Christiana Care Health System and Affiliates

Consolidated Financial Statements and Consolidating Supplemental Schedules
June 30, 2022 and 2021

Christiana Care Health System and Affiliates
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June 30, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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 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 financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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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 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, 2022 and 2021 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 condensed consolidating 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 condensed consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The condensed consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and changes in net assets, and cash flows of the individual entities and is not a required part of the consolidated financial statements. Accordingly, 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.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
September 29, 2022

Christiana Care Health System and Affiliates
Consolidated Balance Sheet
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 191,431,573	$ 506,672,453
Short-term investments	191,508,175	191,331,183
Patient accounts receivable, net	391,415,370	332,780,574
Assets limited as to use	-	534,927
Other current assets	96,369,941	80,475,543
Total current assets	870,725,059	1,111,794,680
Assets limited as to use	23,805,013	26,961,704
Long-term investments	1,975,306,679	2,383,185,982
Property and equipment, net	1,209,540,544	1,237,722,709
Other assets	188,310,538	161,805,162
Total assets	$ 4,267,687,833	$ 4,921,470,237
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 24,866,825	$ 6,964,776
Current portion of finance lease liabilities	4,937,779	5,173,149
Accounts payable and accrued expenses	449,141,843	416,733,102
Advances from third party payors	52,196,751	226,498,764
Total current liabilities	531,143,198	655,369,791
Long-term debt, net of current portion	330,365,323	357,471,276
Finance leases, net of current portion	110,668,904	115,899,246
Pension and postretirement benefits	102,410,104	181,304,881
Other liabilities	92,968,126	115,687,256
Total liabilities	1,167,555,655	1,425,732,450
Net assets		
Without donor restrictions	3,042,354,887	3,427,506,497
With donor restrictions		
Purpose and time restricted	24,303,800	32,143,974
Perpetual in nature	33,473,491	36,087,316
Total net assets with donor restrictions	57,777,291	68,231,290
Total net assets	3,100,132,178	3,495,737,787
Total liabilities and net assets	$ 4,267,687,833	$ 4,921,470,237

The accompanying notes are an integral part of these consolidated financial statements.

Christiana Care Health System and Affiliates
Consolidated Statement of Operations and Changes in Net Assets
Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenues and other support		
Net patient service revenue	$ 2,533,182,056	$ 2,390,747,147
Other revenue	86,226,560	169,308,312
Net assets released from donor restrictions used for operations	5,671,541	6,432,647
Total operating revenues and other support	2,625,080,157	2,566,488,106
Operating expenses		
Salaries, wages, and benefits	1,726,087,574	1,495,388,762
Supplies and other expenses	826,083,169	747,238,133
Interest expense	12,169,241	13,098,088
Depreciation expense	125,623,026	125,802,435
Total operating expenses	2,689,963,010	2,381,527,418
Operating (loss) income	(64,882,853)	184,960,688
Nonoperating revenues, gains, and losses		
Investment return, net	(404,721,732)	511,956,588
Other nonoperating (losses), revenues, and gains	(4,257,771)	(19,452,646)
Settlement charge	(14,022,041)	(51,739,432)
Special termination benefit charge	-	(39,219,989)
Total nonoperating revenues, gains, and losses	(423,001,544)	401,544,521
Excess (deficit) of revenues over expenses	$ (487,884,397)	$ 586,505,209

The accompanying notes are an integral part of these consolidated financial statements.

Christiana Care Health System and Affiliates
Consolidated Statement of Operations and Changes in Net Assets
Years Ended June 30, 2022 and 2021

	2022	2021
Change in net assets without donor restrictions		
Excess (deficit) of revenues over expenses	$ (487,884,397)	$ 586,505,209
Net assets released from donor restrictions used for purchase of property and equipment	2,002,628	2,315,839
Other changes in pension and postretirement liabilities	100,730,159	19,316,601
(Decrease) Increase in net assets without donor restrictions	(385,151,610)	608,137,649
Change in net assets with donor restrictions		
Contributions	5,469,991	6,376,534
Investment return, net	(5,570,345)	7,599,108
Net assets released from donor restrictions	(7,674,169)	(8,748,486)
Change in value of assets	(2,679,476)	2,232,318
(Decrease) Increase in net assets with donor restrictions	(10,453,999)	7,459,474
(Decrease) Increase in net assets	(395,605,609)	615,597,123
Net assets		
Beginning of year	3,495,737,787	2,880,140,664
End of year	$ 3,100,132,178	$ 3,495,737,787

The accompanying notes are an integral part of these consolidated financial statements.

Christiana Care Health System and Affiliates
Consolidated Statement of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
(Decrease) Increase in net assets	$ (395,605,609)	$ 615,597,123
Adjustments to reconcile (Decrease) Increase in net assets to net cash provided by operating activities		
Depreciation and amortization	123,192,667	123,427,343
Loss on sale of land and building	6,025,627	-
Net realized and unrealized losses (gains) on investments	444,446,615	(496,147,014)
Restricted contributions received	(2,702,130)	(3,371,908)
Other changes in pension and postretirement benefits	(100,730,159)	(19,316,601)
(Increase) decrease in		
Patient accounts receivable	(58,634,796)	(50,553,770)
Other current assets	(15,894,398)	1,942,978
Other assets	3,847,993	10,601,364
Increase (decrease) in		
Accounts payable, accrued salaries, and other accrued expenses	35,907,400	72,421,298
Advances from third party payors	(174,302,013)	(48,816,666)
Pension and postretirement benefits	20,621,791	10,727,569
Other liabilities	(30,711,877)	(3,641,209)
Net cash (used in) provided by operating activities	(144,538,889)	212,870,507
Cash flows from investing activities		
Purchase of property and equipment	(105,602,340)	(112,546,878)
Proceeds from sale of land and building	2,139,933	-
Proceeds from sale of investments and assets limited as to use	1,335,974,692	1,472,356,666
Purchase of investments and assets limited as to use	(1,369,027,379)	(1,450,901,853)
Purchase of other third party investments	(18,660,542)	(36,951,500)
Loan made to third party	(4,000,000)	(39,050,000)
Net cash (used in) investing activities	(159,175,636)	(167,093,565)
Cash flows from financing activities		
Net borrowings under line of credit agreement	(50,943)	(49,824,057)
Repayment of long-term debt	(6,285,610)	(6,527,408)
Principal payments under finance leases	(5,367,414)	(4,066,914)
Restricted contributions received	2,702,130	3,371,908
Securities lending	(2,524,518)	2,510,704
Net cash (used in) financing activities	(11,526,355)	(54,535,767)
Net (decrease) in cash and cash equivalents	(315,240,880)	(8,758,825)
Cash and cash equivalents		
Beginning of year	506,672,453	515,431,278
End of year	$ 191,431,573	$ 506,672,453
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	$ 10,957,760	$ 12,427,493
Accrued property and equipment acquisitions	5,405,004	5,400,925

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of the Organization

Christiana Care Health System (the "System") is the parent organization of Christiana Care Health Services, Inc. ("Health Services"), Christiana Care Health Initiatives ("Health Initiatives"), Christiana Care Health Plans, Inc. ("Health Plans") and Christiana Care Gene Editing Institute, LLC ("GEI").

The System is a not-for-profit Delaware corporation whose primary activity is to accept donations and engage in fundraising activities for the benefit of the Christiana Care affiliates.

Health Services, a Delaware not-for-profit corporation, owns and operates: Christiana Hospital, Wilmington Hospital, Affinity Health Alliance, Inc. ("Affinity"), Christiana Care Home Health and Community Services, Inc. ("CCHHCS"), Eugene DuPont Preventive Medicine and Rehabilitation Institute, a free-standing emergency department, a physician network, residency training programs, and numerous ambulatory and physician office locations. Health Services' primary activity is to provide healthcare services to the residents of Delaware and the surrounding counties in Maryland, Pennsylvania, and New Jersey.

Affinity, a Maryland not-for-profit corporation, primarily owns and operates: Union Hospital of Cecil County, Inc., an acute care hospital facility, Union Hospital of Cecil County Foundation, Inc., which supports the hospital through donations and fundraising activities, and Union Hospital of Cecil County Health Services, Inc., which provides other health-related services to the residents of Cecil County and the surrounding areas through various physician office locations. Affinity also owns and operates an Open MRI & Imaging Center as a subsidiary of its for-profit stock corporation, Union Hospital of Cecil County Ventures, Inc. and provides radiation oncology services under Union Hospital of Cecil County Oncology, Inc.

CCHHCS, a wholly owned subsidiary of Health Services, is a not-for-profit health care agency which provides professional healthcare and other services in the home and community.

Health Services has a wholly owned subsidiary, Christiana Care Insurance Company, Ltd. ("Captive"), which is incorporated under the laws of the Cayman Islands. The primary purpose of the Captive is to direct issue primary medical professional liability and primary general liability insurance coverage to Health Services. This is discussed further in Note 13.

Health Initiatives, a not-for-profit corporation, provides health services primarily in physician office locations.

Health Plans, a Delaware not-for-profit corporation, offered managed care products for the Medicaid and commercial markets, until its exit from the insurance business in 2005. Although Health Plans continues to maintain its status as a licensed insurance company, it remains an inactive subsidiary.

GEI, a Delaware limited liability company, advances gene editing technology to improve human life through groundbreaking research and development.

2. Summary of Significant Accounting Policies

Basis of Presentation

The System's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the assets, liabilities, net assets, revenues, and expenses of the System and all wholly owned subsidiaries after the elimination of all significant intercompany transactions and balances.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly, the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the System's consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. The System evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in its evaluation, as considered necessary. Actual results could differ from those estimates.

Significant estimates include, but are not limited 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.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less. At June 30, 2022 and 2021, the System had cash balances in financial institutions which exceed federal depository insurance limits and therefore, bears a risk of loss. However, management believes that the credit risk related to these deposits is minimal, as it has not experienced such losses on these funds.

Patient Accounts Receivable

Patient accounts receivable are reported at the amounts that reflect the consideration to which the System expects to be entitled in exchange for providing patient care, as further described in Note 4. 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.

Inventories

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

Investments and Assets Limited as to Use
Investments and assets limited as to use are measured at fair value in the balance sheets based on the methodology described in Note 6. 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.

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 of (Level 1, Level 2, or Level 3 investments). Approximately 19% of the portfolio does not fit into one of the 3 above noted classifications and is instead valued at NAV. The System strives to maintain high liquidity levels and as of June 30, 2022 approximately 90.4% of the portfolio can be liquidated within 7 days, 4.6% within 30 days, 2.3% within 45 days and 2.7% within 100 days.

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 (i) assets held by trustees under an indenture agreement, and (ii) designated assets set aside by the Board of Directors ("Board").

Property, Equipment, and Depreciation
Property and equipment acquisitions are recorded at cost. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method based on the following estimated useful lives: Buildings and building improvements 15-40 years, land improvements 10 years, equipment 4-15 years. Leasehold improvements are depreciated using the lesser of the lease term or the useful life of the improvement. Gains and losses from retirement or disposition of fixed assets are recognized in the Consolidated Statement of Operations and Changes in Net Assets as a nonoperating expense. 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.

Reclassification of Expense
For the year ended June 30, 2022, the System made a financial statement presentation change for the classification of purchased labor. To report the System's total use of labor in operations, purchased labor expense has been reclassified from supplies and other expenses to salaries, wages and benefits in the Consolidated Statements of Operations and Changes in Net Assets and other supporting schedules. Prior periods have been reclassified to conform with the current period

presentation. Therefore, the 2021 purchased labor expense of $32,601,791 was reclassified in the current year financial statements and does not have an impact on the overall results of operations.

Additionally, within Note 17 related to Functional Expenses, an updated allocation methodology was utilized in the current year to differentiate expenses between the healthcare services, general and administrative and fundraising categories. For comparative purposes, expenses for the year ended June 30, 2021 have been updated to utilize the current methodology. While there has been no change to total expenses for this time-period, the totals for the individual categories have changed.

Reclassification of Supplemental Schedules

Within the consolidating supplemental schedules, ChristianaCare separately reflects the financial activity of Union Hospital of Cecil County, Inc. (“Union Hospital”) within the Consolidating Balance Sheet and Consolidating Statement of Operations. For the schedules related to the year ended June 30, 2021, this activity has been updated to reflect Union Hospital only as the schedules previously included other associated entities. This reclassification had no impact on the total balances for ChristianaCare Health System & Affiliates and is only a change in amounts between ChristianaCare Health Services and Union Hospital.

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 Accounting Standards Codification 842, Leases (“ASC 842”). 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.

Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. The System's policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No significant impairment charges were recorded in the years ended June 30, 2022 and June 30, 2021.

Securities Lending
The System engages in securities lending whereby certain securities in its portfolio are loaned to other parties generally for a short period of time. The System receives collateral equal to 100% of the market value of securities borrowed. The System records the fair value of the collateral received as a component of both other current assets and other current liabilities as the System is obligated to return the collateral upon the return of the borrowed securities. Other current assets and liabilities include $0 and $2,524,518 of collateral investments at June 30, 2022 and 2021, respectively.

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 being amortized over the life of the applicable indebtedness using the interest method.

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 net assets with donor restrictions 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.

Compensated Paid Leave
The System records a liability in accounts payable and accrued expenses for amounts due to employees for future paid leave which are attributable to services performed in the current and prior periods.

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 those donor specified purposes.

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

Tax Status
The System and its affiliates, except for Health Plans and Union Hospital of Cecil County Ventures, Inc., are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

In 1999, Health Plans reorganized, forming a taxable entity under the Internal Revenue Code. Union Hospital of Cecil County Ventures, Inc., is a for-profit stock corporation. Its purpose is to engage in business or transaction which will benefit the activities and goals of its affiliates through its wholly owned subsidiaries, Triangle Health Alliance, LLC and Open MRI & Imaging Center, LLC.

3. CARES Act

Provider Relief and Other Funding
As part of CARES (Coronavirus Aid, Relief, and Economic Security) Act, American Rescue Plan Act of 2021 and other State and local fundings, the System received $19,028,366 and $105,343,060 in fiscal 2022 and fiscal 2021 respectively in relief funding, which 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. Thus, the System recognized revenue when both the conditions and restrictions associated with the relief funding were met.

Medicare Accelerated and Advance Payments Program
In accordance with the CARES Act, Centers for Medicare & Medicaid Services (CMS) temporarily expanded its current Accelerated and Advance Payment Program for Medicare providers. Under this program, qualified healthcare providers received advance or accelerated payments from

Centers for Medicare & Medicaid Services (CMS). The System received $270,871,215 of advanced payments under this program. These payments were received in April 2020.

Repayment of amounts received under the Accelerated and Advance Payment Program are 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, 2022 a total of $221,204,451 has been recouped and repaid to CMS, of which $174,184,945 occurred in year ended 2022 and $47,019,506 in year ended 2021. The remaining balance of $49,666,764 is reflected in current liabilities under advances from third party payors on the Consolidated Balance Sheet.

Employer Payroll Tax Deferral
In April 2020, as part of the CARES Act legislation, the System elected to defer payment on its share of payroll taxes owed on wages paid through December 31, 2020. These deferred tax payments are required to be paid back in two installments: 50% by December 31, 2021, and 50% by December 31, 2022. As of June 30, 2021, the System had deferred $40,120,402 of payroll taxes. Accordingly, $20,060,277 was paid back in December 2021, while the balance of $20,060,125 remains in current liabilities on the Consolidated Balance Sheet to be repaid in December 2022.

4. 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 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 our 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 of its 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, its discount policies, and historical experience. The System determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient. The portfolio approach is being 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 that 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, diagnostic and other factors. Medicare outpatient services are paid at a prospectively determined rate. 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 on the basis of cost. This cost, and 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 prospectively based upon two primary case rates, with adjustment for outliers. Medicaid outpatient services are paid at a prospectively determined rate. Payment arrangements with commercial insurance carriers include prospectively determined rates per discharge and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. 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 2022 and 2021 net patient service revenue increased $1,732,790 and $3,189,350 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.

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 Consolidated Statement of Operations and Changes in Net Assets and was not significant for the years ended June 30, 2022 and 2021.

The composition of net patient service revenues by payor for the years ended June 30, 2022 and 2021 are as follows:

	2022		2021	
Medicare	$ 850,773,180	33.6%	$ 785,987,137	32.9%
Medicaid	369,218,209	14.6%	355,761,917	14.9%
Commercial insurance	1,181,244,889	46.6%	1,148,503,320	48.0%
Self-pay and other	131,945,778	5.2%	100,494,773	4.2%
	$ 2,533,182,056	100.0%	$ 2,390,747,147	100.0%

Revenue from patients' deductibles and coinsurance is included in the preceding categories based on the primary payor and is transferred to self-pay after consideration is received from the primary payor. Self-pay and other, which includes auto insurance, worker's compensation, pending Medicaid, 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, the System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year.

Other Revenue
Other revenue consists primarily of CARES Act and American Rescue Plan Act of 2021 relief fundings, research and grant revenue, retail and specialty 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 Topic 958, which is outside the scope of ASC 606, and revenue is recognized as expenses for these grants are incurred.

The System's retail pharmacies offer a full inventory of standard, specialty, and over-the-counter medications, and retail pharmacy 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 on a straight-line basis over the lease term in accordance with ASC Topic 842, Leases. 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, 2022 and 2021 are as follows:

	2022		2021	
Provider relief and other funding	$ 19,028,366	22.1 %	$ 105,343,060	62.2 %
Research and grant revenue	21,135,599	24.5	22,978,745	13.6
Retail and specialty pharmacy revenue	25,757,764	29.9	15,082,554	8.9
Service agreements	13,839,106	16.0	15,549,521	9.2
Rental, cafeteria, & other revenue	6,465,725	7.5	10,354,432	6.1
Other revenue	$ 86,226,560	100.0 %	$ 169,308,312	100.0 %

5. Charity Care and Community Benefit

In accordance with the System's mission to improve the health of Delaware and the surrounding counties of Maryland, Pennsylvania, and New Jersey, the System provides care to patients regardless of their ability to pay. The System provides care to these patients, who meet certain criteria under the System's charity care policy, without charge or at amounts less than its established rates. Criteria for charity care considers the patient's family 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.

Direct and indirect costs for charity care services amounted to $13.8 million and $19.9 million in 2022 and 2021, respectively. The costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients.

The System also offers discounts for uninsured patients who do not qualify for the charity care program and provides flexible, long-term payment plans for patients. In addition, the System also provides services to beneficiaries of public programs and various other community health services intended to improve the health of communities in which it 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 cannot afford health care because of inadequate resources and who are uninsured.
- Unpaid cost of Medicare, which represents the unpaid cost of services provided to persons through the government program for individuals age 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 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.

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

The composition of investments and assets limited as to use at June 30, 2022 and 2021 is set forth in the following table. Investments and assets limited as to use are stated at fair value.

	2022	2021
Short-term investments	$ 191,508,175	$ 191,331,183
Assets limited as to use		
Externally designated by bond trustee		
Escrow funds	-	534,927
Internally designated by Board of Directors		
Infant mortality	9,417,546	10,572,162
Harrington VIP/VICP fund	8,875,571	9,433,065
Translational cancer research	5,511,896	6,956,477
Total assets limited as to use	23,805,013	27,496,631
Long-term investments		
Without donor restrictions	1,932,541,716	2,330,670,533
Purpose restricted	9,973,610	17,745,041
Perpetual in nature	32,791,353	34,770,408
Total long-term investments	1,975,306,679	2,383,185,982
Total investments and assets limited as to use	$ 2,190,619,867	$ 2,602,013,796

Within the Consolidated Statement of Operations and Changes in Net Assets, investment return without donor restrictions for June 30, 2022 and 2021 is comprised of the following:

	2022	2021
Interest and dividend income	$ 31,078,774	$ 25,323,699
Net realized gains	168,067,679	168,223,754
Net unrealized (losses) gains	(603,868,185)	318,409,135
	$ (404,721,732)	$ 511,956,588

Similarly, investment return with donor restrictions for June 30, 2022 and 2021 is comprised of the following:

	2022	2021
Interest and dividend income	$ 396,288	$ 317,302
Net realized gains	2,335,883	2,552,091
Net unrealized (losses) gains	(8,302,516)	4,729,715
	$ (5,570,345)	$ 7,599,108

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 Quoted prices in active markets for identical assets or liabilities. Level 1 assets include money market funds, debt and equity securities that are traded in an active exchange market, as well as certain U.S. Treasury and other U.S. Governments and agency securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Level 2 assets include equity and debt securities with quoted prices that are traded less frequently than exchange-traded instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets include investments held in trust by others whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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, 2022 and 2021 there were no transfers between Levels 1, 2, and 3.

The System has certain long-term investments that are presented at Net Asset Value. 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, 2022 in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments and assets limited as to use				
Money market funds	$ 229,745,508	$ -	$ -	$ 229,745,508
U.S. Government and agency securities	77,993,270	-	-	77,993,270
Corporate and other debt securities	-	662,704,220	-	662,704,220
Equity securities	575,269,245	218,885,198	-	794,154,443
Investment held by others	-	-	8,264,065	8,264,065
Total investments and assets limited as to use	883,008,023	881,589,418	8,264,065	1,772,861,506
Total assets at fair value	$ 883,008,023	$ 881,589,418	$ 8,264,065	1,772,861,506
Other investments measured at net asset value				417,758,361
Total assets at fair value				$ 2,190,619,867

The following table presents the financial instruments carried at fair value as of June 30, 2021 in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments and assets limited as to use				
Money market funds	$ 231,233,493	$ -	$ -	$ 231,233,493
U.S. Government and agency securities	97,065,645	-	-	97,065,645
Corporate and other debt securities	-	630,807,247	-	630,807,247
Equity securities	835,899,575	226,127,762	-	1,062,027,337
Investment held by others	-	-	10,943,541	10,943,541
Total investments and assets limited as to use	1,164,198,713	856,935,009	10,943,541	2,032,077,263
Total assets at fair value	$ 1,164,198,713	$ 856,935,009	$ 10,943,541	2,032,077,263
Other investments measured at net asset value				569,936,533
Total assets at fair value				$ 2,602,013,796

The following table illustrates the change in Level 3 assets:

	Investments Held by Others
Fair value at June 30, 2020	$ 8,711,223
Contributions	-
Change in value of assets	2,232,318
Fair value at June 30, 2021	$ 10,943,541
Contributions	-
Change in value of assets	(2,679,476)
Fair value at June 30, 2022	$ 8,264,065

7. Property and Equipment

A summary of property and equipment at June 30, 2022 and 2021 is as follows:

	2022	2021
Land and land improvements	$ 79,028,385	$ 84,520,523
Buildings and building improvements	1,848,653,733	1,807,657,706
Equipment	948,301,139	937,017,365
	2,875,983,257	2,829,195,594
Accumulated depreciation	(1,766,968,521)	(1,655,531,518)
	1,109,014,736	1,173,664,076
Construction-in-progress	100,525,808	64,058,633
	$ 1,209,540,544	$ 1,237,722,709

Depreciation expense amounted to $125,623,026 and $125,802,435 in 2022 and 2021, respectively. In 2022 and 2021, the System incurred total interest costs of $13,684,558 and $14,944,749, respectively, of which $2,829,722 in 2022 and $3,363,459 in 2021 has been capitalized. For the year ended June 30, 2022, the System incurred a $6,025,627 loss on disposal of assets related to the sale of the land and building at 601 and 609 Delaware Avenue. There were no other significant disposals of property and equipment for the year ended June 30, 2022. At June 30, 2022 construction contracts of $101,027,411 exist primarily for various expansion and other facility improvements. The remaining commitment on these contracts was $15,921,096.

8. Other Current Assets and Other Assets

Other Current Assets at June 30, 2022 and 2021 consist of the following:

	2022	2021
Inventories	$ 49,215,937	$ 40,635,535
Prepaid expenses	33,759,086	22,105,660
Other	13,394,918	17,734,348
	$ 96,369,941	$ 80,475,543

Other Assets at June 30, 2022 and 2021 consist of the following:

	2022	2021
Right-of-use-assets	$ 32,274,778	$ 39,164,561
Other receivables	61,839,987	69,514,799
Other	94,195,773	53,125,802
	$ 188,310,538	$ 161,805,162

9. 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.

Net assets with donor restrictions are available for the following purposes at June 30, 2022 and 2021:

	2022	2021
Health care services	$ 4,988,083	$ 4,993,805
Purchases of buildings and equipment	3,501,026	4,473,952
Education, research and other operational needs	15,814,691	22,676,217
	$ 24,303,800	$ 32,143,974

Net assets with donor restrictions that are perpetual in nature consist of the following at June 30, 2022 and 2021:

	2022	2021
Investments held in perpetuity	$ 25,209,426	$ 25,143,775
Investments held in trust by others	8,264,065	10,943,541
	$ 33,473,491	$ 36,087,316

10. Endowments

The System's endowment consists of twenty-five 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.

Endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Donor restricted	$ -	$ 35,178,811	$ 35,178,811
Board designated	23,805,013	-	23,805,013
Total endowment funds	$ 23,805,013	$ 35,178,811	$ 58,983,824

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Donor restricted	$ -	$ 42,884,593	$ 42,884,593
Board designated	26,961,704	-	26,961,704
Total endowment funds	$ 26,961,704	$ 42,884,593	$ 69,846,297

Changes in endowment net assets for the year ended June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2021	$ 26,961,704	$ 42,884,593	$ 69,846,297
Investment return, net	(1,174,228)	(5,570,345)	(6,744,573)
Contributions	-	65,650	65,650
Appropriation of endowment assets for expenditure	(1,982,463)	(2,201,087)	(4,183,550)
Endowment net assets at June 30, 2022	$ 23,805,013	$ 35,178,811	$ 58,983,824

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2020	$ 27,686,094	$ 36,606,960	$ 64,293,054
Investment return, net	1,606,006	7,599,108	9,205,114
Contributions	-	209,987	209,987
Appropriation of endowment assets for expenditure	(2,330,396)	(1,531,462)	(3,861,858)
Endowment net assets at June 30, 2021	$ 26,961,704	$ 42,884,593	$ 69,846,297

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

	2022	2021
Endowment funds restricted for specific purpose		
Restricted for health care services	$ 3,268,563	$ 3,804,160
Restricted for building and maintenance	336,304	837,713
Restricted for program support	6,364,519	13,098,946
Endowment funds held in perpetuity		
Restricted for salary support	11,663,413	11,643,364
Restricted for program support	13,546,012	13,500,410
Total endowment funds classified as net assets with donor restrictions	$ 35,178,811	$ 42,884,593

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 (deficit). 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, 2022 and 2021.

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.

11. Debt

Long-term debt at June 30, 2022 and 2021 consisted of the following:

	Interest Rates	Final Maturity	2022	2021
Line of Credit	Variable	2023	$ 125,000	$ 175,943
DHFA Series 2020 Revenue Bonds				
2020A	4.0% to 5.0%	2050	247,255,000	247,255,000
2020B	1.64% to 1.79%	2024	8,850,000	13,290,000
MHHEFA Series 2014 Revenue Bonds	3.42 %	2039	29,878,000	29,998,000
MHHEFA Series 2012 Revenue Bonds				
2012A	3.34 %	2022	-	1,128,125
2012B-2	2.75 %	2022	-	500,537
Town of Elkton, Maryland Series 2012 Revenue Bonds				
2012A	2.73 %	2036	6,582,796	6,961,992
2012-B1	2.73 %	2036	3,846,030	4,067,359
2012C	2.73 %	2031	9,000,000	9,000,000
			305,536,826	312,376,956
Unamortized premium (discount)			51,948,429	54,287,487
Debt issuance costs			(2,253,107)	(2,228,391)
Current maturities			(24,866,825)	(6,964,776)
			$ 330,365,323	$ 357,471,276

In 2020, Health Services borrowed $50,000,000 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 2020, the System issued $247,255,000 aggregate principal amount of Series 2020A fixed rate revenue bonds and $17,660,000 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.

In 2020, Health Services placed funds into escrow to pay the principal balance of the 2010A fixed rate revenue bonds in 2021 as well as interest payments to that date. The liability for the 2010A bond principal balance and corresponding escrow asset amount were removed from the Consolidated Balance Sheet in 2020 as they were legally defeased. The 2010A bonds were retired during 2021.

In 2014, Affinity issued $30,778,000 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 $30,178,000.

In 2012, Affinity issued $9,924,000 of Series 2012A and $4,007,000 of Series 2012B-2 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 $3,974,916.

In 2012, Affinity Health issued $10,000,000 Series 2012A, $5,842,336 Series 2012-B1, $2,820,000 Series 2012B-2, and $9,000,000 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 $21,076,192.

. Scheduled maturities are as follows:

2023	$ 24,866,825
2024	5,419,000
2025	5,610,000
2026	5,880,000
2027	6,165,000
Thereafter	257,596,001
	$ 305,536,826

As of June 30, 2022, we are in compliance with our debt covenants with the exception of Union Hospital's Debt Service Coverage Ratio requirement for the MHHEFA Series 2014 Revenue Bonds for which we obtained a waiver from Fulton Bank on August 19, 2022. We have not obtained a waiver from Truist Bank related to this requirement and as a result have reclassified $17,903,448 from long-term debt to short-term debt.

12. Employee Benefit Plans

Pension Plan
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. As purchases and sales of pension plan assets take place, cash may sit overnight in money market funds.

In fiscal 2021, Health Services offered enhanced retirement benefits under the Voluntary Early Retirement Program (VERP) to eligible participants in the defined benefit pension plan with final retirements taking place in July 2021. This resulted in special termination benefits for the elected participants and settlement charges due to accelerated lump sum payments. During fiscal 2022, lump sum payments exceeded the 2022 service and interest costs, which triggered settlement accounting. Remeasurements have been performed throughout the fiscal year and have been incorporated into the actuarial assumptions as of June 30, 2022.

Postretirement Benefits
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, 2022 and 2021:

	Pension Benefits 2022	Pension Benefits 2021	Postretirement Benefits 2022	Postretirement Benefits 2021
Change in benefit obligation				
Benefit obligation at beginning of year	$ 1,004,945,803	$ 1,150,102,181	$ 93,110,979	$ 92,595,129
Service cost	26,020,208	30,904,854	959,163	1,322,359
Interest cost	24,925,000	25,286,065	1,932,206	2,142,467
Actuarial loss (gain)	(261,083,602)	(5,923,980)	(27,664,667)	772,512
Settlements	(66,947,633)	(222,634,087)	-	-
Special termination benefit charge	-	39,219,989	-	-
Retiree contributions	-	-	650,154	531,557
Benefits paid	(12,448,308)	(12,009,219)	(5,724,118)	(4,253,045)
Benefit obligation at end of year	$ 715,411,468	$ 1,004,945,803	$ 63,263,717	$ 93,110,979
Change in plan assets				
Fair value of plan assets at beginning of year	$ 911,678,917	$ 1,049,443,528	$ -	$ -
Actual return on Plan assets (net of expenses)	(187,162,583)	(35,121,305)	-	-
Employer contributions	27,000,000	132,000,000	5,073,964	3,721,488
Retiree contributions	-	-	650,154	531,557
Settlements	(66,947,633)	(222,634,087)	-	-
Benefits paid	(12,448,308)	(12,009,219)	(5,724,118)	(4,253,045)
Fair value of plan assets at end of year	$ 672,120,393	$ 911,678,917	$ -	$ -
Reconciliation of funded status to net amount recognized in the balance sheet				
Amounts recorded as accrued liabilities	$ (43,291,075)	$ (93,266,886)	$ (63,263,717)	$ (93,110,979)
Funded status				
Current liabilities	$ -	$ -	$ (5,211,570)	$ (6,425,161)
Noncurrent liabilities	(43,291,075)	(93,266,886)	(58,052,147)	(86,685,818)
Accrued liability	(43,291,075)	(93,266,886)	(63,263,717)	(93,110,979)
Amounts recorded within net assets without donor restrictions				
Net prior service (credit)		-		(5,036,967)
Actuarial loss	159,572,172	235,874,225	(5,643,121)	22,157,838
Net amount recognized at year end	$ 116,281,097	$ 142,607,339	$ (68,906,838)	$ (75,990,108)
Accumulated benefit obligation	$ 639,370,708	$ 865,653,520	$ -	$ -

	Pension Benefits 2022	Pension Benefits 2021	Postretirement Benefits 2022	Postretirement Benefits 2021
Weighted-average assumptions used to determine benefit obligations at June 30				
Discount rate	4.375 %	2.500 %	4.375 %	2.500 %
Rate of compensation increase	3.000 %	3.000 %	N/A	N/A

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Components of net periodic benefit cost				
Service cost	$ 26,020,208	$ 30,904,854	$ 959,163	$ 1,322,359
Interest cost	24,925,000	25,286,065	1,932,206	2,142,467
Expected return on plan assets	(22,792,277)	(21,310,759)	-	-
Amortization of prior service cost (credit)	-	-	(5,036,967)	(5,996,389)
Recognized actuarial loss	11,752,790	22,506,642	136,292	2,526,211
Net periodic benefit cost	39,905,721	57,386,802	(2,009,306)	(5,352)
Special termination benefit charge	-	39,219,989	-	-
Settlement charge	13,420,521	50,908,016	-	-
Net pension cost	53,326,242	147,514,807	(2,009,306)	(5,352)
Other changes in pension liability recognized in net assets without donor restrictions				
Net actuarial loss	(51,128,742)	50,508,084	(27,664,667)	772,512
Recognition due to settlement	(13,420,521)	(50,908,016)	-	-
Amortization of (gain)	(11,752,790)	(22,506,642)	(136,292)	(2,526,211)
Amortization of prior service credit	-	-	5,036,967	5,996,389
Total recognized in net assets without donor restrictions	(76,302,053)	(22,906,574)	(22,763,992)	4,242,690
Total recognized in net benefit cost and net assets without donor restrictions	$ (22,975,811)	$ 124,608,233	$ (24,773,298)	$ 4,237,338

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year				
Discount rate	2.50%/2.625%[1]/3.375%[2]	2.375%/2.25%[3]/2.875%[4]	2.500 %	2.375 %
Expected return on plan assets	2.50%/2.625%[1]/3.375%[2]	2.375%/2.25%[3]/2.875%[4]	N/A	N/A
Rate of compensation increase	3.00%	2.00% for FY2021, 3.00% thereafter	N/A	N/A

[1] Rates as of remeasurement date 12/31/2021.
[2] Rates as of remeasurement date 3/31/2022.
[3] Rates as of remeasurement date 9/30/2020 and 12/31/2020.
[4] Rates as of remeasurement date 3/31/2021.

Health Services does not expect to recognize a loss (gain) as a component of net pension cost during the year ended June 30, 2023. There is no prior service cost/(credit) amortization and no transition obligation/(asset) amortization as these have been fully amortized.

Health Services does not expect to recognize a loss (gain) amortization, prior service (credit)amortization, and no transition asset or obligation amortization as components of net postretirement benefit cost during the year ending June 30, 2023.

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 $13,885,513 and $26,481,948 as of June 30, 2022 and 2021, 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 $(2,968,469) and $(1,327,711) as of June 30, 2022 and 2021, respectively. In addition, Health Services recognized settlement charges of $13,420,521 and $50,908,016 and special termination benefit charges of $0 and $39,219,989 as of June 30, 2022 and 2021, respectively within nonoperating losses, revenues, 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.

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.

Plan Assets
Pension plan weighted target and actual average asset allocations at June 30, 2022 and 2021 were comprised of 100% fixed income securities.

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 100% long duration fixed income 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, 2022, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 10,841,237	$ -	$ -	$ 10,841,237
U.S.Government and agency securities	226,497,779	10,345,689	-	236,843,468
Corporate and other debt securities	-	424,435,688	-	424,435,688
Equity securities	-	-	-	-
Total assets at fair value	$ 237,339,016	$ 434,781,377	$ -	$ 672,120,393

The following table represents the Plan's financial instruments as of June 30, 2021, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 30,392,012	$ -	$ -	$ 30,392,012
U.S.Government and agency securities	348,849,669	12,455,805	-	361,305,474
Corporate and other debt securities	-	519,979,431	-	519,979,431
Equity securities	2,000	-	-	2,000
Total assets at fair value	$ 379,243,681	$ 532,435,236	$ -	$ 911,678,917

Contributions
During fiscal 2022, Health Services made contributions to the pension plan of $27,000,000 and expects to contribute approximately $19,000,000 during the fiscal year ending June 30,2023. Health Services made contributions to the postretirement benefit plan of $5,073,964 during fiscal 2022 and expects to contribute approximately $5,211,570 during the fiscal year ending June 30, 2023. The actual pension plan contribution may be higher or lower depending on interest rates, pension plan asset values, and legislated funding requirements.

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

	Pension Benefits	Postretirement Benefits
2023	$ 42,481,407	$ 5,211,570
2024	41,911,601	5,066,158
2025	45,146,493	4,840,544
2026	48,941,424	4,729,184
2027	51,549,742	4,685,142
2028-2032	276,126,324	22,417,795

The annual rate of increase assumed in the per capita cost of covered health care benefits was 6.25% and 6.55% for the Pre 65 and Post 65 participants, respectively, for June 30, 2022. 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, 2022 and 2021 was $27,612,842 and $22,800,871, 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. During fiscal 2021, Health Services suspended the employer contribution of this plan for a period of time due to the pandemic and was later reinstated. Contributions for the years ended June 30, 2022 and 2021 were $24,159,911 and $13,538,131, respectively.

Home Health Pension Plan
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, 2022 and 2021:

	2022	2021
Change in benefit obligation		
Benefit obligation at beginning of year	$ 42,982,549	$ 45,025,261
Service cost	920,864	1,073,041
Interest cost	1,090,829	1,061,194
Actuarial loss (gains)	(9,485,579)	53,095
Settlements	(2,532,898)	(3,312,358)
Benefits paid	(935,783)	(917,684)
Benefit obligation at end of year	$ 32,039,982	$ 42,982,549
Change in plan assets		
Fair value of plan assets at beginning of year	$ 41,630,372	$ 41,959,976
Actual return on plan assets (net of expenses)	(8,188,591)	(399,562)
Employer contributions	1,000,000	4,300,000
Settlements	(2,532,898)	(3,312,358)
Benefits paid	(935,783)	(917,684)
Fair value of plan assets at end of year	$ 30,973,100	$ 41,630,372
Reconciliation of funded status to net amount recognized in the balance sheet		
Amounts recorded as accrued liabilities		
Noncurrent liabilities	$ (1,066,882)	$ (1,352,177)
Accrued liability	(1,066,882)	(1,352,177)
Amounts recorded within net assets without donor restrictions		
Actuarial loss	8,691,366	10,355,480
Net amount recognized at year end	$ 7,624,484	$ 9,003,303
Accumulated benefit obligation	$ 29,676,876	$ 38,688,433

	Pension Benefits	
	2022	2021
Weighted-average assumptions used to determine benefit obligations at June 30		
Discount rate	4.375 %	2.500 %
Rate of compensation increase	3.000 %	3.000 %

	2022	2021
Components of net periodic benefit cost		
Service cost	$ 920,864	$ 1,073,041
Interest cost	1,090,829	1,061,194
Expected return on plan assets	(1,044,569)	(928,149)
Recognized actuarial loss	810,175	1,202,098
Amortization of prior service cost (credit)	-	-
Net periodic benefit cost	1,777,299	2,408,184
Settlement charge	601,520	831,416
Net pension cost	2,378,819	3,239,600
Other changes in pension liability recognized in net assets without donor restrictions		
Net actuarial loss	(252,419)	1,380,806
Recognition due to settlement	(601,520)	(831,416)
Amortization of (gain)	(810,175)	(1,202,098)
Amortization of prior service credit	-	-
Total recognized in net assets without donor restrictions	(1,664,114)	(652,708)
Total recognized in net benefit cost and net assets without donor restrictions	$ 714,705	$ 2,586,892

	Pension Benefits	
	2022	2021
Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year		
Discount rate	2.50%/3.125%[1]/3.375%[2]	2.375%/2.875%[3]/2.50%[4]
Expected return on plan assets	2.50%/3.125%[1]/3.375%[2]	2.375%/2.875%[3]/2.50%[4]
Rate of compensation increase	3.00 %	2.00% for FY2021, 3.00% thereafter

[1] Rates as of remeasurement date 2/28/2022.
[2] Rates as of remeasurement date 3/31/2022.
[3] Rates as of remeasurement date 3/31/2021.
[4] Rates as of remeasurement date 6/30/2021.

Home Health does not expect to recognize loss amortization, prior service cost amortization and amortization of transition asset or obligation as components of net pension cost during the year ending June 30, 2023. Other components of net periodic pension cost, which are presented in other nonoperating losses, revenues, and gains on the Home Health Statement of Operations and Changes in Net Assets, were $856,435 and $1,335,143 as of June 30, 2022 and 2021, respectively. In addition, Home Health recognized settlement charges of $601,520 and $831,416 as of June 30, 2022 and 2021, respectively within nonoperating losses, revenues, and gains and changes in net assets due to lump sum payments in excess of services 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.

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

Pension plan weighted target and actual average asset allocations at June 30, 2022 and 2021 were comprised of 100% fixed income securities.

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 100% long duration fixed income 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, 2022, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,429,245	$ -	$ -	$ 1,429,245
U.S. Government and agency securities	5,963,818	-	-	5,963,818
Corporate and other debt securities	-	23,580,037	-	23,580,037
Total assets at fair value	$ 7,393,063	$ 23,580,037	$ -	$ 30,973,100

The following table represents the Plan's financial instruments as of June 30, 2021, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,068,724	$ -	$ -	$ 1,068,724
U.S. Government and agency securities	5,767,733	-	-	5,767,733
Corporate and other debt securities	-	34,793,915	-	34,793,915
Total assets at fair value	$ 6,836,457	$ 34,793,915	$ -	$ 41,630,372

Contributions

During fiscal 2022, Home Health made contributions to the pension plan of $1,000,000 and expects to contribute approximately $700,000 during the fiscal year ending June 30, 2023. The actual pension plan contribution depends on interest rates, pension plan asset values, and legislated funding requirements.

Estimated Future Benefit Payments

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

2023	$ 2,175,644
2024	2,102,539
2025	2,194,075
2026	2,369,717
2027	2,356,494
Thereafter	11,771,977

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, 2022 and 2021 was $734,565 and $599,999, 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, 2022 and 2021 were $194,745 and $0, respectively.

13. 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 as Christiana Care Insurance Company, Ltd. ("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, 2022 provides for a self-insured retention of $5 million per medical incident or occurrence and an annual shared aggregate of $41 million. In addition, a buffer policy provides medical professional liability coverage of $1 million per medical incident or occurrence in excess of $5 million with a $1 million aggregate. For exposures specific to Pennsylvania, an additional buffer policy provides coverage for $4 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 Christiana Care Home Health and Community Services, Inc., 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 of Cecil County, a wholly owned subsidiary of Affinity Health Alliance, Inc., 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 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 of Cecil County's departure from the group captive effective March 1, 2021. CCIC insures Union Hospital of Cecil County 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, 2022 and 2021 amounted to $78,968,548 and $80,201,370, 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 $14,540,755 and $19,323,499 at June 30, 2022 and 2021, respectively, is recorded as a component of accounts payable and other accrued expenses on the Consolidated Balance Sheet.

14. 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 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 against ChristianaCare was unsealed in June 2018 after the government declined to intervene in the case, and notice was provided to ChristianaCare in September 2018. Christiana has vigorously defended itself against this claim and filed a Motion to Dismiss, which was denied in March 2020. While Christiana denies the claims and Management believes the ultimate outcome of this matter will not have a material effect on the System's results of operations or financial position, mediation to settle the matter commenced during the reporting period and we recorded a reserve for the matter as of June 30, 2022. However, an adverse outcome could be material to the results of operations or financial position, and changes in the reserve may be required in future periods as the case progresses and additional information becomes available.

Commitments

In fiscal 2017, Christiana Care Health Services entered into a seven-year agreement with a vendor to provide healthcare IT software and solutions. Payments under this commitment will total $164,679,737. At June 30, 2022, the remaining commitment is $36,936,363, of which $20,284,554 will be paid in fiscal 2023.

In fiscal 2020, Christiana Care 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

Christiana Care Health Services. As part of this arrangement, Christiana Care Health Services entered into a credit agreement and guaranty agreement with ChristianaCare-GoHealth Urgent Care, LLC totaling $44,500,000 through fiscal year 2030. As of June 30, 2022, the loan receivable from the joint venture was $44,250,000.

15. 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, 2022 and June 30, 2021 is as follows:

	2022	2021
Medicare	21.6%	21.5%
Medicaid	14.7%	16.0%
Commercial	47.1%	50.3%
Self Pay / Other	16.6%	12.2%

16. Liquidity and Availability

As of June 30, 2022 and June 30, 2021, the System has the following financial assets available for general expenditure within one year of the balance sheet date:

	2022	2021
Cash and cash equivalents	$ 139,234,822	$ 280,290,758
Short-term investments	191,508,175	191,331,183
Patient accounts receivable, net	391,415,370	332,780,574
Other current assets	13,394,918	32,003,461
Investments	1,932,541,716	2,330,670,533
	$ 2,668,095,001	$ 3,167,076,509

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, 2022 and June 30, 2021 are $23,805,013 and $26,961,704, 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.

17. Functional Expenses

The System provides general health care services to patients within its geographic region. Expenses related to providing these services for the year ended June 30, 2022 consisted of the following:

	Healthcare Services	General and Administrative	Fundraising	Total
Expenses				
Salaries, wages, and benefits	$ 1,448,028,684	$ 276,681,482	$ 1,377,408	$ 1,726,087,574
Supplies and other expenses	636,514,136	188,940,823	628,210	826,083,169
Interest expense	10,055,199	2,114,042	-	12,169,241
Depreciation	89,440,345	36,181,963	718	125,623,026
Total expenses	$ 2,184,038,364	$ 503,918,310	$ 2,006,336	$ 2,689,963,010

Expenses related to providing these services for the year ended June 30, 2021 consisted of the following:

	Healthcare Services	General and Administrative	Fundraising	Total
Expenses				
Salaries, wages, and benefits	$ 1,227,693,876	$ 266,649,621	$ 1,045,265	$ 1,495,388,762
Supplies and other expenses	579,348,138	167,241,874	648,121	747,238,133
Interest expense	10,478,479	2,619,609	-	13,098,088
Depreciation	85,333,759	40,468,676	-	125,802,435
Total expenses	$ 1,902,854,252	$ 476,979,780	$ 1,693,386	$ 2,381,527,418

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.

18. Leases

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:

	2022
Operating lease cost	$ 14,790,288
Finance lease cost	
Amortization of right-of-use-assets	6,255,770
Interest on lease liabilities	3,676,411
Total finance lease cost	9,932,181
Short-term lease cost	3,305,984
Variable lease cost	4,900,041
Sublease income	(736,603)
Total lease cost	$ 32,191,891

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

	Classification	2022
Assets		
Operating lease	Other Assets	$ 32,274,778
Finance lease	Property and equipment, net	101,295,915
Total leased assets		$ 133,570,693
Liabilities		
Current liabilities		
Operating lease	Accounts payable and accrued expenses	$ 10,832,118
Finance lease	Current portion of finance lease liabilities	4,937,779
Noncurrent liabilities		
Operating lease	Other liabilities	23,118,663
Finance lease	Finance leases, net of current portion	110,668,904
Total leased liabilities		$ 149,557,464

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

	2022
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	$ 13,148,552
Operating cash flows for finance leases	3,857,949
Financing cash flows for finance leases	5,367,414
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	7,692,918
Finance leases	-

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

	2022
Weighted Average Remaining Lease Term (in years)	
Operating lease	4.81
Finance Lease	17.26
Weighted Average Discount Rate	
Operating lease	3.20
Finance lease	3.24

Maturities of lease liabilities are approximately as follows:

Year ending June 30,	**Operating Leases**	**Finance Leases**
2023	$ 11,840,116	$ 8,856,103
2024	7,648,510	8,773,417
2025	4,546,024	7,549,888
2026	3,674,682	7,880,227
2027	3,253,145	7,864,461
2028 and thereafter	6,139,484	111,828,642
Total lease payments	37,101,961	152,752,738
Less: Interest portion	(3,208,637)	(37,150,949)
Total lease liabilities	$ 33,893,324	$ 115,601,789

As of June 30, 2022, future minimum lease payments under noncancelable operating leases are:

2022	$ 13,672,143
2023	11,840,116
2024	7,648,510
2025	4,546,024
2026	3,674,682
Thereafter	9,392,629

19. Subsequent Events

The System has performed an evaluation of subsequent events through September 29, 2022, which is the date the consolidated financial statements were issued. There were no events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

Consolidating Supplemental Schedule

Christiana Care Health System and Affiliates Condensed
Consolidating Balance Sheet
June 30, 2022

	Christiana Care Health System	Christiana Care Health Services: Christiana Care Health Services[1]	Christiana Care Health Services: Union Hospital	Christiana Care Health Initiatives	Christiana Care Health Plans	Eliminations	Christiana Care Health System & Affiliates
Assets							
Current assets							
Cash and cash equivalents	$ 912,909	$ 155,674,098	$ 30,464,963	$ 4,324,758	$ 54,845	$ -	$ 191,431,573
Short-term investments	-	191,508,175	-	-	-	-	191,508,175
Patient accounts receivable, net	-	377,210,174	13,861,116	344,080	-	-	391,415,370
Other current assets	833,109	115,793,543	15,505,500	956,827	-	(36,719,038)	96,369,941
Total current assets	1,746,018	840,185,990	59,831,579	5,625,665	54,845	(36,719,038)	870,725,059
Assets limited as to use	-	23,805,013	-	-	-	-	23,805,013
Long-term investments	-	1,933,322,651	41,984,028	-	-	-	1,975,306,679
Property and equipment, net	-	1,156,849,460	52,680,855	10,229	-	-	1,209,540,544
Other assets	3,545,181	175,598,951	11,536,565	22,739	-	(2,392,898)	188,310,538
Total assets	$ 5,291,199	$ 4,129,762,065	$ 166,033,027	$ 5,658,633	$ 54,845	$ (39,111,936)	$ 4,267,687,833
Liabilities and Net Assets							
Current liabilities							
Current portion of long-term debt	$ -	$ 4,645,000	$ 20,221,825	$ -	$ -	$ -	$ 24,866,825
Current portion of finance lease liabilities	-	4,714,565	223,214	-	-	-	4,937,779
Accounts payable and accrued expenses	9,846,956	386,212,294	63,710,170	26,091,461	-	(36,719,038)	449,141,843
Advances from third party payors	-	46,569,670	5,627,081	-	-	-	52,196,751
Total current liabilities	9,846,956	442,141,529	89,782,290	26,091,461	-	(36,719,038)	531,143,198
Long-term debt, net of current portion	-	301,465,526	28,899,797	-	-	-	330,365,323
Finance leases, net of current portion	-	110,317,885	351,019	-	-	-	110,668,904
Pension and postretirement benefits	-	102,410,104	-	-	-	-	102,410,104
Other liabilities	-	81,599,438	11,368,688	-	-	-	92,968,126
Total liabilities	9,846,956	1,037,934,482	130,401,794	26,091,461	-	(36,719,038)	1,167,555,655
Net assets							
Without donor restrictions	(6,948,655)	3,034,050,292	35,631,233	(20,432,828)	54,845	-	3,042,354,887
With donor restrictions							
Purpose and time restricted	1,719,761	24,303,800	-	-	-	(1,719,761)	24,303,800
Perpetual in nature	673,137	33,473,491	-	-	-	(673,137)	33,473,491
Total net assets with donor restrictions	2,392,898	57,777,291	-	-	-	(2,392,898)	57,777,291
Total net assets	(4,555,757)	3,091,827,583	35,631,233	(20,432,828)	54,845	(2,392,898)	3,100,132,178
Total liabilities and net assets	$ 5,291,199	$ 4,129,762,065	$ 166,033,027	$ 5,658,633	$ 54,845	$ (39,111,936)	$ 4,267,687,833

[1] Christiana Care Health Services includes Christiana Care Home Health and Community Services. This was reflected separately in the prior year schedule.

The accompanying notes are an integral part of these consolidating financial statements.

Christiana Care Health System and Affiliates Condensed
Consolidating Balance Sheet
June 30, 2021

	Christiana Care Health System	Christiana Care Health Services: Christiana Care Health Services[1]	Christiana Care Health Services: Union Hospital	Christiana Care Health Initiatives	Christiana Care Home Health & Community Services	Christiana Care Health Plans	Eliminations	Christiana Care Health System & Affiliates
Assets								
Current assets								
Cash and cash equivalents	$ 1,991,969	$ 450,913,133	$ 43,902,759	$ 3,303,264	$ 6,497,005	$ 64,323	$ -	$ 506,672,453
Short-term investments	-	191,331,183	-	-	-	-	-	191,331,183
Patient accounts receivable, net	-	315,097,376	12,176,036	309,515	5,197,647	-	-	332,780,574
Assets limited as to use	-	534,927	-	-	-	-	-	534,927
Other current assets	1,318,908	98,719,650	7,031,271	766,521	652,002	-	(28,012,809)	80,475,543
Total current assets	3,310,877	1,056,596,269	63,110,066	4,379,300	12,346,654	64,323	(28,012,809)	1,111,794,680
Assets limited as to use	-	26,961,704	-	-	-	-	-	26,961,704
Long-term investments	-	2,334,541,704	48,644,278	-	15,371,120	-	(15,371,120)	2,383,185,982
Property and equipment, net	-	1,185,514,666	51,986,531	24,550	196,962	-	-	1,237,722,709
Other assets	3,807,332	147,622,493	14,993,548	217,276	64,694	-	(4,900,181)	161,805,162
Total assets	$ 7,118,209	$ 4,751,236,836	$ 178,734,423	$ 4,621,126	$ 27,979,430	$ 64,323	$ (48,284,110)	$ 4,921,470,237
Liabilities and Net Assets								
Current liabilities								
Current portion of long-term debt	$ -	$ 4,615,943	$ 2,348,833	$ -	$ -	$ -	$ -	$ 6,964,776
Current portion of finance lease liabilities	-	4,546,463	626,686	-	-	-	-	5,173,149
Accounts payable and accrued expenses	8,319,363	382,104,819	27,438,025	19,380,383	7,499,978	3,343	(28,012,809)	416,733,102
Advances from third party payors	-	201,735,281	24,763,483	-	-	-	-	226,498,764
Total current liabilities	8,319,363	593,002,506	55,177,027	19,380,383	7,499,978	3,343	(28,012,809)	655,369,791
Long-term debt, net of current portion	-	308,415,885	49,055,391	-	-	-	-	357,471,276
Finance leases, net of current portion	-	115,286,981	612,265	-	-	-	-	115,899,246
Pension and postretirement benefits	-	179,952,704	-	-	1,352,177	-	-	181,304,881
Other liabilities	-	115,493,409	14,030,318	-	1,534,649	-	(15,371,120)	115,687,256
Total liabilities	8,319,363	1,312,151,485	118,875,001	19,380,383	10,386,804	3,343	(43,383,929)	1,425,732,450
Net assets								
Without donor restrictions	(6,101,335)	3,370,999,813	59,859,422	(14,759,257)	17,446,874	60,980	-	3,427,506,497
With donor restrictions								
Purpose and time restricted	3,623,192	31,998,222	-	-	145,752	-	(3,623,192)	32,143,974
Perpetual in nature	1,276,989	36,087,316	-	-	-	-	(1,276,989)	36,087,316
Total net assets with donor restrictions	4,900,181	68,085,538	-	-	145,752	-	(4,900,181)	68,231,290
Total net assets	(1,201,154)	3,439,085,351	59,859,422	(14,759,257)	17,592,626	60,980	(4,900,181)	3,495,737,787
Total liabilities and net assets	$ 7,118,209	$ 4,751,236,836	$ 178,734,423	$ 4,621,126	$ 27,979,430	$ 64,323	$ (48,284,110)	$ 4,921,470,237

[1] Christiana Care Health Services excluding Union Hospital. This was reflected in consolidation in the prior year schedule.

The accompanying notes are an integral part of these consolidating financial statements.

Christiana Care Health System and Affiliates Condensed
Consolidating Statement of Operations
Year Ended June 30, 2022

	Christiana Care Health System	Christiana Care Health Services: Christiana Care Health Services[1]	Christiana Care Health Services: Union Hospital	Christiana Care Health Initiatives	Christiana Care Health Plans	Eliminations	Christiana Care Health System & Affiliates
Operating revenues and other support							
Net patient service revenue	$ -	$ 2,358,160,008	$ 171,548,992	$ 3,473,056	$ -	$ -	$ 2,533,182,056
Other revenue	717,282	92,669,091	1,443,329	28,190	-	(8,631,332)	86,226,560
Net assets released from donor restrictions used for operations	2,485,200	2,972,388	213,953	-	-	-	5,671,541
Total operating revenues and other support	3,202,482	2,453,801,487	173,206,274	3,501,246	-	(8,631,332)	2,625,080,157
Salaries, wages, and benefits	-	1,596,768,519	127,668,285	8,049,585	-	(6,398,815)	1,726,087,574
Supplies and other expenses	4,049,802	759,272,024	64,046,352	916,373	31,135	(2,232,517)	826,083,169
Interest expense	-	10,373,389	1,795,852	-	-	-	12,169,241
Depreciation expense	-	117,841,768	7,766,936	14,322	-	-	125,623,026
Total operating expenses	4,049,802	2,484,255,700	201,277,425	8,980,280	31,135	(8,631,332)	2,689,963,010
Operating (loss) income	(847,320)	(30,454,213)	(28,071,151)	(5,479,034)	(31,135)	-	(64,882,853)
Investment return, net	-	(398,092,800)	(6,628,932)	-	-	-	(404,721,732)
Other nonoperating (losses), revenues, and gains	-	(4,153,103)	89,869	(194,537)	-	-	(4,257,771)
Settlement charge	-	(14,022,041)	-	-	-	-	(14,022,041)
Total nonoperating revenues, gains, and losses	-	(416,267,944)	(6,539,063)	(194,537)	-	-	(423,001,544)
Excess of revenues over expenses	$ (847,320)	$ (446,722,157)	$ (34,610,214)	$ (5,673,571)	$ (31,135)	$ -	$ (487,884,397)

[1] Christiana Care Health Services includes Christiana Care Home Health and Community Services. This was reflected separately in the prior year schedule.

The accompanying notes are an integral part of these consolidating financial statements.

Christiana Care Health System and Affiliates Condensed
Consolidating Statement of Operations
Year Ended June 30, 2021

		Christiana Care Health Services						
	Christiana Care Health System	Christiana Care Health Services[1]	Union Hospital	Christiana Care Health Initiatives	Christiana Care Home Health & Community Services	Christiana Care Health Plans	Eliminations	Christiana Care Health System & Affiliates
Operating revenues and other support								
Net patient service revenue	$ -	$ 2,176,185,374	$ 166,837,667	$ 3,288,597	$ 44,435,509	$ -	$ -	$ 2,390,747,147
Other revenue	307,311	173,616,351	5,056,399	31,179	163,193	-	(9,866,121)	169,308,312
Net assets released from donor restrictions used for operations	3,886,940	2,238,514	213,891	-	93,302	-	-	6,432,647
Total operating revenues and other support	4,194,251	2,352,040,239	172,107,957	3,319,776	44,692,004	-	(9,866,121)	2,566,488,106
Salaries, wages, and benefits	-	1,357,928,888	96,609,587	7,176,027	40,689,615	-	(7,015,355)	1,495,388,762
Supplies and other expenses	4,690,496	678,522,699	60,819,064	892,474	5,162,686	1,480	(2,850,766)	747,238,133
Interest expense	-	11,265,463	1,832,625	-	-	-	-	13,098,088
Depreciation expense	-	117,762,061	7,995,757	18,664	25,953	-	-	125,802,435
Total operating expenses	4,690,496	2,165,479,111	167,257,033	8,087,165	45,878,254	1,480	(9,866,121)	2,381,527,418
Operating (loss) income	(496,245)	186,561,128	4,850,924	(4,767,389)	(1,186,250)	(1,480)	-	184,960,688
Investment return, net	4,135	498,234,533	10,231,344	-	3,486,576	-	-	511,956,588
Other nonoperating (losses), revenues, and gains	-	(18,509,864)	396,848	(4,486)	(1,335,144)	-	-	(19,452,646)
Settlement charge	-	(50,908,016)	-	-	(831,416)	-	-	(51,739,432)
Special termination benefit charge	-	(39,219,989)	-	-	-	-	-	(39,219,989)
Total nonoperating revenues, gains, and losses	4,135	389,596,664	10,628,192	(4,486)	1,320,016	-	-	401,544,521
Excess of revenues over expenses	$ (492,110)	$ 576,157,792	$ 15,479,116	$ (4,771,875)	$ 133,766	$ (1,480)	$ -	$ 586,505,209

[1] Christiana Care Health Services excluding Union Hospital. This was reflected in consolidation in the prior year schedule.

The accompanying notes are an integral part of these consolidating financial statements.

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.