Christiana Care Health System and Affiliates

Consolidated Financial Statements and Consolidating Supplemental Schedules
June 30, 2023 and 2022

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Report of Independent Auditors

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

Opinion

We have audited the accompanying consolidated financial statements of Christiana Care Health System and its affiliates (the "System"), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, 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, 2023 and 2022, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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

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there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

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

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying condensed consolidating information as of and for the years ended June 30, 2023 and 2022 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplemental information is not intended to present, and we do not express an opinion on, the financial position, results of operations and changes in net assets, and cash flows of the individual entities. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
September 28, 2023

Christiana Care Health System and Affiliates
Consolidated Balance Sheet
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 219,719,253	$ 191,431,573
Short-term investments	87,706,864	191,508,175
Patient accounts receivable, net	454,909,666	391,415,370
Other current assets	101,474,696	96,369,941
Total current assets	863,810,479	870,725,059
Assets limited as to use	22,567,618	23,805,013
Long-term investments	2,200,752,387	1,975,306,679
Property and equipment, net	1,200,653,929	1,209,540,544
Other assets	196,196,813	188,310,538
Total assets	$ 4,483,981,226	$ 4,267,687,833
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 6,978,481	$ 24,866,825
Current portion of finance lease liabilities	5,174,501	4,937,779
Accounts payable and accrued expenses	482,322,050	449,141,843
Advances from third party payors	2,392,089	52,196,751
Total current liabilities	496,867,121	531,143,198
Long-term debt, net of current portion	338,772,159	330,365,323
Finance leases, net of current portion	105,359,586	110,668,904
Pension and postretirement benefits	146,358,126	102,410,104
Other liabilities	92,212,275	92,968,126
Total liabilities	1,179,569,267	1,167,555,655
Net assets		
Without donor restrictions		
Christiana Care Health System & Affiliates	3,246,600,749	3,042,354,887
Noncontrolling Interests	(2,942,748)	-
Total net assets without donor restrictions	3,243,658,001	3,042,354,887
With donor restrictions		
Purpose and time restricted	26,247,368	24,303,800
Perpetual in nature	34,506,590	33,473,491
Total net assets with donor restrictions	60,753,958	57,777,291
Total net assets	3,304,411,959	3,100,132,178
Total liabilities and net assets	$ 4,483,981,226	$ 4,267,687,833

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, 2023 and 2022

	2023	2022
Operating revenues and other support		
Net patient service revenue	$ 2,746,010,855	$ 2,533,182,056
Other revenue	122,605,081	86,226,560
Net assets released from donor restrictions used for operations	4,229,257	5,671,541
Total operating revenues and other support	2,872,845,193	2,625,080,157
Operating expenses		
Salaries, wages, and benefits	1,804,511,092	1,726,087,574
Supplies and other expenses	909,450,656	826,083,169
Interest expense	10,959,210	12,169,241
Depreciation expense	125,334,658	125,623,026
Total operating expenses	2,850,255,616	2,689,963,010
Excess (deficit) of revenues over expenses from operations	22,589,577	(64,882,853)
Nonoperating revenues, gains, and (losses)		
Investment return, net	230,348,457	(404,721,732)
Other nonoperating revenues, gains, and (losses), net	(4,928,318)	(4,257,771)
Pension settlement charge	(1,763,584)	(14,022,041)
Total nonoperating revenues, gains, and (losses)	223,656,555	(423,001,544)
Excess (deficit) of revenues over expenses	$ 246,246,132	$ (487,884,397)
Less: Excess (deficit) of revenues over expenses attributable to noncontrolling interests	(3,066,797)	-
Excess (deficit) of revenues over expenses attributable to parent	$ 249,312,929	$ (487,884,397)

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, 2023 and 2022

	2023	2022
Change in net assets without donor restrictions		
Excess (deficit) of revenues over expenses		
Attributable to parent	$ 249,312,929	$ (487,884,397)
Attributable to noncontrolling interests	(3,066,797)	-
Excess (deficit) of revenues over expenses	246,246,132	(487,884,397)
Net assets released from donor restrictions used for purchase of property and equipment	864,426	2,002,628
Net assets attributable to noncontrolling interests	207,000	-
Other changes in pension and postretirement liabilities	(46,014,444)	100,730,159
Increase (Decrease) in net assets without donor restrictions	201,303,114	(385,151,610)
Change in net assets with donor restrictions		
Contributions	4,685,189	5,469,991
Investment return, net	2,947,773	(5,570,345)
Net assets released from donor restrictions	(5,093,683)	(7,674,169)
Change in value of assets	437,388	(2,679,476)
Increase (Decrease) in net assets with donor restrictions	2,976,667	(10,453,999)
Increase (Decrease) in net assets	204,279,781	(395,605,609)
Net assets		
Beginning of year	3,100,132,178	3,495,737,787
End of year	$ 3,304,411,959	$ 3,100,132,178

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Increase (Decrease) in net assets	$ 204,279,781	$ (395,605,609)
Adjustments to reconcile Increase (Decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	122,805,219	123,192,667
(Gain) Loss on sale of land and disposal of equipment	(564,293)	6,025,627
Net realized and unrealized (gains) losses on investments	(186,124,291)	444,446,615
Restricted contributions received	(1,973,511)	(2,702,130)
Other changes in pension and postretirement benefits	46,014,444	(100,730,159)
(Increase) decrease in		
Patient accounts receivable	(63,494,296)	(58,634,796)
Other current assets	(5,104,755)	(15,894,398)
Other assets	12,996,752	3,847,993
Increase (decrease) in		
Accounts payable and accrued expenses	32,959,232	35,907,400
Advances from third party payors	(49,804,662)	(174,302,013)
Pension and postretirement benefits	(2,453,338)	20,621,791
Other liabilities	(14,729,638)	(30,711,877)
Net cash provided by operating activities	94,806,644	(144,538,889)
Cash flows from investing activities		
Purchase of property and equipment	(117,358,872)	(105,602,340)
Proceeds from sale of land and equipment	1,909,768	2,139,933
Proceeds from sale of investments and assets limited as to use	1,145,351,546	1,335,974,692
Purchase of investments and assets limited as to use	(1,079,634,257)	(1,369,027,379)
Purchase of other third party investments	(6,739,587)	(18,660,542)
Loan made to third party	(250,000)	(4,000,000)
Net cash (used in) investing activities	(56,721,402)	(159,175,636)
Cash flows from financing activities		
Net borrowings under line of credit agreement	(125,000)	(50,943)
Repayment of long-term debt	(6,837,656)	(6,285,610)
Principal payments under finance leases	(5,218,383)	(5,367,414)
Restricted contributions received	1,973,511	2,702,130
Securities lending	409,966	(2,524,518)
Net cash (used in) financing activities	(9,797,562)	(11,526,355)
Net increase (decrease) in cash and cash equivalents	28,287,680	(315,240,880)
Cash, cash equivalents, restricted cash, and restricted cash equivalents		
Beginning of year	191,431,573	506,672,453
End of year	$ 219,719,253	$ 191,431,573
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	$ 9,907,284	$ 10,957,760
Accrued property and equipment acquisitions	5,839,652	5,405,004

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, Inc. (“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. (“Home Health”), 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. (“Union Hospital”), an acute care hospital facility, Union Hospital of Cecil County Foundation, Inc., which supports the hospital through donations and fundraising activities, 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, and Union Hospital of Cecil County Oncology, Inc., which provides radiation oncology services. Affinity also owns and operates Open MRI & Imaging Center of Elkton, LLC as a subsidiary of its for-profit stock corporation, Union Hospital of Cecil County Ventures, Inc.

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

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 not-for-profit corporation, advances gene editing technology to improve human life through groundbreaking research and development.

Leeward Health, LLC, is a Delaware limited liability company formed with Bayhealth Medical Center, Inc. that collaborates with Highmark Delaware in the development and implementation of a Medicare Advantage product. The System has a majority ownership interest of 80% with a controlling financial interest in Leeward Health and applies the consolidation model.

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 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. Operating cash equivalents and highly liquid investments that are reported as Assets whose use is limited and Investments, at fair value, are considered investments through policy and are therefore excluded from the Statements of Cash Flows.

At June 30, 2023 and 2022, the System had cash balances in financial institutions which exceed federal depository insurance limits and therefore, bears a risk of loss. In an effort to reduce Federal Deposit Insurance Corporation ("FDIC") insurance risk, management set up a sweep into Money Market Mutual Funds that are 100% invested in United States Treasuries in 2023. These deposits have 100% same day liquidity and therefore qualify as Cash and cash equivalents. As of June 30, 2023, these deposits amounted to $192,790,167, which represents 88% of the balance of $219,719,253 recorded as Cash and cash equivalents. Management believes the remaining deposits that are not in US Treasuries and exceed FDIC insurance limits have minimal risk as it has not experienced 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.

Supplies

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

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. Approximately 21% of the portfolio is valued at NAV as a practical expedient. The System strives to maintain high liquidity levels and as of June 30, 2023, approximately 90.0% of the portfolio can be liquidated within 7 days, 4.9% within 30 days, 2.3% within 45 days, 2.7% within 100 days and 0.1% is Cash.

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

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

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.

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, 2023 and June 30, 2022.

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 effective 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 Long-term investments and is updated on an annual basis. The change in value of the assets is recorded within net assets with donor restrictions. The periodic income distributions received from the trustees are recorded as increases in either net assets without restrictions or net assets with donor restrictions, based on the donors' intentions.

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 transactions which will benefit the activities and goals of its affiliates through its wholly owned subsidiaries, Open MRI & Imaging Center, LLC and Triangle Health Alliance, LLC. Triangle Health Alliance, LLC is no longer operating after completing its Articles of Cancellation during 2023.

3. CARES Act

CARES Act and FEMA 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 $698,904 and $19,028,366 in 2023 and 2022 respectively in relief funding. During 2023, the System also received $27,706,179 in funding from the Federal Emergency Management Agency (FEMA) compared to zero dollars during 2022. This funding was related to expenditures incurred for supplies, equipment and laboratory testing during the COVID-19 pandemic. All provider relief funding is recorded in other operating revenue on the Consolidated Statement of Operations. The System accounted for the relief funding under the contribution model of accounting in ASC 958 Not-for-Profit Entities. 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 CMS. The System received $270,871,215 of advanced payments under this program in April 2020.

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

Under the terms of the program, as of June 30, 2023 the total of $270,871,215 has been recouped and repaid to CMS, of which $49,666,764 occurred in 2023 and $174,184,945 in 2022. While no balance remains as of June 30, 2023, the prior year 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, the System elected to defer payments for the employer portion of payroll taxes owed on wages paid through December 31, 2020 as part of the CARES Act legislation. The System deferred $40,120,402 in payroll taxes as of June 30, 2021, which was required to be paid back in two 50% installments by December 31, 2021 and December 31, 2022. Accordingly, $20,060,277 was paid in December 2021 and $20,060,125 was paid in December 2022, which represented the remaining balance of the deferred taxes.

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

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 2023 and 2022 net patient service revenue increased $9,504 and $1,732,790 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 statements of operations and changes in net assets and was not significant for the years ended June 30, 2023 and 2022.

The composition of net patient service revenues by payor for the years ended June 30, 2023 and 2022 are as follows:

	2023		2022	
Medicare	$ 891,771,997	32.4 %	$ 850,773,180	33.6 %
Medicaid	446,560,126	16.3	369,218,209	14.6
Commercial	1,273,628,890	46.4	1,181,244,889	46.6
Self-pay and other	134,049,842	4.9	131,945,778	5.2
	$ 2,746,010,855	100.0 %	$ 2,533,182,056	100.0 %

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

The System has elected the practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the System's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, in certain instances, the System allows for payment agreements with patients where the payment plan is more than one year. For those cases, the financing component is not deemed to be significant to the contract.

Other Revenue

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

For the majority of its grants, the System has determined that there is no exchange back to the granting agency. Therefore, the System accounts for these grants under the contribution model of accounting in ASC Topic 958, which is outside the scope of ASC 606, and revenue is recognized as expenses for these grants are incurred. Revenue recorded for FEMA funding is recognized when the conditions are met and obligated.

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

The remaining amount of other revenue is primarily generated from rental agreements and the System's cafeterias. The System recognizes rental income over the lease term in accordance with ASC 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, 2023 and 2022 are as follows:

	2023		2022	
FEMA & other relief funding	$ 28,405,083	23.2 %	$ 19,028,366	22.1 %
Research and grant revenue	24,035,551	19.6	21,135,599	24.5
Specialty, retail & contract pharmacy	46,260,912	37.7	25,757,764	29.9
Service agreements	10,146,655	8.3	13,839,106	16.0
Rental, cafeteria, & other revenue	13,756,880	11.2	6,465,725	7.5
Other revenue	$ 122,605,081	100.0 %	$ 86,226,560	100.0 %

5. Charity Care and Community Benefit

In accordance with the System's mission to improve the health of residents of Delaware and the surrounding counties of Maryland, Pennsylvania, and New Jersey, the System provides care to patients regardless of their ability to pay as more fully set forth in the System's Financial Assistance Policy, which was updated in 2023. Under the new policy, the System provides care without charge to patients whose gross household income is at or below 400% of the federal poverty level. Criteria for financial assistance considers the patient's gross household income, net worth, and other factors. Because the System does not pursue collections of amounts determined to qualify as charity care, they are not reported as revenue.

Direct and indirect costs for services provided to charity patients amounted to $18.3 million and $13.8 million in 2023 and 2022, respectively. The cost of providing charity care services is calculated by multiplying a ratio of cost to charges by the gross uncompensated charges associated with providing care to charity patients.

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

In addition, the System provides services to beneficiaries of public programs and various other community health services intended to improve the health of the communities in which 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 are uninsured and cannot afford health care because of inadequate resources.

- Unpaid cost of Medicare, which represents the unpaid cost of services provided to persons through the government program for individuals aged 65 and older as well as those that qualify for federal disability benefits.

- Unpaid cost of Medicaid, which represents the unpaid cost of services provided to persons covered by the government program for medically indigent patients.

- Community benefit programs, which consist of the unreimbursed costs of certain programs and services for the general community, mainly for indigent patients but also for people with chronic health risks. Examples of these programs include health promotion and education, free clinics and screenings, and other community services.

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

The composition of investments and assets limited as to use at June 30, 2023 and 2022 is set forth in the following table. Investments and assets limited as to use are stated at fair value.

	2023	2022
Short-term investments	$ 87,706,864	$ 191,508,175
Assets limited as to use		
Internally designated by Board of Directors		
Infant mortality	8,794,803	9,417,546
Harrington VIP/VICP fund	7,936,371	8,875,571
Translational cancer research	5,836,444	5,511,896
Total Assets limited as to use	22,567,618	23,805,013
Long-term investments		
Without donor restrictions	2,155,397,697	1,932,541,716
Purpose restricted	11,396,354	9,973,610
Perpetual in nature	33,958,336	32,791,353
Total Long-term investments	2,200,752,387	1,975,306,679
Total Investments and Assets limited as to use	$ 2,311,026,869	$ 2,190,619,867

Within the Consolidated Statement of Operations and Changes in Net Assets, investment return without donor restrictions for June 30, 2023 and 2022 is comprised of the following:

	2023	2022
Interest and dividend income	$ 47,127,278	$ 31,078,774
Net realized gains	1,992,330	168,067,679
Net unrealized gains (losses)	181,228,849	(603,868,185)
	$ 230,348,457	$ (404,721,732)

Similarly, investment return with donor restrictions for June 30, 2023 and 2022 is comprised of the following:

	2023	2022
Interest and dividend income	$ 482,049	$ 396,288
Net realized gains	37,582	2,335,883
Net unrealized gains (losses)	2,428,142	(8,302,516)
	$ 2,947,773	$ (5,570,345)

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, 2023 and 2022, 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, 2023 in accordance with the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments and Assets limited as to use				
Money market funds	$ 131,131,303	$ -	$ -	$ 131,131,303
U.S. Government and agency securities	99,020,845	-	-	99,020,845
Corporate and other debt securities	-	612,806,717	-	612,806,717
Equity securities	724,172,444	247,268,691	-	971,441,135
Investment held by others	-	-	8,701,453	8,701,453
Total assets at fair value	954,324,592	860,075,408	8,701,453	1,823,101,453
Other investments measured at net asset value				$ 487,925,416
Total Investments and Assets limited as to use				$ 2,311,026,869

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 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 Investments and Assets limited as to use				$ 2,190,619,867

The following table illustrates the change in Level 3 assets:

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
Contributions	-
Change in value of assets	437,388
Fair value at June 30, 2023	$ 8,701,453

7. Property and Equipment

A summary of property and equipment at June 30, 2023 and 2022 is as follows:

	2023	2022
Land and land improvements	$ 80,784,772	$ 79,028,385
Buildings and building improvements	1,939,371,098	1,848,653,733
Equipment	996,064,411	948,301,139
	3,016,220,281	2,875,983,257
Accumulated depreciation	(1,889,600,366)	(1,766,968,521)
	1,126,619,915	1,109,014,736
Construction-in-progress	74,034,014	100,525,808
	$ 1,200,653,929	$ 1,209,540,544

Depreciation expense amounted to $125,334,658 and $125,623,026 in 2023 and 2022, respectively. In 2023 and 2022, the System incurred total interest costs of $14,273,262 and $13,684,558, respectively, of which $3,559,949 in 2023 and $2,829,722 in 2022 has been capitalized. There were no other significant disposals of property and equipment for the year ended June 30, 2023. At June 30, 2023 construction contracts of $32,938,824 exist primarily for various expansion and other facility improvements. The remaining commitment on these contracts was $10,924,944.

8. Other Current Assets and Other Assets

Other Current Assets at June 30, 2023 and 2022 consist of the following:

	2023	2022
Supplies	$ 53,616,155	$ 49,215,937
Prepaid expenses	31,796,801	33,759,086
Other	16,061,740	13,394,918
	$ 101,474,696	$ 96,369,941

Other Assets at June 30, 2023 and 2022 consist of the following:

	2023	2022
Right-of-use-assets	$ 35,515,567	$ 32,274,778
Other receivables	58,024,731	61,839,987
Other	102,656,515	94,195,773
	$ 196,196,813	$ 188,310,538

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, 2023 and 2022:

	2023	2022
Health care services	$ 5,375,709	$ 4,988,083
Purchases of buildings and equipment	3,112,945	3,501,026
Education, research and other operational needs	17,758,714	15,814,691
	$ 26,247,368	$ 24,303,800

Net assets with donor restrictions that are perpetual in nature consist of the following at June 30, 2023 and 2022:

	2023	2022
Investments held in perpetuity	$ 25,805,137	$ 25,209,426
Investments held in trust by others	8,701,453	8,264,065
	$ 34,506,590	$ 33,473,491

10. Endowments

The System's endowment consists of twenty-seven 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, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Donor restricted	$ -	$ 37,197,265	$ 37,197,265
Board designated	22,567,618	-	22,567,618
Total endowment funds	$ 22,567,618	$ 37,197,265	$ 59,764,883

	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

Changes in endowment net assets for the year ended June 30, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2022	$ 23,805,013	$ 35,178,811	$ 58,983,824
Investment return, net	612,610	2,947,773	3,560,383
Contributions	-	595,711	595,711
Appropriation of endowment assets for expenditure	(1,850,005)	(1,525,030)	(3,375,035)
Endowment net assets at June 30, 2023	$ 22,567,618	$ 37,197,265	$ 59,764,883

	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

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

	2023	2022
Endowment funds restricted for specific purpose		
Restricted for health care services	$ 3,414,014	$ 3,268,563
Restricted for building and maintenance	94,742	336,304
Restricted for program support	7,883,374	6,364,519
Endowment funds held in perpetuity		
Restricted for salary support	11,727,115	11,663,413
Restricted for program support	14,078,020	13,546,012
Total endowment funds classified as net assets with donor restrictions	$ 37,197,265	$ 35,178,811

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. When donor restricted endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. There were no deficits of this nature reported in net assets with donor restrictions as of June 30, 2023 and 2022.

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, 2023 and 2022 consisted of the following:

	Interest Rates	Final Maturity	2023	2022
Line of Credit (Delaware Center for Maternal Fetal Medicine)	Variable	2023	$ -	$ 125,000
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	4,330,000	8,850,000
MHHEFA Series 2014 Revenue Bonds	3.42%	2040	29,085,000	29,878,000
Town of Elkton, Maryland Series 2012 Revenue Bonds				
2012A	2.73%	2037	6,195,941	6,582,796
2012-B1	2.73%	2037	3,619,599	3,846,030
2012C	2.73%	2031	8,088,630	9,000,000
			298,574,170	305,536,826
Unamortized premium (discount)			49,278,127	51,948,429
Debt issuance costs			(2,101,657)	(2,253,107)
Current maturities			(6,978,481)	(24,866,825)
			$ 338,772,159	$ 330,365,323

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 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 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:

2024	$ 6,978,481
2025	7,206,491
2026	7,513,294
2027	7,835,946
2028	8,169,817
Thereafter	260,870,141
	$ 298,574,170

As of June 30, 2022, we were 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 did not obtain a waiver from Truist Bank related to this requirement and as a result we reclassified $17,903,448 from Long-term debt to Current portion of long-term debt in 2022. This reclassification was reversed during 2023 as a waiver from Truist Bank was received on December 13, 2022. The Union debt covenants were removed and replaced by covenants based on the consolidated entity, Christiana Care Health System & Affiliates. Christiana Care Health Services now guarantees the Union debt and is the obligated group. The consolidated entity is in compliance with all debt covenants as of June 30, 2023.

12. Employee Benefit Plans

Pension Plan – Health Services

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

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

There were no events during 2023 that required special accounting for curtailments, settlements or special termination benefits. During 2022, lump sum payments exceeded the 2022 service and interest costs, which triggered settlement accounting. Remeasurements were performed throughout the fiscal year and have been incorporated into the actuarial assumptions.

Postretirement Benefits – Health Services

Health Services provides postretirement health care benefits to eligible employees and their dependents. The following table sets forth the components of the pension plan and postretirement benefit obligations, plan assets, and funding status of the Plans based on actuarial valuations performed as of June 30, 2023 and 2022:

	Pension Benefits		Postretirement Benefits	
	2023	2022	2023	2022
Change in benefit obligation				
Benefit obligation at beginning of year	$ 715,411,468	$ 1,004,945,803	$ 63,263,717	$ 93,110,979
Service cost	18,779,980	26,020,208	714,473	959,163
Interest cost	30,369,971	24,925,000	2,653,785	1,932,206
(Gain) loss	(6,203,565)	(261,083,602)	(5,555,754)	(27,664,667)
Settlements	-	(66,947,633)	-	-
Retiree contributions	-	-	386,486	650,154
Benefits paid	(42,224,781)	(12,448,308)	(3,520,183)	(5,724,118)
Benefit obligation at end of year	$ 716,133,073	$ 715,411,468	$ 57,942,524	$ 63,263,717
Change in plan assets				
Fair value of plan assets at beginning of year	$ 672,120,393	$ 911,678,917	$ -	$ -
Actual return on Plan assets (net of expenses)	(23,739,246)	(187,162,583)	-	-
Employer contributions	19,000,000	27,000,000	3,133,697	5,073,964
Retiree contributions	-	-	386,486	650,154
Settlements	-	(66,947,633)	-	-
Benefits paid	(42,224,781)	(12,448,308)	(3,520,183)	(5,724,118)
Fair value of plan assets at end of year	$ 625,156,366	$ 672,120,393	$ -	$ -
Reconciliation of funded status to net amount recognized in the balance sheet				
Amounts recorded as accrued liabilities	$ (90,976,707)	$ (43,291,075)	$ (57,942,524)	$ (63,263,717)
Funded status				
Current liabilities		-	(4,824,654)	(5,211,570)
Noncurrent liabilities	(90,976,707)	(43,291,075)	(53,117,870)	(58,052,147)
Accrued liability	(90,976,707)	(43,291,075)	(57,942,524)	(63,263,717)
Amounts recorded within net assets without donor restrictions				
Net prior service (credit)	-	-	-	-
Net loss (gain)	211,511,924	159,572,172	(11,198,875)	(5,643,121)
Net amount recognized at year end	$ 120,535,217	$ 116,281,097	$ (69,141,399)	$ (68,906,838)
Accumulated benefit obligation	$ 616,029,785	$ 639,370,708	$ -	$ -

	Pension Benefits		Postretirement Benefits	
	2023	2022	2023	2022
Source of liability (gains) / losses				
Demographic experience	$ 59,248,557	$ (13,252,006)	$ (2,658,302)	$ (14,193,036)
Impact of the discount rate change	(65,452,122)	(250,424,239)	(2,717,719)	(13,382,592)
Impact of the claims assumption change	-	-	(200,331)	(459,652)
Impact of the trend assumption change	-	-	20,598	-
Impact of the mortality assumption change	-	2,592,643	-	370,613
Total liability (gains) / losses	$ (6,203,565)	$ (261,083,602)	$ (5,555,754)	$ (27,664,667)

	Pension Benefits		Postretirement Benefits	
	2023	2022	2023	2022
Weighted-average assumptions used to determine benefit obligations at June 30				
Discount rate	4.870 %	4.375 %	4.870 %	4.375 %
Rate of compensation increase	3.000 %	3.000 %	N/A	N/A

	Pension Benefits 2023	Pension Benefits 2022	Postretirement Benefits 2023	Postretirement Benefits 2022
Components of net periodic benefit cost				
Service cost	$ 18,779,980	$ 26,020,208	$ 714,473	$ 959,163
Interest cost	30,369,971	24,925,000	2,653,785	1,932,206
Expected return on plan assets	(34,404,071)	(22,792,277)	-	-
Amortization of prior service cost (credit)	-	-	-	(5,036,967)
Amortization of net loss	-	11,752,790	-	136,292
Net periodic benefit cost	14,745,880	39,905,721	3,368,258	(2,009,306)
Settlement charge	-	13,420,521		-
Net pension cost	14,745,880	53,326,242	3,368,258	(2,009,306)
Other changes in pension liability recognized in net assets without donor restrictions				
Net loss (gain)	51,939,752	(51,128,742)	(5,555,754)	(27,664,667)
Recognition due to settlement	-	(13,420,521)	-	-
Amortization of (gain)	-	(11,752,790)	-	(136,292)
Amortization of prior service credit	-	-	-	5,036,967
Total recognized in net assets without donor restrictions	51,939,752	(76,302,053)	(5,555,754)	(22,763,992)
Total recognized in net benefit cost and net assets without donor restrictions	$ 66,685,632	$ (22,975,811)	$ (2,187,496)	$ (24,773,298)

	Pension Benefits 2023	Pension Benefits 2022	Postretirement Benefits 2023	Postretirement Benefits 2022
Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year				
Discount rate	4.375 %	2.50%/2.625%[1]/3.375%[2]	4.375 %	2.500 %
Expected return on plan assets	4.375 %	2.50%/2.625%[1]/3.375%[2]	N/A	N/A
Rate of compensation increase	3.00 %	3.00 %	N/A	N/A

[1]Rates as of remeasurement date 12/31/2021.

[2]Rates as of remeasurement date 3/31/2022.

Health Services expects to recognize $1,239,123 of loss amortization as a component of net pension cost during the year ended June 30, 2024. There is no prior service cost/(credit) amortization and no transition obligation/(asset) amortization as these have been fully amortized.

Health Services expects to recognize $1,015,907 of gain amortization as a component of net postretirement benefit cost during the year ended June 30, 2024. There is no prior service cost/(credit) amortization and no transition obligation/(asset) amortization as these have been fully amortized.

Other components of net periodic pension cost, which are presented in other nonoperating losses, revenues, and gains on the consolidated statement of operations and changes in net assets, were $(4,034,100) and $13,885,513 as of June 30, 2023 and 2022, 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 $2,653,785 and $(2,968,469) as of June 30, 2023 and 2022, respectively. Health Services did not recognize any settlement charges during 2023. Health Services recognized Settlement charges of $13,420,521 as of June 30, 2022 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 – Health Services

Pension plan weighted target and actual average asset allocations were comprised of 89% fixed income securities and 11% equity securities at June 30, 2023 and 100% fixed income securities at June 30, 2022.

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

In December 2022, pension assets were transitioned from a separately managed account to a comingled fund. Due to the lack of readily available market values for these funds, the majority of these assets are valued at NAV as a practical expedient.

The following table represents the Plan's financial instruments as of June 30, 2023, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6 and at NAV:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,058,724	$ -	$ -	$ 5,058,724
U.S.Government and agency securities	-	-	-	-
Corporate and other debt securities	-	-	-	-
Total assets at fair value	5,058,724	-	-	5,058,724
Other investment funds measured at net asset value				620,097,642
Total plan assets at fair value	$ 5,058,724	$ -	$ -	$ 625,156,366

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 plan assets at fair value	$ 237,339,016	$ 434,781,377	$ -	$ 672,120,393

Contributions – Health Services

During 2023, Health Services made contributions to the pension plan of $19,000,000 and expects to contribute approximately $19,000,000 during the year ending June 30, 2024. Health Services made contributions to the postretirement benefit plan of $3,133,697 during 2023 and expects to contribute approximately $4,824,654 during the year ending June 30, 2024. 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 – Health Services

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

	Pension Benefits	Postretirement Benefits
2024	$ 42,915,138	$ 4,824,654
2025	45,423,215	4,700,025
2026	49,498,040	4,674,823
2027	52,441,617	4,666,024
2028	54,598,367	4,627,554
2029-2033	290,824,421	21,879,241

The annual rate of increase assumed in the per capita cost of covered health care benefits was 6.25% and 6.40% for the Pre 65 and Post 64 participants, respectively, for June 30, 2023. 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, 2023 and 2022 was $30,641,539 and $27,612,842, respectively.

Deferred Compensation Plan – Health Services

Health Services maintains a Tax-Deferred Annuity Plan for all employees. Under the Plan, Health Services accumulates employee contributions which are transferred to and invested by various trustees. Health Services contributes 50% of the employee contributions up to a maximum of 3% of an employee's salary. Contributions for the years ended June 30, 2023 and 2022 were $26,714,700 and $24,159,911, respectively.

Pension Plan – Home Health

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

The following tables set forth the components of the benefit obligation, plan assets, and funding status of the Plan based on actuarial valuations performed as of June 30, 2023 and 2022:

	2023	2022
Change in benefit obligation		
Benefit obligation at beginning of year	$ 32,039,982	$ 42,982,549
Service cost	570,883	920,864
Interest cost	1,312,197	1,090,829
(Gain) loss	(917,935)	(9,485,579)
Settlements	(5,194,651)	(2,532,898)
Benefits paid	(974,438)	(935,783)
Benefit obligation at end of year	$ 26,836,038	$ 32,039,982
Change in plan assets		
Fair value of plan assets at beginning of year	$ 30,973,100	$ 41,630,372
Actual return on plan assets (net of expenses)	(931,522)	(8,188,591)
Employer contributions	700,000	1,000,000
Settlements	(5,194,651)	(2,532,898)
Benefits paid	(974,438)	(935,783)
Fair value of plan assets at end of year	$ 24,572,489	$ 30,973,100
Reconciliation of funded status to net amount recognized in the balance sheet		
Amounts recorded as accrued liabilities		
Noncurrent liabilities	$ (2,263,549)	$ (1,066,882)
Accrued liability	(2,263,549)	(1,066,882)
Amounts recorded within net assets without donor restrictions		
Net loss	8,321,812	8,691,366
Net amount recognized at year end	$ 6,058,263	$ 7,624,484
Accumulated benefit obligation	$ 24,935,453	$ 29,676,876

	Pension Benefits	
	2023	2022
Source of liability (gains) / losses		
Demographic experience	$ 993,625	$ (648,018)
Impact of the discount rate change	(1,911,560)	(8,969,102)
Impact of the mortality assumption change	-	131,541
Total liability (gains) / losses	$ (917,935)	$ (9,485,579)

	Pension Benefits	
	2023	2022
Weighted-average assumptions used to determine benefit obligations at June 30		
Discount rate	4.870 %	4.375 %
Rate of compensation increase	3.000 %	3.000 %

	2023	2022
Components of net periodic benefit cost		
Service cost	$ 570,883	$ 920,864
Interest cost	1,312,197	1,090,829
Expected return on plan assets	(1,463,353)	(1,044,569)
Amortization of net loss	82,910	810,175
Amortization of prior service cost (credit)	-	-
Net periodic benefit cost	502,637	1,777,299
Settlement charge	1,763,584	601,520
Net pension cost	2,266,221	2,378,819
Other changes in pension liability recognized in net assets without donor restrictions		
Net loss (gain)	1,476,940	(252,419)
Recognition due to settlement	(1,763,584)	(601,520)
Amortization of (gain)	(82,910)	(810,175)
Amortization of prior service credit	-	-
Total recognized in net assets without donor restrictions	(369,554)	(1,664,114)
Total recognized in net benefit cost and net assets without donor restrictions	$ 1,896,667	$ 714,705

	Pension Benefits	
	2023	2022
Weighted-average assumptions used to determine net periodic benefit cost at beginning of fiscal year		
Discount rate	4.375%/4.93%[1]/4.67%[2]	2.50%/3.125%[3]/3.375%[4]
Expected return on plan assets	4.375%/4.93%[1]/4.67%[2]	2.50%/3.125%[3]/3.375%[4]
Rate of compensation increase	3.00 %	3.00 %

[1]Rates as of remeasurement date 12/31/2022.
[2]Rates as of remeasurement date 3/31/2023.
[3]Rates as of remeasurement date 2/28/2022.
[4]Rates as of remeasurement date 3/31/2022.

Home Health expects to recognize $62,397 of loss amortization as a component of net pension cost during the year ended June 30, 2024. There is no prior service cost/(credit) amortization and no transition obligation/(asset) amortization as these have been fully amortized. Other components of net periodic pension cost, which are presented in other non-operating losses, revenues, and gains on the Home Health statement of operations and changes in net assets, were $(68,246) and $856,435 as of June 30, 2023 and 2022, respectively. In addition, Home Health recognized settlement charges of $1,763,584 and $601,520 as of June 30, 2023 and 2022, respectively within nonoperating losses, revenues, and gains and changes in net assets due to lump sum payments in excess of service and interest costs.

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

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

Plan Assets – Home Health
Pension plan weighted target and actual average asset allocations were comprised of 89% fixed income securities and 11% equity securities at June 30, 2023 and 100% fixed income securities at June 30, 2022.

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

In December 2022, pension assets were transitioned from a separately managed account to a comingled fund. Due to the lack of readily available market values for these funds, the majority of these assets are valued at NAV as a practical expedient.

The following table represents the Plan's financial instruments as of June 30, 2023, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 6 and at NAV:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,912,071	$ -	$ -	$ 1,912,071
U.S. Government and agency securities	-	-	-	-
Corporate and other debt securities	-	-	-	-
Total assets at fair value	1,912,071	-	-	1,912,071
Other investment funds measured at net asset value				22,660,418
Total plan assets at fair value	$ 1,912,071	$ -	$ -	$ 24,572,489

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 plan assets at fair value	$ 7,393,063	$ 23,580,037	$ -	$ 30,973,100

Contributions – Home Health
During 2023, Home Health made contributions to the pension plan of $700,000 and expects to contribute approximately $500,000 during the year ending June 30, 2024. The actual pension plan contribution depends on interest rates, pension plan asset values, and legislated funding requirements.

Estimated Future Benefit Payments – Home Health

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

2024	$ 1,747,066
2025	1,761,151
2026	1,908,126
2027	1,995,090
2028	2,095,876
Thereafter	10,514,061

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, 2023 and 2022 was $658,853 and $734,565, 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, 2023 and 2022 were $450,982 and $194,745, 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, 2023 provides for a self-insured retention of $6 million per medical incident or occurrence and an annual shared aggregate of $49 million. For exposures specific to Pennsylvania, an additional buffer policy provides coverage for $5 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, 2023 and 2022 amounted to $80,036,247 and $78,968,548, 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 $21,414,341 and $14,540,755 at June 30, 2023 and 2022, 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 are brought by a private citizen on behalf of the government, and typically remain under seal for some time while the government decides whether or not to intervene on behalf of a private qui tam plaintiff and take the lead in the litigation. These lawsuits can involve significant monetary damages and penalties as well as awards to plaintiffs who successfully bring the suits.

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

In April 2023, Christiana Care Health System reached an agreement on the terms of a proposed settlement with the plaintiff-relator. Those proposed settlement terms, which include a release from liability with no admission of wrongdoing, are currently being reviewed by the applicable federal and state agencies and will not become final until approved by all parties. As part of the proposed settlement, Christiana Care Health System will enter into a settlement agreement with the government and the plaintiff-relator and make payments to the government, the plaintiff-relator and his counsel. While management anticipates that the terms of the proposed settlement will be approved by the federal and state agencies, there is no assurance that the proposed settlement will be finalized. We therefore can provide no assurance that final amounts paid in settlement or otherwise will not differ materially from the established reserves.

In 2022, management accrued $2,000,000 related to this matter. In 2023, management accrued an additional $45,000,000 based on the proposed settlement terms with the plaintiff-relator. The accrued expense is reported in Supplies and other expenses in the Consolidated Statement of Operations and Changes in Net Assets and reflected within the System's performance indicator. The total accrued liability of $47,000,000 is reported in Accounts payable and accrued expenses in the Consolidated Balance Sheet.

Commitments
In 2017, Christiana Care Health Services entered into a seven-year agreement with a vendor for healthcare IT software and solutions. Payments under this commitment will total $164,679,737. At June 30, 2023, the remaining commitment is $16,651,809, which will be paid in 2024. Christiana Care intends to agree to a three-year extension of this agreement which would begin in 2024. The terms of this extension are currently in negotiations and not yet finalized.

In 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 2030. As of June 30, 2023, the loan receivable from the joint venture was $44,500,000.

In 2023, Christiana Care Health Services and Union Hospital of Cecil County entered into a three-year agreement with a vendor to provide enterprise license and cloud server services. Payments under this commitment will total $18,730,025, beginning in 2024.

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, 2023 and June 30, 2022 is as follows:

	2023	2022
Medicare	19.1%	21.6%
Medicaid	19.4%	14.7%
Commercial	52.1%	47.1%
Self Pay/Other	9.4%	16.6%

16. Liquidity and Availability

As of June 30, 2023 and June 30, 2022, the System has the following financial assets available for general expenditure within one year of the balance sheet date:

	2023	2022
Cash and cash equivalents	$ 217,327,164	$ 139,234,822
Short-term investments	87,706,864	191,508,175
Patient accounts receivable, net	454,909,666	391,415,370
Other current assets	16,061,740	13,394,918
Investments	2,155,397,697	1,932,541,716
	$ 2,931,403,131	$ 2,668,095,001

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, 2023 and June 30, 2022 are $22,567,618 and $23,805,013, 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, 2023 consisted of the following:

	Healthcare Services	General and Administrative	Fundraising	Total
Expenses				
Salaries, wages, and benefits	$ 1,537,161,367	$ 265,868,586	$ 1,481,139	$ 1,804,511,092
Supplies and other expenses	691,459,781	217,259,829	731,046	909,450,656
Interest expense	9,023,800	1,935,410	-	10,959,210
Depreciation	91,259,879	34,072,329	2,450	125,334,658
Total expenses	$ 2,328,904,827	$ 519,136,154	$ 2,214,635	$ 2,850,255,616

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

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:

	2023
Operating lease cost	$ 14,295,831
Finance lease cost	
Amortization of right-of-use-assets	5,808,163
Interest on lease liabilities	3,539,744
Total finance lease cost	9,347,907
Short-term lease cost	2,836,860
Variable lease cost	4,515,121
Sublease income	(1,011,834)
Total lease cost	$ 29,983,885

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

	Classification	2023
Assets		
Operating lease	Other Assets	$ 35,515,567
Finance lease	Property and equipment, net	94,296,800
Total leased assets		$ 129,812,367
Liabilities		
Current liabilities		
Operating lease	Accounts payable and accrued expenses	$ 10,154,466
Finance lease	Current portion of finance lease liabilities	5,174,501
Noncurrent liabilities		
Operating lease	Other liabilities	26,664,398
Finance lease	Finance leases, net of current portion	105,359,586
Total leased liabilities		$ 147,352,951

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

	2023
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	$ 13,452,838
Operating cash flows for finance leases	3,652,680
Financing cash flows for finance leases	5,218,383
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	$ 13,893,440
Finance leases	54,678

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

	2023
Weighted Average Remaining Lease Term (in years)	
Operating lease	4.81
Finance Lease	16.44
Weighted Average Discount Rate	
Operating lease	3.31
Finance lease	3.21

Maturities of lease liabilities are approximately as follows:

Year ending June 30,	Operating Leases	Finance Leases
2024	$ 11,360,613	$ 8,792,103
2025	8,190,182	7,559,124
2026	7,046,994	7,887,573
2027	5,334,967	7,871,807
2028	4,179,108	7,864,461
2029 and thereafter	4,235,905	103,964,181
Total lease payments	40,347,769	143,939,249
Less: Interest portion	(3,528,905)	(33,405,162)
Total lease liabilities	$ 36,818,864	$ 110,534,087

As of June 30, 2023, future minimum lease payments under noncancelable operating leases are:

2024	$ 11,360,613
2025	8,190,182
2026	7,046,994
2027	5,334,967
2028	4,179,108
2029 and thereafter	4,235,905

19. Subsequent Events

The System has performed an evaluation of subsequent events through September 28, 2023, which is the date the consolidated financial statements were issued. There were no events other than those already included within the notes that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

Consolidating Supplemental Schedules

Christiana Care Health System and Affiliates Condensed
Consolidating Balance Sheet
June 30, 2023

	Christiana Care Health System	Christiana Care Health Services: Christiana Care Health Services	Christiana Care Health Services: Union Hospital	Christiana Care Health Initiatives	Christiana Care Health Plans	Christiana Care Gene Editing Institute	Leeward Health	Eliminations	Christiana Care Health System & Affiliates
Assets									
Current assets									
Cash and cash equivalents	$ 445,724	$ 198,360,890	$ 17,608,186	$ 3,188,760	$ 90,650	$ -	$ 25,043	$ -	$ 219,719,253
Short-term investments	-	87,706,864	-	-	-	-	-	-	87,706,864
Patient accounts receivable, net	-	428,728,782	25,919,231	261,653	-	-	-	-	454,909,666
Other current assets	813,838	125,474,902	21,023,300	1,106,382	-	1,150,038	-	(48,093,764)	101,474,696
Total current assets	1,259,562	840,271,438	64,550,717	4,556,795	90,650	1,150,038	25,043	(48,093,764)	863,810,479
Assets limited as to use	-	22,567,618	-	-	-	-	-	-	22,567,618
Long-term investments	-	2,154,510,865	46,241,522	-	-	-	-	-	2,200,752,387
Property and equipment, net	-	1,141,358,868	59,286,726	8,335	-	-	-	-	1,200,653,929
Other assets	2,459,084	184,889,759	8,991,201	-	-	2,500,000	-	(2,643,231)	196,196,813
Total assets	$ 3,718,646	$ 4,343,598,548	$ 179,070,166	$ 4,565,130	$ 90,650	$ 3,650,038	$ 25,043	$ (50,736,995)	$ 4,483,981,226
Liabilities and Net Assets									
Current liabilities									
Current portion of long-term debt	$ -	$ 4,610,000	$ 2,368,481	$ -	$ -	$ -	$ -	$ -	$ 6,978,481
Current portion of finance lease liabilities		4,995,531	178,970	-	-	-	-	-	5,174,501
Accounts payable and accrued expenses	9,229,658	374,415,966	94,699,930	31,680,781	-	5,689,479	14,700,000	(48,093,764)	482,322,050
Advances from third party payors	-	-	2,392,089	-	-	-	-	-	2,392,089
Total current liabilities	9,229,658	384,021,497	99,639,470	31,680,781	-	5,689,479	14,700,000	(48,093,764)	496,867,121
Long-term debt, net of current portion	-	294,326,087	44,446,072	-	-	-	-	-	338,772,159
Finance leases, net of current portion		105,158,932	200,654	-	-	-	-	-	105,359,586
Pension and postretirement benefits	-	146,358,126	-	-	-	-	-	-	146,358,126
Other liabilities	-	81,961,095	10,251,180	-	-	-	-	-	92,212,275
Total liabilities	9,229,658	1,011,825,737	154,537,376	31,680,781	-	5,689,479	14,700,000	(48,093,764)	1,179,569,267
Net assets									
Without donor restrictions									
Christiana Care Health System & Affiliates	(8,134,243)	3,271,026,610	24,532,790	(27,115,651)	90,650	(2,039,441)	(11,739,966)	(20,000)	3,246,600,749
Noncontrolling Interests	-	(7,757)	-	-	-	-	(2,934,991)	-	(2,942,748)
Total net assets without donor restrictions	(8,134,243)	3,271,018,853	24,532,790	(27,115,651)	90,650	(2,039,441)	(14,674,957)	(20,000)	3,243,658,001
With donor restrictions									
Purpose and time restricted	2,451,468	26,247,368	-	-	-	-	-	(2,451,468)	26,247,368
Perpetual in nature	171,763	34,506,590	-	-	-	-	-	(171,763)	34,506,590
Total net assets with donor restrictions	2,623,231	60,753,958	-	-	-	-	-	(2,623,231)	60,753,958
Total net assets	(5,511,012)	3,331,772,811	24,532,790	(27,115,651)	90,650	(2,039,441)	(14,674,957)	(2,643,231)	3,304,411,959
Total liabilities and net assets	$ 3,718,646	$ 4,343,598,548	$ 179,070,166	$ 4,565,130	$ 90,650	$ 3,650,038	$ 25,043	$ (50,736,995)	$ 4,483,981,226

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

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	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

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, 2023

		Christiana Care Health Services							
	Christiana Care Health System	Christiana Care Health Services	Union Hospital	Christiana Care Health Initiatives	Christiana Care Health Plans	Christiana Care Gene Editing Institute	Leeward Health	Eliminations	Christiana Care Health System & Affiliates
Operating revenues and other support									
Net patient service revenue	$ -	$ 2,566,994,890	$ 174,727,410	$ 4,288,555	$ -	$ -	$ -	$ -	$ 2,746,010,855
Other revenue	522,960	130,639,399	1,296,222	39,259	-	658,757	-	(10,551,516)	122,605,081
Net assets released from donor restrictions used for operations	1,241,300	2,817,394	170,563	-	-	-	-	-	4,229,257
Total operating revenues and other support	1,764,260	2,700,451,683	176,194,195	4,327,814	-	658,757	-	(10,551,516)	2,872,845,193
Salaries, wages, and benefits	-	1,675,635,378	125,356,225	9,667,484	-	2,005,152	-	(8,153,147)	1,804,511,092
Supplies and other expenses	2,964,303	849,894,194	57,368,811	914,476	14,195	693,046	-	(2,398,369)	909,450,656
Interest expense	-	8,608,182	2,351,028	-	-	-	-	-	10,959,210
Depreciation expense	-	118,106,590	7,226,175	1,893	-	-	-	-	125,334,658
Total operating expenses	2,964,303	2,652,244,344	192,302,239	10,583,853	14,195	2,698,198	-	(10,551,516)	2,850,255,616
Excess (deficit) of revenues over expenses from operations	(1,200,043)	48,207,339	(16,108,044)	(6,256,039)	(14,195)	(2,039,441)	-	-	22,589,577
Investment return, net	14,455	225,574,277	4,943,181	(183,499)	-	-	43	-	230,348,457
Other nonoperating revenues, gains, and (losses), net	-	9,948,547	66,420	(243,285)	-	-	(14,700,000)	-	(4,928,318)
Pension settlement charge	-	(1,763,584)	-	-	-	-	-	-	(1,763,584)
Total nonoperating revenues, gains, and (losses)	14,455	233,759,240	5,009,601	(426,784)	-	-	(14,699,957)	-	223,656,555
Excess (deficit) of revenues over expenses	$ (1,185,588)	$ 281,966,579	$ (11,098,443)	$ (6,682,823)	$ (14,195)	$ (2,039,441)	$ (14,699,957)	$ -	$ 246,246,132
Less: Excess (deficit) of revenues over expenses attributable to noncontrolling interests	-	(126,806)	-	-	-	-	(2,939,991)	-	(3,066,797)
Excess (deficit) of revenues over expenses attributable to parent	$ (1,185,588)	$ 282,093,385	$ (11,098,443)	$ (6,682,823)	$ (14,195)	$ (2,039,441)	$ (11,759,966)	$ -	$ 249,312,929

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	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
Excess (deficit) of revenues over expenses from operations	(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 revenues, gains, and (losses), net	-	(4,153,103)	89,869	(194,537)	-	-	(4,257,771)
Pension 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 (deficit) of revenues over expenses	$ (847,320)	$ (446,722,157)	$ (34,610,214)	$ (5,673,571)	$ (31,135)	$ -	$ (487,884,397)

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.