investment portfolio. The investment team places emphasis on sourcing the next generation of equity hedge fund talent and seeks to invest early and/or in managers with a smaller AUM. This approach allows the Fund to benefit from preferential terms and maintain a set level of capacity within most underlying funds due to an elevated ability to negotiate. Sourcing becomes challenged during environments such as post-global financial crisis when the hedge fund industry contracted, and blue-chip managers grew while new launches became increasingly rare. ABS does not set limits on hold periods and often maintains long-term relationships with underlying managers. The Fund may also invest in larger managers when appropriate.

d. Riverview Premium Partners Fund II LP ("PPF II"), formerly Morgan Stanley Premium Partners Fund II LP, is a hedge fund of fund strategy. It seeks capital appreciation principally through investing in a concentrated group of underlying investment funds managed by third-party investment managers with significant relevant experience who employ a variety of strategies. These strategies allow the Investment Managers to use leveraged or short-sale positions to take advantage of perceived inefficiencies across the global capital markets and are referred to as "alternative investment strategies" in contrast to the investment programs of "traditional" investment companies, such as mutual funds. "Traditional" investment companies are characterized generally by long-only investments and limits on the use of leverage. Through the selection and ongoing monitoring of Investment Funds, the Fund seeks to achieve capital appreciation that may exhibit moderate correlation with fixed income or equity indices and aims not to be disproportionately influenced by the performance of any single Investment Fund. In addition, by constructing a portfolio that is comprised of a number of Investment Funds, the Fund seeks to achieve the desired capital appreciation with lower volatility than likely would be achieved by investing in most individual Investment Funds.

(Dollars in thousands)

e. The funds held at Alex Brown/Raymond James are all private equity, except for Milestone which is private real estate. Each of these funds are draw down structures. This means that from the System's first capital call date, the life of the fund is expected to be 7-10 years until completion (with a possible 1–2 year extensions if capital markets are not favorable to underlying investment exits). Capital is called toward their commitment amount during the early investment period, then as investments are made and exited within the funds, distributions are sent back to the System. The funds are no longer calling capital and are distributing funds back to the System. These distributions will continue to be made until all underlying investments are exited. Since IPOs and buyouts are unpredictable from a favorable macro perspective, the System cannot say for certain what date these funds will be fully distributed.

8. Liquidity and Availability

As of June 30, 2024 and June 30, 2023, the System has the following financial assets available for general expenditure within one year of the balance sheet date:

	2024	2023
Cash and cash equivalents	$ 455,511	$ 217,327
Short-term investments	2,480	87,707
Patient accounts receivable, net	574,370	454,910
Other current assets	28,307	16,061
Investments	2,346,742	2,155,398
	$ 3,407,410	$ 2,931,403

The above assets are available for general expenditure within one year in the normal course of operations. The System defines general expenditure as an operating expense. Cash and cash equivalents above exclude cash received in advances from third party payors. Other current assets in the table above relate to nonpatient accounts receivables that the System expects to collect within one year. In addition to the table above, assets limited as to use as of June 30, 2024 and June 30, 2023 are $22,542 and $22,568, respectively. Assets limited as to use are comprised of board designated funds, which can be released by the Board and become available for general expenditure. The System has long-term investments that could be made available for general expenditure within the next year, if needed.

The System invests cash in excess of daily requirements in either money market funds, short-term investments, or long-term investments. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available as general expenditures, liabilities, and other obligations come due.

(Dollars in thousands)

9. Property and Equipment

A summary of property and equipment at June 30, 2024 and 2023 is as follows:

	2024	2023
Land and land improvements	$ 81,020	$ 80,785
Buildings and building improvements	1,956,307	1,939,371
Furniture & Equipment	1,054,681	996,064
	3,092,008	3,016,220
Accumulated depreciation	(1,990,330)	(1,889,600)
	1,101,678	1,126,620
Construction-in-progress	69,965	74,034
	$ 1,171,643	$ 1,200,654

Depreciation expense amounted to $128,226 and $125,335 in 2024 and 2023, respectively. In 2024 and 2023, the System incurred total interest costs of $14,820 and $14,273, respectively, of which $2,214 in 2024 and $3,560 in 2023 has been capitalized. There were no significant disposals of property and equipment for the year ended June 30, 2024. At June 30, 2024 construction contracts of $32.152 exist primarily for various expansion and other facility improvements. The remaining commitment on these contracts was $11,637.

10. Other Current Assets and Other Assets

Other Current Assets at June 30, 2024 and 2023 consist of the following:

	2024	2023
Supplies	$ 53,370	$ 53,616
Prepaid expenses	41,005	31,796
Other	28,307	16,062
	$ 122,682	$ 101,474

Other Assets at June 30, 2024 and 2023 consist of the following:

	2024	2023
Right-of-use-assets	$ 35,327	$ 35,516
Other receivables	55,677	58,024
Other	105,291	102,656
	$ 196,295	$ 196,196

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are funds limited by donors to a specific purpose or maintained by the System in perpetuity.

(Dollars in thousands)

Net assets with donor restrictions are available for the following purposes at June 30, 2024 and 2023:

	2024	2023
Health care services	$ 5,543	$ 5,376
Purchases of buildings and equipment	2,715	3,113
Education, research and other operational needs	20,983	17,758
	$ 29,241	$ 26,247

Net assets with donor restrictions that are perpetual in nature consist of the following at June 30, 2024 and 2023:

	2024	2023
Investments held in perpetuity	$ 26,576	$ 25,806
Investments held in trust by others	9,679	8,701
	$ 36,255	$ 34,507

12. Endowments

The System's endowment consists of twenty-eight individual donor restricted endowment funds and three board-designated endowment funds for a variety of purposes. The endowment includes both donor restricted endowment funds and funds designated by the Board to function as endowments. The net assets associated with endowment funds including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. In accordance with the System's spending policy, annual distributions are 5% of the fiscal year-end value of the endowment pool calculated on a 36-month trailing average of the market value.

The System has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as net assets that are perpetual in nature, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as net assets that are perpetual in nature is classified as net assets that are purpose restricted until those amounts are appropriated for expenditure on an annual basis by the Board of the System in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Dollars in thousands)

Endowment net asset composition by type of fund as of June 30, 2024 and 2023:

	2024		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment funds			
Donor restricted	$ -	$ 40,665	$ 40,665
Board designated	22,542	-	22,542
Total endowment funds	$ 22,542	$ 40,665	$ 63,207

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment funds			
Donor restricted	$ -	$ 37,197	$ 37,197
Board designated	22,568	-	22,568
Total endowment funds	$ 22,568	$ 37,197	$ 59,765

Changes in endowment net assets for the year ended June 30, 2024 and 2023:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets at June 30, 2023	$ 22,568	$ 37,197	$ 59,765
Investment return, net	822	4,025	4,847
Contributions		852	852
Appropriation of endowment assets for expendature	(848)	(1,409)	(2,257)
Endowment net assets at June 30, 2024	$ 22,542	$ 40,665	$ 63,207

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets at June 30, 2022	$ 23,805	$ 35,179	$ 58,984
Investment return, net	613	2,947	3,560
Contributions	-	596	596
Appropriation of endowment assets for expendature	(1,850)	(1,525)	(3,375)
Endowment net assets at June 30, 2023	$ 22,568	$ 37,197	$ 59,765

(Dollars in thousands)

Description of amounts classified as net assets with donor restrictions (endowments only):

	2024	2023
Endowment funds restricted for specific purpose		
Restricted for health care services	$ 3,603	$ 3,414
Restricted for building and maintenance	13	95
Restricted for program support	10,473	7,883
Endowment funds held in perpetuity		
Restricted for salary support	11,900	11,727
Restricted for program support	14,676	14,078
Total endowment funds classified as net assets with donor restrictions	$ 40,665	$ 37,197

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. When donor restricted endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. There were no deficits of this nature reported in net assets with donor restrictions as of June 30, 2024 and 2023.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The System targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

(Dollars in thousands)

13. Long-term Debt

Long-term debt at June 30, 2024 and 2023 consisted of the following:

	Interest Rates	Final Maturity	2024	2023
Line of Credit (Delaware Center for Maternal Fetal Medicine)	Variable	2025	$ 149	$ -
Construction Loan (Delaware Center for Maternal Fetal Medicine)	6.91%	2034	428	-
DHFA Series 2020 Revenue Bonds				
2020A	4.0% to 5.0%	2050	246,975	247,255
2020B	1.64% to 1.79%	2024	-	4,330
MHHEFA Series 2014 Revenue Bonds	3.42%	2040	28,276	29,085
Town of Elkton, Maryland Series 2012 Revenue Bonds				
2012A	2.73%	2037	5,799	6,196
2012-B1	2.73%	2037	3,389	3,620
2012C	2.73%	2031	7,156	8,088
			292,172	298,574
Unamortized Premium (discount)			46,530	49,278
Debt issuance costs			(1,969)	(2,102)
Current maturities			(7,385)	(6,978)
			$ 329,348	$ 338,772

In 2024, Delaware Center for Maternal Fetal Medicine ("DCMFM") borrowed funds on a line of credit with WSFS Bank. These funds are used to support operations.

In 2024, DCMFM borrowed $430 from WSFS Bank on a construction loan. Proceeds were used to build-out the new office in Lewes, Delaware.

In 2020, Health Services borrowed $50,000 on a line of credit with PNC bank. These funds were used as needed to support operations during the COVID-19 pandemic. The line was paid off in 2021 but remains open and available to the organization. In 2024, $50,000 was borrowed on this line to support operations following the Change Healthcare cybersecurity event. The balance was fully repaid by the end of fiscal 2024 but remains available for use. On May 15, 2024, the line of credit with PNC bank was amended from $50,000 to $100,000. See "Lines of Credit" for more details.

In 2024, Health Services opened a $75,000 line of credit with Bank of America. $75,000 was borrowed on this line to support operations following the Change Healthcare cybersecurity event. The balance was fully repaid by the end of fiscal 2024 but remains available. On May 20, 2024, the line of credit with Bank of America was amended from $75,000 to $100,000. See "Lines of Credit" for more details.

In 2020, the System issued $247,255 aggregate principal amount of Series 2020A fixed rate revenue bonds and $17,660 aggregate principal amount of Series 2020B fixed rate revenue bonds through the Delaware Health Facilities Authority ("DHFA"). A portion of the proceeds were used to retire the Series 2008A, 2008B, 2010B, 2010C, 2010D, and 2010E revenue bonds. Remaining proceeds were used towards the construction costs of the Women and Children's tower at Christiana Hospital and the visitor parking garage at Wilmington Hospital.

(Dollars in thousands)

In 2014, Affinity issued $30,778 Series 2014 fixed rate revenue bonds through the Maryland Health and Higher Educational Facilities Authority ("MHHEFA"). The proceeds were used to retire older bonds and finance certain capital projects. The balance at acquisition date was $30,178.

In 2012, Affinity Health issued $10,000 Series 2012A, $5,842 Series 2012-B1, $2,820 Series 2012B-2, and $9,000 Series 2012B-2 fixed rate revenue bonds through the Town of Elkton, Maryland. The proceeds were used to retire older bonds. The balance at the acquisition date was $21,076.

Scheduled maturities of the System's outstanding debt as of December 31, 2024 are as follows:

2025	$ 7,385
2026	7,540
2027	7,861
2028	8,193
2029	8,547
2030 and thereafter	252,646
	$ 292,172

The consolidated entity is in compliance with all financial debt covenants as of June 30, 2024 and 2023, respectively.

14. Employee Benefit Plans

Pension Plan – Health Services

Health Services sponsors a noncontributory defined benefit pension plan covering substantially all eligible employees hired on or before August 13, 2006. Employees hired after that date are participants in a defined contribution plan. Contributions to the plan are designed to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

Retirement benefits are paid based principally on years of service and salary. Pension plan assets consist primarily of corporate bonds, notes, and U.S. government obligations. Assets were moved into a pooled collective trust during fiscal 2023. As purchases and sales of pension plan assets take place, cash may sit overnight in money market funds.

There were no events during 2024 or 2023 that required special accounting for curtailments, settlements or special termination benefits.

Postretirement Benefits – Health Services

Health Services provides postretirement health care benefits to eligible employees and their dependents. The following table sets forth the components of the pension plan and postretirement benefit obligations, plan assets, and funding status of the Plans based on actuarial valuations performed as of June 30, 2024 and 2023:

(Dollars in thousands)

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Change in benefits obligation				
Benefit obligation at beginning of year	$ 716,133	$ 715,412	$ 57,943	$ 63,264
Service cost	18,946	18,780	616	715
Interest cost	33,831	30,370	2,704	2,654
(Gain) loss	(15,879)	(6,204)	(13,218)	(5,556)
Settlements	-	-	-	-
Retiree contributions	-	-	353	386
Benefits paid	(46,605)	(42,225)	(3,580)	(3,520)
Benefit obligation at end of year	$ 706,426	$ 716,133	$ 44,818	$ 57,943
Change in plan assets				
Fair value of plan assets at beginning of year	$ 625,156	$ 672,120	$ -	$ -
Actual return on Plan assets (net of expenses)	(23,075)	(23,739)	-	-
Employer contributions	-	19,000	3,227	3,134
Retiree contributions	-	-	353	386
Settlements	-	-	-	-
Benefits paid	(46,605)	(42,225)	(3,580)	(3,520)
Fair value of plan assets at end of year	$ 555,476	$ 625,156	$ -	$ -
Reconciliation of funded status to net amount recognized in the balance sheet				
Amounts recorded as accrued liabilities	$ (150,950)	$ (90,977)	$ (44,818)	$ (57,943)
Funded status				
Current liabilities	-	-	(3,517)	(4,825)
Noncurrent liabilities	(150,950)	(90,977)	(41,301)	(53,118)
Accrued liability	(150,950)	(90,977)	(44,818)	(57,943)
Amounts recorded within net assets without donor restrictions				
Net prior service (credit)				
Net loss (gain)	252,942	211,512	(23,401)	(11,198)
Net amount recognized at year end	$ 101,992	$ 120,535	$ (68,219)	$ (69,141)
Accumulated benefit obligation	$ 619,387	$ 616,030	$ -	$ -

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Sources of liability (gains)/losses				
Demographic experience	$ 3,533	$ 59,249	$ (3,916)	$ (2,658)
Impact of the discount rate change	(36,786)	(65,452)	(1,657)	(2,718)
Impact of the claims assumption change	22,588	-	(7,728)	(200)
Impact of the trend assumption change	-	-	83	21
Impact of the mortality assumption change	(5,214)	-	-	-
Total liability (gains)/losses	$ (15,879)	$ (6,203)	$ (13,218)	$ (5,555)

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Weighted-average assumptions used to determine benefit obligations at June 30				
Discount rate	5.27%	4.87%	5.27%	4.87%
Rate of compensation increase	3.00%	3.00%	N/A	N/A

(Dollars in thousands)

	2024	2023	2024	2023
Components of net periodic benefit cost				
Service cost	$ 18,946	$ 18,780	$ 616	$ 715
Interest cost	33,831	30,370	2,704	2,654
Expected return on plan assets	(35,474)	(34,404)	-	-
Amortization of prior service cost (credit)	-	-	-	-
Amortization of net loss	1,239	-	(1,016)	-
Net periodic benefit cost	18,542	14,746	2,304	3,369
Net pension cost	18,542	14,746	2,304	3,369
Other charges in pension liability recognzied in net assets without donor restrictions				
Net loss (gain)	$ 41,430	$ 51,940	$ (13,218)	$ (5,555)
Recognition due to settlement	-	-	-	-
Amortization of (gain)	-	-	1,016	-
Amortization of prior service credit	-	-	-	-
Total recognized in net assets without donor restrictions	41,430	51,940	(12,202)	(5,555)
Total recognized in net benefit cost and net assets without donor restrictions	$ 59,972	$ 66,686	$ (9,898)	$ (2,186)

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year				
Discount rate	4.87%	4.375%	4.87%	4.375%
Expected return on plan assets	4.87%	4.375%	N/A	N/A
Rate of compensation increase	3.00%	3.000%	N/A	N/A

Health Services expects to recognize $12,267 of loss amortization as a component of net pension cost during the year ended June 30, 2025. There is no prior service cost/(credit) amortization and no transition obligation/(asset) amortization as these have been fully amortized.

Health Services expects to recognize $3,925 of gain amortization as a component of net postretirement benefit cost during the year ended June 30, 2025. There is no prior service cost/(credit) amortization and no transition obligation/(asset) amortization as these have been fully amortized.

Other components of net periodic pension cost, which are presented in other nonoperating losses, revenues, and gains on the consolidated statement of operations and changes in net assets, were $(404) and $(4,034) as of June 30, 2024 and 2023, respectively. Other components of net periodic postretirement benefit cost, which are presented in other nonoperating losses, revenues, and gains on the consolidated statement of operations and changes in net assets, were $1,688 and $2,654 as of June 30, 2024 and 2023, respectively. Health Services did not recognize any settlement charges during 2024 or 2023.

The expected rate of return on plan assets assumption was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future contributions.

Health Services utilizes published long-term high-quality corporate bond indices to determine the discount rate at measurement date. Where commonly available, Health Services considers indices of various durations to reflect the timing of future benefit payments.

(Dollars in thousands)

Plan Assets – Health Services

Pension plan weighted target and actual average asset allocations were comprised of 89% fixed income securities and 11% equity securities at June 30, 2024 and June 30, 2023, respectively.

The investment policy incorporates a liability-driven investment approach that focuses on the funded status of the Plan and seeks to match the duration of the assets with that of the liabilities. As such, the investment portfolio allocation is comprised of 89% long duration fixed income securities and 11% equity securities. The Plan's financial condition is monitored on an ongoing basis by means of an annual funding review, an annual independent actuarial valuation, and quarterly investment portfolio reviews.

The following table represents the Plan's financial instruments as of June 30, 2024, measured using the fair value hierarchy as defined in Note 7 "Investments, Assets Limited as to Use, and Investment Income" to the System's Notes to the Consolidated Financial Statements:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 6,437	$ -	$ -	$ 6,437
U.S. Government and agency securities	-	-	-	-
Corporate and other debt securities	-	-	-	-
Total assets at fair value	6,437	-	-	6,437
Other investment funds measured at net asset value	-	-	-	549,039
Total plan assets at fair value	$ 6,437	$ -	$ -	$ 555,476

The following table represents the Plan's financial instruments as of June 30, 2023, measured using the fair hierarchy as defined in Note 7 "Investments, Assets Limited as to Use, and Investment Income" to the System's Notes to the Consolidated Financial Statements:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,059	$ -	$ -	$ 5,059
U.S. Government and agency securities	-	-	-	-
Corporate and other debt securities	-	-	-	-
Total assets at fair value	5,059	-	-	5,059
Other investment funds measured at net asset value	-	-	-	620,097
Total plan assets at fair value	$ 5,059	$ -	$ -	$ 625,156

Contributions – Health Services

On September 10, 2024, Health Services made a $9,000 contribution related to the pension plan for fiscal 2024 and expects to contribute approximately $18,000 during the year ending June 30, 2025. Health Services made contributions to the postretirement benefit plan of $3,227 during 2024 and expects to contribute approximately $3,517 during the year ending June 30, 2025.

During 2023, Health Services made contributions to the pension plan of $19,000. Health Services made contributions to the postretirement benefit plan of $3,134 during 2023.

The actual pension plan contribution may be higher or lower depending on interest rates, pension plan asset values, and legislated funding requirements.

(Dollars in thousands)

Estimated Future Benefit Payments – Health Services

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Postretirement Benefits
2025	$ 47,506	$ 3,517
2026	50,032	3,465
2027	52,703	3,512
2028	54,935	3,524
2029	56,907	3,519
2030 and thereafter	298,072	17,318

The annual rate of increase assumed in the per capita cost of covered health care benefits was 7.0% and 7.0% for the Pre 65 and Post 64 participants, respectively, for June 30, 2024. The rates are assumed to decrease gradually to 4.98% for both participant groups in fiscal year 2039 and remain at that level thereafter.

Defined Contribution Retirement Plan – Health Services

Health Services sponsors a defined contribution retirement plan for all employees hired after August 13, 2006. Under the plan, Health Services contributes a percentage of compensation quarterly based on an employee's years of vesting service. The employees vest in the employer contributions over a three-year period beginning on the employee's hire date. The expense incurred by Health Services, which includes Affinity Health Alliance, for the year ended June 30, 2024 and 2023 was $34,532 and $30,642, respectively.

Deferred Compensation Plan – Health Services

Health Services maintains a Tax-Deferred Annuity Plan for all employees. Under the Plan, Health Services accumulates employee contributions which are transferred to and invested by various trustees. Health Services contributes 50% of the employee contributions up to a maximum of 3% of an employee's salary. Contributions for the years ended June 30, 2024 and 2023 were $28,629 and $26,715, respectively.

Pension Plan – Home Health

Home Health sponsors a noncontributory defined benefit pension plan covering substantially all eligible employees hired on or before August 26, 2007. Employees hired after that date are participants in a defined contribution plan. Generally, benefits under the Plan are based on the employee's compensation and years of service. Contributions to the Plan are designed to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974. Employees are on a graduated vesting scale and become fully vested after seven years of service.

The following tables set forth the components of the benefit obligation, plan assets, and funding status of the Plan based on actuarial valuations performed as of June 30, 2024 and 2023:

(Dollars in thousands)

	Pension Benefits	
	2024	2023
Change in benefits obligation		
Benefit obligation at beginning of year	$ 26,836	$ 32,040
Service cost	481	571
Interest cost	1,264	1,312
(Gain) loss	(167)	(918)
Settlements	-	(5,195)
Benefits paid	(2,151)	(974)
Benefit obligation at end of year	$ 26,263	$ 26,836
Change in plan assets		
Fair value of plan assets at beginning of year	$ 24,572	$ 30,973
Actual return on Plan assets (net of expenses)	(279)	(932)
Employer contributions	-	700
Settlements	-	(5,195)
Benefits paid	(2,151)	(974)
Fair value of plan assets at end of year	$ 22,142	$ 24,572
Reconciliation of funded status to net amount recognized in the balance sheet		
Amounts recorded as accrued liabilities		
Noncurrent liabilities	$ (4,121)	$ (2,264)
Accrued liability	(4,121)	(2,264)
Amounts recorded within net assets without donor restrictions		
Net loss	9,761	8,322
Net amount recognized at year end	$ 5,640	$ 6,058
Accumulated benefit obligation	$ 24,608	$ 24,935

	Pension Benefits	
	2024	2023
Sources of liability (gains)/losses		
Demographic experience	$ 763	$ 994
Impact of the mortality assumption change	(90)	-
Impact of interest rate changes	172	-
Impact of the discount rate change	(1,012)	(1,912)
Total liability (gains)/losses	$ (167)	$ (918)

	Pension Benefits	
	2024	2023
Weighted-average assumptions used to determine benefit obligations at June 30		
Discount rate	5.26%	4.87%
Rate of compensation increase	3.00%	3.00%

(Dollars in thousands)

	Pension Benefits	
	2024	2023
Components of net periodic benefit cost		
Service cost	$ 481	$ 571
Interest cost	1,264	1,312
Expected return on plan assets	(1,389)	(1,463)
Amortization of net loss	62	83
Net periodic benefit cost	418	503
Settlement charge	-	1,764
Net pension cost	418	2,267
Other charges in pension liability recognzied in net assets without donor restrictions		
Net loss (gain)	$ 1,501	$ 1,477
Recognition due to settlement	-	(1,764)
Amortization of (gain)	(62)	(83)
Total recognized in net assets without donor restrictions	1,439	(370)
Total recognized in net benefit cost and net assets without donor restrictions	$ 1,857	$ 1,897

	Pension Benefits	
	2024	2023
Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year		
Discount rate	4.87%	4.375%/4.93%[1]/4.67%[2]
Expected return on plan assets	4.87%	4.375%/4.93%[1]/4.67%[2]
Rate of compensation increase	3.00%	3.00%

1 Rates as of remeasurement date 12/31/2022
2 Rates as of remeasurement date 3/31/2023

Home Health expects to recognize $369 of loss amortization as a component of net pension cost during the year ended June 30, 2025. There is no prior service cost/(credit) amortization and no transition obligation/(asset) amortization as these have been fully amortized. Other components of net periodic pension cost, which are presented in other non-operating losses, revenues, and gains on the Home Health statement of operations and changes in net assets, were $(63) and $(68) as of June 30, 2024 and 2023, respectively. In addition, Home Health recognized settlement charges of $0 and $1,764 as of June 30, 2024 and 2023, respectively within nonoperating losses, revenues, and gains and changes in net assets due to lump sum payments in excess of service and interest costs.

The expected rate of return on plan assets assumption was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future contributions.

(Dollars in thousands)

Home Health utilizes published long-term high-quality corporate bond indices to determine the discount rate at measurement date. Where commonly available, Home Health considers indices of various durations to reflect the timing of future benefit payments.

Plan Assets – Home Health

Pension plan weighted target and actual average asset allocations were comprised of 89% fixed income securities and 11% equity securities at June 30, 2024 and June 30, 2023, respectively.

The investment policy incorporates a liability-driven investment approach that focuses on the funded status of the Plan and seeks to match the duration of the assets with that of the liabilities. As such, the investment portfolio allocation is comprised of 89% long duration fixed income securities and 11% equity securities. The Plan's financial condition is monitored on an ongoing basis by means of an annual funding review, an annual independent actuarial valuation, and quarterly investment portfolio reviews.

The following table represents the Plan's financial instruments as of June 30, 2024, measured using the fair value hierarchy as defined in Note 7 "Investments, Assets Limited as to Use, and Investment Income" to the System's Notes to the Consolidated Financial Statements:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 172	$ -	$ -	$ 172
U.S. Government and agency securities	-	-	-	-
Corporate and other debt securities	-	-	-	-
Total assets at fair value	172	-	-	172
Other investment funds measured at net asset value	-	-	-	21,970
Total plan assets at fair value	$ 172	$ -	$ -	$ 22,142

The following table represents the Plan's financial instruments as of June 30, 2023, measured using the fair hierarchy as defined in Note 7 "Investments, Assets Limited as to Use, and Investment Income" to the System's Notes to the Consolidated Financial Statements:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,912	$ -	$ -	$ 1,912
U.S. Government and agency securities	-	-	-	-
Corporate and other debt securities	-	-	-	-
Total assets at fair value	1,912	-	-	1,912
Other investment funds measured at net asset value	-	-	-	22,660
Total plan assets at fair value	$ 1,912	$ -	$ -	$ 24,572

Contributions – Home Health

On September 10, 2024, Home Health made a $810 contribution related to the pension plan for fiscal 2024 and expects to contribute approximately $500 during the year ending June 30, 2025. The actual pension plan contribution depends on interest rates, pension plan asset values, and legislated funding requirements.

(Dollars in thousands)

Estimated Future Benefit Payments – Home Health

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits
2025	$ 1,740
2026	1,864
2027	1,912
2028	2,016
2029	2,079
2030 and thereafter	10,772

Defined Contribution Retirement Plan – Home Health

Home Health began a defined contribution plan for all employees hired after August 26, 2007. Eligible employees in Home Health's noncontributory defined benefit pension plan also had the one-time choice to switch to the defined contribution retirement plan effective January 1, 2008. Under the plan, Home Health contributes a percentage of compensation quarterly based on an employee's years of vesting service. The employees vest in the employer contributions over a three-year period beginning on the employee's hire date. The expense incurred by Home Health for the year ended June 30, 2024 and 2023 was $664 and $659, respectively.

Deferred Compensation Plan – Home Health

Home Health maintains a Tax-Deferred Annuity Plan (the "Plan") for all employees. Under the Plan, Home Health accumulates employee contributions which are transferred to and invested by the trustee. Home Health contributes 50% of the employee contributions up to a maximum of 3% of an employee's salary. Contributions for the years ended June 30, 2024 and 2023 were $457 and $451, respectively.

15. Self-Insurance Liabilities

The System maintains self-insurance programs for worker's compensation, medical professional liability, and general liability claims coverage. Risk retention for the primary medical professional and primary general liabilities are insured under a retrospectively rated policy through an alternative risk finance program via the Captive CCIC, a wholly owned subsidiary of Christiana Care Health Services, Inc. domiciled in the Cayman Islands. CCIC provides for indemnification to the System resulting from medical malpractice and general liability exposures in Delaware, Maryland, New Jersey, and Pennsylvania. The primary policy as of June 30, 2024 provides for a self-insured retention of $10 million per medical incident or occurrence and an annual shared aggregate of $59 million. For exposures specific to Pennsylvania, an additional buffer policy provides coverage for $9 million in excess of $1 million per medical incident, as well as auto liability coverage of $1 million in excess of $1 million per incident. An excess umbrella liability coverage under a claims-made policy is established through full reinsurance with commercial carriers providing a total of $60 million limits of liability above the primary coverage. Reinsurance premiums are determined by the commercial carriers. CCIC also provides coverage under a claims-made deductible reimbursement policy to the System for professional and general liability related to Home Health, executive risk, property, and cyber liabilities through third party carriers of $1 million per occurrence with $1 million in aggregate. Premium under the retrospectively rated policy is recognized over the policy term and accrued for asserted and unasserted claims whether reported or unreported per actuarially determined projections at the 75% confidence level based upon loss experience.

Union Hospital, a wholly owned subsidiary of Affinity, obtained its professional and general liability insurance from Freestate Healthcare Insurance Company, Ltd., a Cayman Islands company ("Freestate") prior to March 1, 2021. Freestate was incorporated as of January 1, 2005 as a chartered captive insurance company for a group of non-profit hospitals in the State of

(Dollars in thousands)

Maryland. Freestate is governed by a Board of Directors selected by the shareholders. Freestate's primary insurance is under the terms of a claims-made insurance policy and has limits of liability of $1 million per claim and no aggregate limit per policy year. Freestate's excess liability coverage insures individual occurrence limits of $15 million and an annual aggregate limit of $15 million. Legacy professional and general liabilities under Freestate will remain as run-off liabilities in Freestate because of Union Hospital's departure from the group captive effective March 1, 2021. CCIC insures Union Hospital effective March 1, 2021 with a retroactive date of August 1, 1985 under the same retrospectively rated primary policy coverage provided to the System.

Actuarially determined undiscounted projections for medical malpractice and worker's compensation claims at June 30, 2024 and 2023 amounted to $89,951 and $80,036, respectively and represent the value of claims that will be settled in the future based on anticipated payout patterns. The current portion of the accruals of $25,251 and $21,414 at June 30, 2024 and 2023, respectively, is recorded as a component of accounts payable and other accrued expenses on the Consolidated Balance Sheet.

16. Functional Expenses

The System provides general health care services to patients within its geographic region. The System's reportable functional expenses consist of healthcare services, fundraising activities, and general and administrative, which includes centralized services including, but not limited to, information technology, purchasing, reimbursement, accounting and finance, legal, advertising and design and construction.

The Consolidated Statement of Operations and Changes in Net Assets reports 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, amortization and interest and other occupancy costs, are allocated to a function based on a square footage. IT expenses are allocated based on a percentage of services provided to each function.

Expenses related to providing these services for the year ended June 30, 2024 consisted of the following:

	Healthcare Services	General and Administrative	Fundraising	Total
Expenses				
Salaries, wages, and benefits	$ 1,547,999	$ 286,509	$ 1,327	$ 1,835,835
Supplies and other expenses	765,323	211,108	567	976,998
Interest expense	11,080	2,401	-	13,481
Depreciation expense	95,664	32,560	2	128,226
	$ 2,420,066	$ 532,578	$ 1,896	$ 2,954,540

Expenses related to providing these services for the year ended June 30, 2023 consisted of the following:

	Healthcare Services	General and Administrative	Fundraising	Total
Expenses				
Salaries, wages, and benefits	$ 1,537,160	$ 265,869	$ 1,481	$ 1,804,510
Supplies and other expenses	691,460	217,260	731	909,451
Interest expense	9,024	1,935	-	10,959
Depreciation	91,261	34,072	2	125,335
	$ 2,328,905	$ 519,136	$ 2,214	$ 2,850,255

(Dollars in thousands)

17. Lease Commitments

The System has various operating and finance leases for office facilities and certain equipment with noncancelable terms expiring at various dates through 2040. The leases may have one or more renewal options, with terms to be determined at the time of renewal. The exercise of such lease renewal options is at the sole discretion of the System.

The components of lease costs are as follows:

	2024	2023
Operating lease cost	$ 13,443	$ 14,296
Finance lease cost		
Amortization of right-to-use-assets	5,735	5,808
Interest on lease liabilities	3,414	3,540
Total finance lease cost	9,149	9,348
Short-term lease cost	3,408	2,837
Variable lease cost	4,780	4,515
Sublease income	(739)	(1,012)
Total lease cost	$ 30,041	$ 29,984

Supplemental Consolidated Balance Sheet information related to leases is as follows:

	Classification	2024	2023
Assets			
Operating lease	Other Assets	$ 38,926	$ 35,516
Finance lease	Property and equipment, net	87,326	94,297
Total leased assets		$ 126,252	$ 129,813
Liabilities			
Current liabilities			
Operating lease	Accounts payable and accrued expenses	$ 9,905	$ 10,154
Finance lease	Current portion of finance lease liabilities	4,277	5,175
Noncurrent liabilities			
Operating lease	Other liabilities	30,150	26,664
Finance lease	Finance leases, net of current portion	101,078	105,360
Total leased liabilities		$ 145,410	$ 147,353

(Dollars in thousands)

Supplemental cash flow information related to our leases is as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 11,634	$ 13,453
Operating cash flows for financing leases	3,454	3,653
Financing cash flows for finance leases	5,338	5,218
Right-of-use assets obtained in exchange for lease liabilities		
Operating lease	$ 11,673	$ 13,893
Finance lease	-	55

The weighted average remaining lease terms and discount rates were as follows:

	2024	2023
Weighted Average Remaining Lease Term (in years)		
Operating lease	5.29	4.81
Finance lease	15.64	16.44
Weighted Average Discount Rate		
Operating lease	4.57	3.31
Finance lease	3.19	3.21

As of June 30, 2024, future minimum lease liabilities are approximately as follows:

	Operating Leases	Finance Leases
Year ending June 30,		
2025	$ 11,183	$ 7,559
2026	9,910	7,888
2027	7,939	7,872
2028	6,785	7,864
2029	8,776	7,864
2030 and thereafter	2,147	96,100
Total lease payments	46,740	135,147
Less: Imputed interest	(6,685)	(29,792)
Total lease liabilities	$ 40,055	$ 105,355

In the ordinary course of business, the System routinely leases equipment pursuant to new lease arrangements that will likely result in future lease and rental expense in excess of the amounts indicated above.

18. Commitments and Contingencies

Litigation

The healthcare services industry is highly regulated, which subjects us to various claims and lawsuits in the ordinary course of business, including lawsuits under the qui tam provisions of the federal False Claims Act. Qui tam lawsuits are brought by a private citizen on behalf of the government, and typically remain under seal for some time while the government decides whether or not to intervene on behalf of a private qui tam plaintiff and take the lead in the litigation. These lawsuits can involve significant monetary damages and penalties as well as awards to plaintiffs who successfully bring the suits.

A qui tam complaint in the United States District Court for the District of Delaware against the System was unsealed in June 2018 after the federal government declined to intervene in the case, and notice was provided to the System in September 2018. the System has vigorously defended itself against this claim and filed a motion to dismiss, which was denied in March 2020. Mediation to settle the matter commenced during 2022 and continued through 2023.

In April 2023, the System reached an agreement on the terms of a proposed settlement with the plaintiff-relator. Those settlement terms, which include a release from liability with no admission of wrongdoing, were approved by the applicable federal and state agencies in December 2023. The System paid the government and the plaintiff-relator $31,778, the state of Delaware $10,722 and the plaintiff-relator $4,615, respectively.

The accrued expense is reported in Supplies and other expenses in the Consolidated Statement of Operations and Changes in Net Assets and reflected within the System's performance indicator. At June 30, 2024 and 2023, the total accrued liabilities of $0 and $47,000, respectively, were reported in Accounts payable and accrued expenses in the Consolidated Balance Sheet.

Health Services, Home Health, and Union Hospital are defendants in several matters of litigation all in the ordinary course of conducting business. Management believes that the ultimate outcome of these matters will not have a material effect on the System's financial position or the results of operations.

Commitments

In 2024, Health Services entered into a three-year extension agreement with a vendor to provide healthcare IT software and solutions. Payments under this commitment will total $49,364. At June 30, 2024, the remaining commitment is $49,364, of which $20,568 will be paid in 2025.

In 2023, Health Services and Union Hospital entered into a three-year agreement with a vendor to provide enterprise license and cloud server services. Payments under this commitment will total $18,878. At June 30, 2024, the remaining commitment is $12,604, of which $6,243 will be paid in 2025.

In 2020, Health Services entered into a joint venture with a third party and established ChristianaCare-GoHealth Urgent Care, LLC. The purpose of the joint venture was to operate various urgent care centers, and it is accounted for as an equity method investment for Health Services. As part of this arrangement, Health Services entered into a credit agreement and guaranty agreement with ChristianaCare-GoHealth Urgent Care, LLC totaling $44,500 through 2030. As of June 30, 2024, the loan receivable from the joint venture was $44,500.

19. Subsequent Events

The System has performed an evaluation of subsequent events through September 26, 2024, which is the date the consolidated financial statements were issued. There were no events other than those already included within the notes that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

Consolidating Supplemental Schedules

Christiana Care Health System and Affiliates Condensed
Consolidating Balance Sheet
June 30, 2024
(Dollars in thousands)

	Christiana Care Health System	Christiana Care Health Services: Christiana Care Health Services	Christiana Care Health Services: Union Hospital	Christiana Care Health Initiatives	Christiana Care Health Plans	Christiana Care Gene Editing Institute	Leeward Health	Christiana Care Strategic Investments	Eliminations	Christiana Care Health System & Affiliates
Assets										
Current assets										
Cash and cash equivalents	$ 831	$ 322,437	$ 26,711	$ 5,296	$ 79	$ -	$ 134	$ 100,023	$ -	$ 455,511
Short-term investments	-	2,480	-	-	-	-	-	-	-	2,480
Patient accounts receivable, net	-	547,748	25,766	856	-	-	-	-	-	574,370
Other current assets	737	155,982	31,012	1,206	-	2,562	-	-	(68,817)	122,682
Total current assets	1,568	1,028,647	83,489	7,358	79	2,562	134	100,023	(68,817)	1,155,043
Assets limited as to use	-	22,542	-	-	-	-	-	-	-	22,542
Long-term investments	-	2,345,890	50,700	-	-	-	-	-	-	2,396,590
Property and equipment, net	-	1,112,230	59,406	7	-	-	-	-	-	1,171,643
Other assets	9,959	134,085	8,619	-	-	-	-	53,703	(10,071)	196,295
Total assets	$ 11,527	$ 4,643,394	$ 202,214	$ 7,365	$ 79	$ 2,562	$ 134	$ 153,726	$ (78,888)	$ 4,942,113
Liabilities and Net Assets										
Current liabilities										
Current portion of long-term debt	$ -	$ 4,944	$ 2,441	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,385
Current portion of finance lease liabilities	-	4,111	166	-	-	-	-	-	-	4,277
Accounts payable and accrued expenses	18,062	351,762	114,837	39,357	-	8,396	12,058	-	(68,817)	475,655
Advances from third party payors	-	-	-	-	-	-	-	-	-	-
Total current liabilities	18,062	360,817	117,444	39,357	-	8,396	12,058	-	(68,817)	487,317
Long-term debt, net of current portion	-	287,333	42,015	-	-	-	-	-	-	329,348
Finance leases, net of current portion	-	101,048	30		-	-	-	-	-	101,078
Pension and postretirement benefits	-	196,370		-	-	-	-	-	-	196,370
Other liabilities	-	91,063	8,154	-	-	-	-	-	-	99,217
Total liabilities	18,062	1,036,631	167,643	39,357	-	8,396	12,058	-	(68,817)	1,213,330
Net assets										
Without donor restrictions										
Christiana Care Health System & Affiliates	(9,419)	3,541,322	34,571	(31,992)	79	(5,834)	(9,516)	153,726	(7,187)	3,665,750
Noncontrolling Interests	-	(55)		-	-	-	(2,408)	-	-	(2,463)
Total net assets without donor restrictions	(9,419)	3,541,267	34,571	(31,992)	79	(5,834)	(11,924)	153,726	(7,187)	3,663,287
With donor restrictions										
Purpose and time restricted	2,751	29,241	-	-	-	-	-	-	(2,751)	29,241
Perpetual in nature	133	36,255	-	-	-	-	-	-	(133)	36,255
Total net assets with donor restrictions	2,884	65,496	-	-	-	-	-	-	(2,884)	65,496
Total net assets	(6,535)	3,606,763	34,571	(31,992)	79	(5,834)	(11,924)	153,726	(10,071)	3,728,783
Total liabilities and net assets	$ 11,527	$ 4,643,394	$ 202,214	$ 7,365	$ 79	$ 2,562	$ 134	$ 153,726	$ (78,888)	$ 4,942,113

See accompanying notes to consolidating supplemental schedules.

Christiana Care Health System and Affiliates Condensed
Consolidating Balance Sheet
June 30, 2023
(Dollars in thousands)

	Christiana Care Health System	Christiana Care Health Services: Christiana Care Health Services	Christiana Care Health Services: Union Hospital	Christiana Care Health Initiatives	Christiana Care Health Plans	Christiana Care Gene Editing Institute	Leeward Health	Eliminations	Christiana Care Health System & Affiliates
Assets									
Current assets									
Cash and cash equivalents	$ 446	$ 198,360	$ 17,608	$ 3,189	$ 91	$ -	$ 25	$ -	$ 219,719
Short-term investments	-	87,707	-	-	-	-	-	-	87,707
Patient accounts receivable, net	-	428,729	25,919	262	-	-	-	-	454,910
Other current assets	814	125,475	21,023	1,106	-	1,150	-	(48,094)	101,474
Total current assets	1,260	840,271	64,550	4,557	91	1,150	25	(48,094)	863,810
Assets limited as to use	-	22,568	-	-	-	-	-	-	22,568
Long-term investments	-	2,154,511	46,242	-	-	-	-	-	2,200,753
Property and equipment, net	-	1,141,359	59,287	8	-	-	-	-	1,200,654
Other assets	2,459	184,889	8,991	-	-	2,500	-	(2,643)	196,196
Total assets	$ 3,719	$ 4,343,598	$ 179,070	$ 4,565	$ 91	$ 3,650	$ 25	$ (50,737)	$ 4,483,981
Liabilities and Net Assets									
Current liabilities									
Current portion of long-term debt	$ -	$ 4,610	$ 2,368	$ -	$ -	$ -	$ -	$ -	$ 6,978
Current portion of finance lease liabilities		4,996	179	-	-	-	-	-	5,175
Accounts payable and accrued expenses	9,230	374,416	94,700	31,681	-	5,689	14,700	(48,094)	482,322
Advances from third party payors	-	-	2,392	-	-	-	-	-	2,392
Total current liabilities	9,230	384,022	99,639	31,681	-	5,689	14,700	(48,094)	496,867
Long-term debt, net of current portion	-	294,326	44,446	-	-	-	-	-	338,772
Finance leases, net of current portion		105,159	201	-	-	-	-	-	105,360
Pension and postretirement benefits	-	146,358	-	-	-	-	-	-	146,358
Other liabilities	-	81,961	10,251	-	-	-	-	-	92,212
Total liabilities	9,230	1,011,826	154,537	31,681	-	5,689	14,700	(48,094)	1,179,569
Net assets									
Without donor restrictions									
Christiana Care Health System & Affiliates	(8,134)	3,271,026	24,533	(27,116)	91	(2,039)	(11,740)	(20)	3,246,601
Noncontrolling Interests	-	(8)	-	-	-	-	(2,935)	-	(2,943)
Total net assets without donor restrictions	(8,134)	3,271,018	24,533	(27,116)	91	(2,039)	(14,675)	(20)	3,243,658
With donor restrictions									
Purpose and time restricted	2,451	26,247	-	-	-	-	-	(2,451)	26,247
Perpetual in nature	172	34,507	-	-	-	-	-	(172)	34,507
Total net assets with donor restrictions	2,623	60,754	-	-	-	-	-	(2,623)	60,754
Total net assets	(5,511)	3,331,772	24,533	(27,116)	91	(2,039)	(14,675)	(2,643)	3,304,412
Total liabilities and net assets	$ 3,719	$ 4,343,598	$ 179,070	$ 4,565	$ 91	$ 3,650	$ 25	$ (50,737)	$ 4,483,981

See accompanying notes to consolidating supplemental schedules.

Christiana Care Health System and Affiliates Condensed
Consolidating Statement of Operations
Year Ended June 30, 2024
(Dollars in thousands)

		Christiana Care Health Services								
	Christiana Care Health System	Christiana Care Health Services	Union Hospital	Christiana Care Health Initiatives	Christiana Care Health Plans	Christiana Care Gene Editing Institute	Leeward Health	Christiana Care Strategic Investments	Eliminations	Christiana Care Health System & Affiliates
Operating revenues and other support										
Net patient service revenue	$ -	$ 2,759,209	$ 188,093	$ 5,067	$ -	$ -	$ -	$ -	$ -	$ 2,952,369
Other revenue	439	132,390	652	47	-	1,246	-	-	(9,734)	125,040
Net assets released from donor restrictions used for operations	711	2,490	173	-	-	-	-	-	-	3,374
Total operating revenues and other support	1,150	2,894,089	188,918	5,114	-	1,246	-	-	(9,734)	3,080,783
Salaries, wages, and benefits	-	1,706,253	126,281	8,653	-	1,868	-	-	(7,220)	1,835,835
Supplies and other expenses	2,458	919,267	55,904	1,029	12	654	188	-	(2,514)	976,998
Interest expense	-	11,066	2,415	-	-	-	-	-	-	13,481
Depreciation expense	-	119,654	8,570	2	-	-	-	-	-	128,226
Total operating expenses	2,458	2,756,240	193,170	9,684	12	2,522	188	-	(9,734)	2,954,540
Excess (deficit) of revenues over expenses from operations	(1,308)	137,849	(4,252)	(4,570)	(12)	(1,276)	(188)	-	-	126,243
Nonoperating revenues, gains, and (losses)										
Investment return, net	23	321,758	7,293	123	-	-	5	23	-	329,225
Other nonoperating revenues, gains, and (losses), net	-	(815)	27	(430)	-	3	(6,050)	(954)	-	(8,219)
Pension settlement charge	-	-		-	-	-	-	-	-	-
Total nonoperating revenues, gains, and (losses)	23	320,943	7,320	(307)	-	3	(6,045)	(931)	-	321,006
Excess (deficit) of revenues over expenses	$ (1,285)	$ 458,792	$ 3,068	$ (4,877)	$ (12)	$ (1,273)	$ (6,233)	$ (931)	$ -	$ 447,249
Less: Excess (deficit) of revenues over expenses attributable to noncontrolling interests	-	(48)	-	-	-	-	(1,247)	-	-	(1,295)
Excess (deficit) of revenues over expenses attributable to parent	$ (1,285)	$ 458,840	$ 3,068	$ (4,877)	$ (12)	$ (1,273)	$ (4,986)	$ (931)	$ -	$ 448,544

See accompanying notes to consolidating supplemental schedules.

Christiana Care Health System and Affiliates Condensed
Consolidating Statement of Operations
Year Ended June 30, 2023
(Dollars in thousands)

	Christiana Care Health System	Christiana Care Health Services: Christiana Care Health Services	Christiana Care Health Services: Union Hospital	Christiana Care Health Initiatives	Christiana Care Health Plans	Christiana Care Gene Editing Institute	Leeward Health	Eliminations	Christiana Care Health System & Affiliates
Operating revenues and other support									
Net patient service revenue	$ -	$ 2,566,995	$ 174,727	$ 4,289	$ -	$ -	$ -	$ -	$ 2,746,011
Other revenue	523	130,640	1,296	39	-	659	-	(10,552)	122,605
Net assets released from donor restrictions used for operations	1,241	2,817	171	-	-	-	-	-	4,229
Total operating revenues and other support	1,764	2,700,452	176,194	4,328	-	659	-	(10,552)	2,872,845
Salaries, wages, and benefits	-	1,675,635	125,356	9,668	-	2,005	-	(8,154)	1,804,510
Supplies and other expenses	2,964	849,894	57,369	915	14	693	-	(2,398)	909,451
Interest expense	-	8,608	2,351	-	-	-	-	-	10,959
Depreciation expense	-	118,107	7,226	2	-	-	-	-	125,335
Total operating expenses	2,964	2,652,244	192,302	10,585	14	2,698	-	(10,552)	2,850,255
Excess (deficit) of revenues over expenses from operations	(1,200)	48,208	(16,108)	(6,257)	(14)	(2,039)	-	-	22,590
Nonoperating revenues, gains, and (losses)									
Investment return, net	14	225,574	4,943	(183)	-	-	-	-	230,348
Other nonoperating revenues, gains, and (losses), net	-	9,949	66	(243)	-	-	(14,700)	-	(4,928)
Pension settlement charge	-	(1,764)	-	-	-	-	-	-	(1,764)
Total nonoperating revenues, gains, and (losses)	14	233,759	5,009	(426)	-	-	(14,700)	-	223,656
Excess (deficit) of revenues over expenses	$ (1,186)	$ 281,967	$ (11,099)	$ (6,683)	$ (14)	$ (2,039)	$ (14,700)	$ -	$ 246,246
Less: Excess (deficit) of revenues over expenses attributable to noncontrolling interests	-	(127)	-	-	-	-	(2,940)	-	(3,067)
Excess (deficit) of revenues over expenses attributable to parent	$ (1,186)	$ 282,094	$ (11,099)	$ (6,683)	$ (14)	$ (2,039)	$ (11,760)	$ -	$ 249,313

See accompanying notes to consolidating supplemental schedules.

Basis of Presentation

The accompanying supplemental consolidating information includes the consolidating balance sheets and the condensed consolidating statements of operations of the individual entities of Christiana Care Health System and Affiliates (the "System"). The consolidating information is prepared on the accrual basis of accounting. All intercompany accounts and transactions between entities have been eliminated. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements. The supplemental consolidating balance sheets are presented in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements.

The supplemental condensed consolidating statements of operations are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America as a result of the exclusion of the changes in net assets.