Vandalia Health, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Consolidating Schedules as of and for the Years Ended December 31, 2022 and 2021, and Independent Auditor's Report

VANDALIA HEALTH, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1–2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021:	
Balance Sheets	3–4
Statements of Operations	5
Statements of Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8–49
SUPPLEMENTARY CONSOLIDATING SCHEDULES AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022:	50
Supplementary Consolidating Balance Sheet Schedules	51-56
Supplementary Consolidating Statement of Operations Schedules	57–59
Notes to Supplementary Consolidating Schedules	60

Deloitte & Touche LLP
Suite 2600
One PPG Place
Pittsburgh, PA 15222
USA

Tel: +1 412 338 7200
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Vandalia Health, Inc.:

Opinion

We have audited the consolidated financial statements of Vandalia Health, Inc. and subsidiaries (the "System"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the System as of December 31, 2022 and 2021, and the results of its operations 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Consolidating Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating schedules on pages 50-60 are presented for the purpose of additional analysis of the financial statements rather than to present the financial position and results of operations, of the individual companies, and are not a required part of the financial statements. These schedules are the responsibility of the System's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

April 27, 2023

VANDALIA HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021
(In thousands)

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 37,032	$ 41,881
Short-term investments	191,577	301,680
Current portion of assets limited as to use	24,143	10,000
Patient receivables	295,747	227,643
Other receivables	29,712	13,186
Estimated amounts due from third-party payors	45,667	11,241
Inventories	32,516	22,802
Prepaid expenses and other	33,332	24,961
Total current assets	689,726	653,394
ASSETS LIMITED AS TO USE	585,743	467,783
PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net	619,118	394,167
RIGHT OF USE ASSETS—Operating leases	64,498	12,550
OTHER ASSETS	45,595	4,689
TOTAL	$ 2,004,680	$ 1,532,583

(Continued)

VANDALIA HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021
(In thousands)

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 114,074	$ 86,698
Medicare accelerated payments liability	3,776	64,696
Current portion of self-insurance reserves	7,632	10,000
Derivative obligation	11,731	25,325
Accrued payroll and payroll-related expenses	81,074	71,413
Estimated amounts due to third-party payors	19,411	17,881
Operating lease liabilities	5,499	2,523
Current maturities of long-term debt and finance lease obligations	14,690	6,894
Total current liabilities	257,887	285,430
LONG-TERM LIABILITIES:		
Long-term debt and finance lease obligations—less current maturities	599,239	338,199
Long-term operating lease liabilities	13,716	9,835
Retirement obligations	12,560	10,684
Self-insurance reserves—less current portion	34,210	15,740
Long-term Medicare accelerated payments liability	-	15,156
Other	36,399	10,719
Total long-term liabilities	696,124	400,333
Total liabilities	954,011	685,763
NET ASSETS:		
Without donor restrictions	925,648	737,172
Noncontrolling interest in joint ventures	21,761	378
Without donor restrictions—total	947,409	737,550
With donor restrictions	103,260	109,270
Total net assets	1,050,669	846,820
TOTAL	$ 2,004,680	$ 1,532,583

See notes to consolidated financial statements. (Concluded)

VANDALIA HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands)

	2022	2021
UNRESTRICTED REVENUE AND OTHER SUPPORT:		
Net patient service revenue	$ 1,433,437	$ 1,257,464
Other revenue	121,019	95,457
Investment (loss) income—net	(68,252)	42,659
Net assets released from Relief Fund	-	13,305
Net assets released from restrictions	10,387	3,824
Total unrestricted revenue and other support	1,496,591	1,412,709
EXPENSES:		
Salaries and wages	604,631	528,939
Employee benefits	166,822	158,211
Professional compensation and fees	89,036	43,698
Supplies and other	606,682	511,531
Depreciation and amortization	51,224	44,756
Medicaid provider tax	40,876	36,242
Interest and debt expense	14,050	13,173
Change in fair value of derivatives	(19,837)	(5,639)
Total expenses	1,553,484	1,330,911
(LOSS) INCOME FROM OPERATIONS	(56,893)	81,798
INHERENT CONTRIBUTION FROM MEMBER SUBSTITUTION	257,974	-
EXCESS OF REVENUE OVER EXPENSES—Controlling and noncontrolling interest	201,081	81,798
EXCESS OF REVENUE OVER EXPENSES—Noncontrolling interest	(101)	(108)
EXCESS OF REVENUE OVER EXPENSES—Net of noncontrolling interest	$ 200,980	$ 81,690

See notes to consolidated financial statements.

VANDALIA HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands)

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenue over expenses—controlling and noncontrolling interest	$ 201,081	$ 81,798
Change in retirement obligations actuarial loss and prior service cost	6,971	(8)
Contributions for capital expenditures	1,450	512
Equity transactions with noncontrolling interest	357	(84)
Net assets reclassification—other	-	(3,422)
Net assets released from restrictions for capital expenditures	-	144
Other	-	(121)
Increase in net assets without donor restrictions	209,859	78,819
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	10,050	5,996
Contributions from Relief Fund	-	13,305
Inherent contribution from member substitution	6,497	-
Investment (loss) income—net	(12,210)	10,943
Net assets reclassification—other	48	3,422
Net assets released from restrictions for capital expenditures	-	(144)
Net assets released from Relief Fund	-	(13,305)
Net assets released from restrictions for programs	(10,387)	(3,824)
Other	(8)	382
(Decrease) increase in net assets with donor restrictions	(6,010)	16,775
INCREASE IN NET ASSETS	203,849	95,594
NET ASSETS—Beginning of year	846,820	751,226
NET ASSETS—End of year	$ 1,050,669	$ 846,820

See notes to consolidated financial statements.

VANDALIA HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands)

	2022	2021
OPERATING ACTIVITIES:		
Increase in net assets	$ 203,849	$ 95,594
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Change in fair value of derivatives	(19,837)	(5,639)
(Gain) loss on disposal of fixed assets	(46)	74
Change in retirement obligations actuarial loss and prior service cost	(6,971)	8
Depreciation and amortization	51,224	44,756
Realized and unrealized loss (gain) on investments	83,082	(27,899)
Net restricted contributions and investment income	2,160	(30,244)
Inherent contribution from member substitution- net assets without donor restrictions	(257,974)	-
Inherent contribution from member substitution- net assets with donor restrictions	(6,497)	-
Equity transactions with noncontrolling interest	(357)	84
Other	(976)	(976)
Changes in assets and liabilities:		
Patient receivables	(12,171)	(20,519)
Other receivables	(8,613)	647
Short-term investments	218,454	(27,984)
Inventories, prepaid expenses, and other	52,839	1,252
Estimated amounts due to third-party payors	(32,896)	16,058
Accounts payable and accrued expenses	2,705	8,438
Accrued payroll and payroll-related expenses	(8,963)	11,193
Medicare accelerated payments liability	(84,358)	(37,220)
Other liabilities	(40,930)	(4,621)
Net cash provided by operating activities	133,724	23,002
INVESTING ACTIVITIES:		
Capital expenditures	(57,885)	(40,290)
Cash acquired from member substitution	16,140	-
Proceeds from debt obligation	(14,333)	-
Deposit on Greenbrier Medical Center	(85,209)	-
Purchases of limited as to use investments	(169,636)	(136,889)
Proceeds from sales of limited as to use investments	68,034	124,584
Net cash used in investing activities	(242,889)	(52,595)
FINANCING ACTIVITIES:		
Principal payments on debt obligations and finance lease obligations	(10,045)	(5,623)
Proceeds from debt issuance	100,000	-
Debt issuance costs	(458)	-
Repayments under lines of credit	(3,744)	(2,406)
Borrowings under lines of credit	3,744	2,406
Equity transactions with noncontrolling interest	357	(84)
Net restricted contributions and investment income	(2,160)	30,244
Net cash provided by financing activities	87,694	24,537
NET DECREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	(21,471)	(5,056)
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS—Beginning of year	62,331	67,387
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS—End of year	$ 40,860	$ 62,331
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 12,904	$ 12,749
Finance lease additions	$ 229	$ 922
Capital expenditures remaining in accounts payable at year-end	$ 1,430	$ 1,433

See notes to consolidated financial statements.

1. ORGANIZATION

Vandalia Health, Inc. (the "Parent"), formerly CAMC Health System, Inc., is a West Virginia nonprofit corporation that the Internal Revenue Service (IRS) has determined is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). As the parent holding company, the Parent provides general guidance and strategic direction and is the sole corporate member for the following subsidiaries (collectively, the "System" or "we"):

CAMC Health Network, LLC (the "Health Network") d/b/a West Virginia Health Network—The Health Network is a sole member LLC, with Vandalia Health, Inc. as its sole member. It is a disregarded entity for federal income tax purposes and takes on the tax characteristics of its sole member, which is a Section 501(c)(3) organization.

Vandalia Provider and Hospital Organization, LLC (the "VPHO") formerly West Virginia Provider and Hospital, LLC—The VPHO is sole member LLC, with Vandalia Health, Inc. as its sole member. It is a disregarded entity for federal income tax purposes and takes on the tax characteristics of its sole member, which is a Section 501(c)(3) organization. The VPHO began operating in 2021.

Charleston Area Medical Center, Inc. (CAMC)—A West Virginia nonprofit corporation that owns and operates the General, Memorial, and Women and Children's Hospitals, located in Kanawha County, West Virginia, and Teays Valley Hospital ("CAMC Teays") located in Putnam County, West Virginia. CAMC consolidates and has 100% ownership of Vandalia Insurance Company, which is a captive insurance company that provides hospital excess liability coverages. CAMC is a member in two medical office building limited liability companies, each organized as limited liability corporations. CAMC owns a 80.8% interest in the General Division Medical Office Building LLC and a 96.1% interest in the Women and Children's Medical Office Building LLC at December 31, 2022 and 2021, respectively. The residual interest is reflected as noncontrolling interest in the consolidated financial statements. CAMC is the sole corporate member of the following three entities.

CAMC Foundation, Inc. (the "Foundation")—A West Virginia nonprofit corporation established for the purpose of raising funds for CAMC.

CAMC Health Education and Research Institute, Inc. (the "Institute")—A West Virginia nonprofit corporation established for the purpose of managing, promoting, and conducting medical education and research programs.

CAMC Greenbrier Valley Medical Center, Inc. (the "CAMC GVMC")—On September 14, 2022, CAMC Greenbrier Valley Medical Center, Inc. was formed to purchase Greenbrier Valley Medical Center on January 1, 2023. This will be a not-for-profit organization located in Ronceverte, WV, to provide acute medical services and expanded outpatient services to the citizens of Greenbrier County and surrounding communities.

Monongalia Health System, Inc. (MHS)—In September 2022, the System entered into a member substitution agreement to become the sole member of Monongalia Health System, Inc. and subsidiaries, a West Virginia nonprofit corporation incorporated for the purpose of providing management, planning, development, coordination, and other activities related to the promotion of health care within MHS's service area. MHS sponsors and controls four hospitals and other health related corporations (collectively, Monongalia Health System) serving areas primarily in Monongalia and surrounding counties. MHS also manages rental properties acquired for possible future expansion of health care services within the area.

Monongalia County General Hospital Company (MGH)—A not-for-profit corporation that operates an acute care hospital facility in Morgantown, West Virginia.

Mon Elder Services, Inc. (MES) d/b/a The Village at Heritage Point—A not-for-profit corporation established to develop, own, and operate a continuing care retirement village in the Morgantown, West Virginia, area consisting of 90 independent living apartments, 40 assisted living units, and common support areas on approximately 11 acres.

Preston Memorial Hospital Corporation (PMH)—A not-for-profit critical access hospital providing acute, medical, surgical, rehabilitative, and outpatient services. PMH is in Kingwood, Preston County, West Virginia. PMH is the parent organization of Preston Memorial Medical Group, Inc. and Preston Memorial Foundation, Inc., which are all consolidated and presented as an affiliate under MHS in these consolidated financial statements.

Stonewall Jackson Memorial Hospital Company (SJMH)—A not-for-profit organization located in Weston, West Virginia, which provides acute medical services and outpatient services to citizens of Weston and surrounding communities.

Mon Health Marion Neighborhood Hospital (MHMH)—A not-for-profit corporation that operates an acute care hospital facility in Whitehall, West Virginia.

Foundation of Monongalia General Hospital, Inc. (Monongalia Foundation)—A not-for-profit corporation which was created to provide grants and contributions for new services and capital expenditures to the Monongalia Health System.

Mon Health Care, Inc. (MHC)—A for-profit taxable entity, provides home respiratory care and has a retail operation of durable medical equipment. MHC owns 50% of Fairmont Home Medical Equipment and Supply Company. MHS owns all the capital stock of MHC.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the Parent and its subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

Investments in companies in which the System owns 20% to 50% of the voting interest and has the ability to exercise significant influence over operating and financial policies of the investee are accounted for using the equity method of accounting. As a result, the System's share of the earnings or losses of such equity affiliates is included in investment income—net in the accompanying consolidated statements of operations and the System's share of these companies' shareholders' equity is included in assets limited as to use in the accompanying consolidated balance sheets. The investment balances and equity earnings were not material as of and for the years ended December 31, 2022 and 2021.

COVID-19 Pandemic—On March 11, 2020, the World Health Organization designated the COVID-19 outbreak as a global pandemic. In conjunction with the Centers for Disease Control and Prevention recommendations made in mid-March 2020, the System deferred all nonessential medical and surgical procedures and suspended elective procedures. Federal, state, and local government policies resulted in a substantial portion of the population to remain at home and forced the closure of certain businesses, which had a substantial impact to the System's volumes and revenues for most services. The System also took actions that included significantly reducing operating expenses and deferring nonessential expenditures at the height of the crisis.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan (ARP) Act, were enacted on March 27, 2020, and March 11, 2021, respectively. The CARES Act authorized funding to hospitals and other health care providers to be distributed through the Provider Relief Fund. Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to COVID-19, and shall reimburse the recipient for health care-related expenses or lost revenues attributable to COVID-19. Such funds are not required to be repaid, provided that the recipients attest to and comply with the terms and conditions, including limitations on balance billings and not using Provider Relief Funds to reimburse expenses or losses that other sources are obligated to reimburse. The ARP Act includes a number of provisions that affect hospitals and health systems. The primary focus of these programs relates to rural health care providers, incentives for states which have already acted to expand Medicaid programs, health insurance premium subsidies for qualifying individuals and families, and supplemental funding toward COVID-19 vaccines, treatment, and personal protective equipment. Collectively the payments received by the System under the CARES and ARP Acts have been defined as the Relief Fund.

Commencing in April 2020, the US Department of Health and Human Services made distributions from the Relief Fund including the general distribution and targeted distributions to support hospitals in high impact areas and rural providers. Additionally, funds were made available to reimburse providers for COVID-19-related treatment of uninsured patients. During the year ended December 31, 2021, the System received payments representing $9,839 from the CARES Act and $3,466 from the ARP Act, which were recorded as contributions from Relief Fund with an associated net asset released from Relief Fund within the consolidated statements of changes in net assets and consolidated statements of operations. No such amounts were received during the year ended December 31, 2022.

During the year ended December 31, 2022 and 2021, Federal Emergency Management Agency awarded $7,136 and $921, respectively to the System as reimbursement for expenses incurred to provide emergency protective measures to stop the spread of COVID-19. This is recorded as net assets released from restrictions in the consolidated statement of operations and contributions and net assets released from restrictions for programs in the consolidated statement of changes in net assets.

Commencing in April 2020, the System requested accelerated Medicare payments from Centers for Medicare & Medicaid Services (CMS) as provided for in the CARES Act. The Medicare accelerated payment program allows eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These advance payments are recorded as Medicare accelerated payments liability in the consolidated balance sheets. Original terms and conditions of the program indicated that after 120 days past receipt of the advance payments, claims for services provided to Medicare beneficiaries would be applied against these cash advances, and any unapplied cash advance payment amounts must be paid in full within 12 months from receipt of the advance payments. In October 2020, the terms of the program were changed and currently claims for services will be applied against the cash advances after one year from receipt of the funds and any unapplied cash advance payment amounts must be paid in full within 29 months from receipt. Recoupment amounts estimated to be repaid within one year are classified in current liabilities, with the remainder classified in long-term liabilities on the consolidated balance sheets. During the year ended December 31, 2022, $79,852 of the balance was recouped by CMS for CAMC. At September 1, 2022, MHS's Medicare advance payment liability was $8,282. From September 1 through December 31, 2022, $4,506 was recouped by CAMC for MHS.

The System also deferred the employer portion of social security taxes under the CARES Act for a total of $17,984 as of December 31, 2020. During the year ended December 31, 2021, the System repaid $8,992 of the deferred amounts, with the remaining $8,992 repaid by December 31, 2022. As of December 31, 2022 and 2021, the System had $0 and $8,992 recorded within accrued payroll and payroll related expenses in the consolidated balance sheets.

During 2021, CAMC offered nursing retention bonuses in an effort to maintain nursing staff due to the pandemic. Each employee that elected to take the retention bonus signed a 24-month work commitment. Expenses of $0 and $13,327 related to these programs are included in salary and wages in the accompanying consolidated statement of operations for the years ended December 31, 2022 and 2021, respectively. In addition to the nursing retention bonuses, the System offered other discrete bonus programs related to employee appreciation and to encourage COVID-19 vaccination boosters. The total expenses related to these additional bonus programs totaled $214 and $6,202, respectively, and are included in salary and wages in the accompanying consolidated statement of operations for the year ended December 31, 2021.

Cash and Cash Equivalents and Short-Term Investments—Cash and cash equivalents represent cash and temporary investments with original maturities of three months or less. Cash and cash equivalents exclude cash maintained in board-designated, restricted, self-insurance, and trustee-held funds. Short-term investments represent investments that management has identified as available to meet current operating needs. Short-term investments are stated at fair value.

The Parent and its subsidiaries maintain certain cash balances with banks that exceed the amounts insured by the Federal Deposit Insurance Corporation. The System has not experienced losses related to such balances. Management believes the System is not exposed to any significant credit risk related to its cash and cash equivalents.

The following provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents and their classifications reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	2022	2021
Cash and cash equivalents	$ 37,032	$ 41,881
Assets limited as to use	3,828	20,450
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 40,860	$ 62,331

Net Patient Service Revenue—Net patient service revenues is derived primarily from patients who reside in West Virginia and surrounding states, principally covered by Medicare, Medicaid, managed care, and other health plans, as well as uninsured patients and other uninsured discount and charity programs. The System reports net patient service revenue at the amounts that reflect the consideration to which we expect to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs) and others, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, we bill our patients and third-party payors several days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied by transferring our services to our customers.

We determine performance obligations based on the nature of the services we provide. We recognize revenue for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. We believe that this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. We measure performance obligations from admission to the point where there are no further services required for the patient, which is generally the time of discharge. We recognize revenue for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when (1) services are provided and (2) we do not believe the patient requires additional services.

Because our patient service performance obligations relate to contracts with a duration of less than one year, we have elected to apply the optional practical expedient method, and therefore, we are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Gross patient service revenue is recognized based on the System's standard billing rates. Gross patient service billings are reduced to "net patient service revenue" through (1) a provision for contractual adjustments for patients who have third-party coverage with contracted rates less than standard billed charges for the services rendered, including federal and state indemnity and managed care programs and commercial insurance, and (2) a provision for patients who meet the charity care criteria and are provided services at amounts less than the established rates. We determine our estimates of contractual adjustments and discounts based on contractual agreements, our discount policies, and historical experience. We determine our estimate of implicit price concessions based on our historical collection experience with these classes of patients using a portfolio approach as a practical expedient method to account for patient contracts as collective groups rather than individually. The consolidated financial statements effects of using this practical expedient method are not materially different from an individual contract approach.

The System has agreements with third-party payors that provide for payments at amounts that differ from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare—Payment for inpatient acute care services rendered to Medicare program beneficiaries and associated medical education, disproportionate share hospital (DSH), and capital cost reimbursement are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed at prospectively determined rates per visit based primarily on an ambulatory payment classification. Some inpatient nonacute services, certain outpatient services, and a percentage of bad debt costs related to Medicare beneficiaries are substantially paid based on a cost reimbursement methodology. Other amounts related to interns and residents and DSH are paid based on formulas as defined in the Medicare regulations. The System is paid for cost reimbursable items, interns, and residents and DSH at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Medicare program.

The Medicare cost reports for CAMC have been audited by the Medicare fiscal intermediary through December 31, 2013. The Medicare cost reports for MHS and MGH have been audited by the Medicare fiscal intermediary through December 31, 2020. The Medicare cost reports for PMH and SJMH have been audited by the Medicare fiscal intermediary through December 31, 2019.

Medicaid—Payments for inpatient services rendered to Medicaid program beneficiaries are primarily reimbursed on a prospective payment system per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed primarily at prospectively determined rates per visit based on a fee schedule with no retrospective adjustment.

PMH is designated as a critical access hospital under the Medicare and Medicaid programs. Accordingly, PMH receives payments on a reasonable and allowable cost basis for inpatient and most outpatient services provided to eligible Medicare and Medicaid patients.

Public Employees' Insurance Agency (PEIA)—Inpatient services rendered to PEIA subscribers are reimbursed on a prospective payment system. Outpatient services rendered to PEIA subscribers are reimbursed based on a fee schedule with no retroactive adjustment.

Other—The System has also entered into payment agreements with certain commercial insurance carriers, preferred provider organizations (PPOs), and health maintenance organizations (HMOs). Payment under the commercial, PPOs, and HMOs arrangements are primarily based on a percentage of charges.

Medicaid-Directed Payment Program (DPP)-Expanded Medicaid Population—The Patient Protection and Affordable Care Act allowed states to expand eligibility for Medicaid medical benefits effective January 1, 2014. West Virginia expanded Medicaid eligibility effective January 1, 2014, in a Medicaid fee-for-service environment through August 31, 2015. Effective September 1, 2015, beneficiaries of the expanded Medicaid population were transitioned to Medicaid managed care. These beneficiaries of the expanded population can be eligible for supplemental DPP reimbursement. West Virginia began working with CMS to secure supplemental DPP reimbursement effective January 1, 2014.

The System recognized as a component of net patient service revenue for the years ended December 31, 2022 and 2021, $57,118 and $65,583, respectively, related to the DPP. Supplemental payments for the Medicaid population have been extended for the West Virginia fiscal year ending June 30, 2023. Included in the amount for the year ended December 31, 2022 and 2021, is an additional payment of $5,240 and $6,579 to maximize federal and state Medicaid funding.

Medicaid-Enhanced Payment Programs (EPPs)—Under the West Virginia Medicaid-EPPs, the methodology utilized in determining payments is based on the West Virginia State Plans approved on May 15, 2006. The methodology utilizes the following four payment groups: Urban, rural, tertiary safety net, and rural safety net, and the amounts are currently assigned and approved by CMS. The System recognized as a component of net patient service revenue for the years ended December 31, 2022 and 2021, $10,050 and $13,226, respectively, related to the EPPs.

Medicaid-Physician Payment Improvement Program (PPIP)—West Virginia implemented a DPP that supports qualifying physicians employed by eligible acute care hospitals with additional access fee dollars to aid Medicaid Managed Care beneficiaries in access and utilization. CAMC is an eligible acute care hospital and is entitled to collect and utilize the receipts from the PPIP for the services rendered by its employed qualifying physicians. The System recognized as a component of net patient service revenue for the years ended December 31, 2022 and 2021, $11,472 and $6,821 related to the PPIP. Commencing in 2021, quarterly payments are made based on Medicaid Managed Care beneficiary utilization of the services provided by qualified physicians employed by CAMC. During the 2019, WV Legislative Session, Senate Bill 546 was passed which permits a 0.13% tax on certain eligible acute care hospitals to fund the PPIP. The tax was effective and first imposed on July 1, 2020, against net patient service revenue and is recorded as a component of Medicaid provider tax.

Allowance for Contractual Adjustments—Payments received under the reimbursement arrangements with Medicare and Medicaid are subject to retroactive audit and adjustment. Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and our historical settlement activity, including an assessment to determine that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled or are no longer subject to such audits, reviews, and investigations. Settlement of prior-year cost reports and revisions to other prior-year settlement estimates decreased net patient service revenue by $1,149 and $150 and during the years ended December 31, 2022 and 2021, respectively.

Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimated settlements will change by a material amount in the near term. Management believes that adequate provisions have been made for reasonable adjustments that may result from such final settlements. Management believes it is in substantial compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Generally, patients who are covered by third-party payors are responsible for related co-payments, coinsurance, and deductibles, which vary in amount. We also provide services to uninsured patients and offer uninsured patients a discount from standard charges. We estimate the transaction price for patients with co-payments, coinsurance, and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under our charity care program, the discount offered to certain uninsured patients is recognized as a charity allowance, which reduces net patient service revenue at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual allowances recorded, are further reduced to their net realizable value at the time they are recorded through implicit price concessions based on historical collection trends for self-pay accounts. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change.

Patient Receivables—When we have an unconditional right to payment, subject only to the passage of time, the right is treated as a receivable. Patient receivables, including billed accounts and unbilled accounts for which we have the unconditional right to payment, and estimated amounts due from third-party payors for retroactive adjustments, are receivables if our right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. The estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to patient accounts receivable. For changes in credit issues not assessed at the date of service, the System will prospectively recognize those amounts in net patient service revenue in the consolidated statements of operations. The provision for doubtful accounts was immaterial as of December 31, 2022 and 2021.

Contract Assets—Amounts related to services provided to patients for which we have not billed and that do not meet the conditions of unconditional right to payment at the end of the reporting period are contract assets. Our contract assets consist primarily of services that we have provided to patients who are still receiving inpatient care in our facilities at the end of the reporting period. Contract assets are included in prepaid expenses and other in the accompanying consolidated balance sheets.

Inventories—Inventories represent supplies that are valued at the lower of cost or net realizable value on a first-in, first-out basis.

Employer-Provided Health Care—The System provides group health and medical benefits to its employees through self-insurance. The System recognizes net patient service revenue for the estimated value of the services provided to its own employees and an equal employee benefit expense recorded within employee benefits in the consolidated statements of operations. The estimated net patient service revenue and corresponding employee benefit expense for such services was $80,686 and $67,840 for the years ended December 31, 2022 and 2021, respectively.

Assets Limited as to Use and Investments—Assets limited as to use primarily include assets held by trustees under indenture and other agreements, designated assets set aside by the board of trustees, self-insurance funds, and donor-restricted assets. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk and market uncertainty associated with certain investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying consolidated financial statements.

Investments in equity securities with readily determinable fair values and all investments in fixed-income securities are measured at fair value and are classified as trading securities. Investment income or loss (including realized gains and losses, interest, dividends, and unrealized gains and losses) is included in unrestricted investment income or loss, unless the income or loss is restricted by donor or law.

The System invests in alternative investments that primarily represent ownership in limited partnerships that invest in hedge funds, real asset funds, and private equity/venture capital funds. In order to liquidate such investments, management is required to provide notice ranging from 45 to 90 days to withdraw from the partnerships and in certain cases may only withdraw from the partnership quarterly or annually. There are no unfunded commitments. Substantially, all the System's alternative investments are redeemable at net asset value per ownership unit or its equivalent. Fair value for qualifying alternative investments is determined under the net asset value (NAV) practical expedient and is based on the net asset value per ownership unit, as published and determined by the fund manager at least quarterly using the estimated fair value of the underlying investments.

The System's alternative investments are accounted for utilizing the measurement alternative or NAV. Alternative investments consist of the following at December 31, 2022 and 2021:

	2022		2021	
	Recorded Value	Fair Value	Recorded Value	Fair Value
Included within assets limited as to use	$ 36,732	$ 38,546	$ 22,987	$ 25,147

The System's investment policy establishes reasonable expectations, objectives, and guidelines; sets forth an investment structure detailing permitted asset classes and expected allocation among asset classes; encourages effective communication; and creates a framework for a well-diversified asset mix, which can be expected to generate acceptable long-term returns at a level of risk suitable to the investment committee. The System's investments are pooled to obtain maximum use of funds and higher interest rates. Investment income from this pool is allocated to net assets without donor restrictions and net assets with donor restrictions based on the percentage of total investments.

Derivatives—CAMC and MHS have entered into interest rate swap agreements in connection with their debt management programs. CAMC and MHS record the derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. None of the current derivatives are designated as an accounting hedge and the asset or liability is presented as current as CAMC and MHS has the right to settle the agreements prior to expiration and periodically evaluates the interest rate environment to determine if the agreements are consistent with its debt management program.

Property, Equipment, and Information Systems—Amounts capitalized as part of property, equipment, and information systems, including additions and improvements to existing facilities, are recorded at acquisition cost, excluding amounts acquired as part of the member substitution which are recorded at fair value as of the transaction date. Property, equipment, and information systems consisted of the following:

	2022	2021
Land	$ 72,334	$ 53,395
Buildings and improvements	677,909	585,830
Equipment and information systems	531,483	603,828
Construction in progress	26,364	14,232
Total property, equipment, and information systems	1,308,090	1,257,285
Less accumulated depreciation and amortization	(688,972)	(863,118)
Property, equipment, and information systems—net	$ 619,118	$ 394,167

Finance lease right-of-use (ROU) assets included in equipment and information systems within property, equipment, and information systems in the accompanying consolidated balance sheets are $62,546 and $15,109, net of $24,752 and $7,211 of accumulated amortization, as of December 31, 2022 and 2021, respectively.

Depreciation, including amortization of ROU assets recorded under finance leases, is recorded using the straight-line method over the shorter of the lease term, if applicable, and estimated useful lives of the aggregate building components and improvements (generally 10 to 45 years), and equipment (generally 3 to 15 years). Upon retirement or disposal, the asset and accumulated depreciation accounts are adjusted, and any gain or loss is recorded in the consolidated statements of operations. Maintenance costs and repairs are expensed as incurred. Depreciation and amortization expense was $51,224 and $44,756 for the years ended December 31, 2022 and 2021, respectively.

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The impairment test consists of comparison of the undiscounted cash flows of the long-lived asset with its carrying amount. If such undiscounted cash flows are less than the carrying amount, the fair value of the long-lived asset is determined and the carrying value is adjusted through an impairment charge to such fair value. Any write-downs due to impairment are charged to operations at the time impairment is identified.

Other Assets—Other assets includes ownership interests in joint ventures and intangible assets. Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the asset might be impaired.

Deferred Financing Costs—Costs related to long-term debt, presented within the consolidated balance sheets as a direct reduction to the related debt liability, are being amortized over the life of the respective obligation. The carrying value of deferred financing costs was $3,113 and $2,851 as of December 31, 2022 and 2021, respectively.

Net Assets Without Donor Restrictions—Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the System. These net assets may be used at the discretion of the System's management and the board of directors (the "Board"). Quasi endowments are primarily for buildings and equipment ($141,547 and $160,909 as of December 31, 2022 and 2021, respectively), scholarships and education ($43,272 and $52,497 as of December 31, 2022 and 2021, respectively), patient-related programs ($6,273 and $7,338 as of December 31, 2022 and 2021, respectively), and various other health care-related programs ($1,376 and $1,702 as of December 31, 2022 and 2021, respectively).

Net assets without donor restrictions as of December 31, 2022 and 2021, are as follows:

	2022	**2021**
Undesignated	$ 754,941	$ 515,104
Quasi endowment	192,468	222,446
Total	$ 947,409	$ 737,550

Net Assets with Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the System or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions can primarily be used by specified purpose, e.g., attendance at a qualified school for scholarships. Funds of a perpetual duration are $32,251 and $31,296 for 2022 and 2021, respectively.

Net assets with donor restrictions as of December 31, 2022 and 2021, are restricted to the following:

	2022	2021
Patient-related projects	$ 52,283	$ 53,470
Scholarships and education	29,049	32,495
Various other health care-related activities	21,928	23,305
Total	$ 103,260	$ 109,270

Contributions—Contributions are recognized at fair value in the period cash, or an unconditional promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the contributed assets. When a donor restriction expires, net assets with donor restrictions are released to net assets without donor restrictions and reported in the consolidated statements of operations.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets released from restrictions in the accompanying consolidated financial statements.

Prospective resident and security deposits—MES collects 10% of the expected entrance fees from prospective residents once an independent living unit is identified for occupancy. These initial deposits are refundable to the prospective residents until their time of occupancy, less an administrative fee, which may be waived subject to provisions in the residency agreement. The remaining 90% of the expected entrance fees is collected at the residents' point of occupancy. MES may also collect deposits from prospective residents, designated as waiting list fees, which place those prospective residents at a priority level. These deposits are applied toward the prospective residents' final payment or remaining 90% of the refundable deposit. Finally, MES collects a security deposit on each of its assisted living units.

The residents of MES's independent living units are entitled to either a 95% or 90% refund of their entrance deposit fees depending upon whether the units occupied are for single occupancy (95%) or double occupancy (90%). Beginning in April 2003, new residents moving into the independent living units had the additional option of paying a reduced entrance deposit fee in exchange for receiving only a 60% refund.

Refunds are subject to a new resident paying the entrance deposit fees and other provisions as provided in the residency agreement. MES amortizes to revenue the nonrefundable entrance deposit fees received over the estimated remaining life expectancy of the resident and records the advance refundable fees as a liability. Refundable entrance deposit fees received from residents of MES are recorded as liabilities and are contingently refunded to the resident upon termination of the agreement and MES's ability to reoccupy the respective unit. These amounts are included in other long-term liabilities in the consolidated financial statements.

Obligation to provide future services—MES annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance deposit fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to results of operations. MES has determined that no accrual is required as of December 31, 2022, as management has the ability to charge additional fees, if necessary, to meet such obligations.

Self-Insurance Programs—The System has self-insurance programs for professional malpractice, general liability, unemployment compensation, disability, and employee health insurance, although we maintain a stop-loss coverage with third-party insurers to limit the System's liability exposure. The estimated self-insurance obligations include a provision for incurred but not reported claims.

Excess of Revenue over Expenses—The consolidated statements of operations include excess of revenue over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenue over expenses, consistent with industry practice, include 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), equity transactions with noncontrolling interest, and change in retirement obligations actuarial loss and prior service cost.

Income Taxes—The IRS has determined that the System entities are exempt from income taxes under Section 501(c)(3) of the Code and applicable state statutes, except for MHC which is a corporation subject to income tax. The System does not have any material uncertain tax positions as of December 31, 2022 and 2021. Tax returns for the year ended June 30, 2018 are open for the MHS entities and tax returns for the year ended December 31, 2019 are open for CAMC entities.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the System to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The more significant judgments and estimates include the following: recognition of net patient service revenue, which includes contractual allowances; provisions for doubtful accounts, implicit price concessions and charity care; recorded values of investments; and reserves for losses and expenses related to health care professional and general liability. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates and are recorded in the period in which they are determined.

Newly Adopted Accounting Pronouncements—The following new accounting standards have been adopted by the System during the year ended December 31, 2022:

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the consolidated statement of operations, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the consolidated statement of operations, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If they were utilized, a description of the programs or other activities in which those assets were used is required; the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. This ASU was effective for the System on January 1, 2022. The adoption of this ASU did not have a material impact on the consolidated financial statements and related disclosures.

In March 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, to further explain the scope of ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform for Financial Reporting*. ASU No. 2020-04 provides temporary optional expedients and exceptions to the current guidance on contract modifications to ease the financial reporting burdens related to the expected market transition from London InterBank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. ASU No. 2021-01 clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The ASUs are effective March 12, 2020, through December 31, 2022. As of December 31, 2022, there has been no impact to the System's consolidated financial statements as the System has not amended any related contracts or utilized any of the expedients discussed within these ASUs. The System will continue to monitor for impacts of these ASUs and does not expect them to have a material impact on its consolidated financial statements.

In November 2021, the FASB issued No. 2021-09, *Leases (Topic 842)—Discount Rate for Lessees That Are Not Public Business Entities*. The amendments in this guidance affect lessees that are not public business entities, including all not-for-profit entities, regardless of whether they are conduit bond obligors and employee benefit plans. Current guidance includes a practical expedient that allows the entity to use a risk-free rate as the discount rate for all leases. The amendments in this update allow those lessees to make the risk-free rate election by class of underlying asset, rather than an entity-wide level. This guidance is effective for the Corporation beginning January 1, 2022. The System has elected not to use the risk-free rate by class of underlying asset.

Recently Issued Accounting Pronouncements—The following new accounting standards have been issued but have not yet been adopted by the System as of December 31, 2022:

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This guidance introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. Financial instruments impacted include accounts receivable, trade receivables, other financial assets measured at amortized cost, and other off-balance-sheet credit exposures. This guidance is effective for the System beginning January 1, 2023, with earlier adoption permitted. The System is currently evaluating the impact that this ASU may have on the consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805)—Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The amendments in this ASU require acquiring entities to apply Accounting Standards Codification 606 to recognize and measure contract assets acquired and contract liabilities assumed in a business combination. The amendments will be effective for the System for beginning January 1, 2023. The amendments in this ASU should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The System is currently evaluating the potential impact this ASU will have on its consolidated financial statements.

All other issued but not yet effective accounting pronouncements are not expected to have a material impact on the System's consolidated financial statements.

3. REVENUE RECOGNITION

Net Patient Service Revenue—Net patient service revenue, including implicit price concessions, for the years ended December 31, 2022 and 2021, by major primary payor sources, is as follows:

	Net Patient Service Revenue			
	2022		2021	
Medicare	$ 458,831	32 %	$ 382,389	30 %
Medicaid	206,042	14	200,422	16
Other government third-party payors	98,927	7	84,499	7
Blue Cross	426,851	30	382,702	31
Commercial and other third-party payors	191,977	13	154,062	12
Self-pay	50,809	4	53,390	4
Total	$ 1,433,437	100 %	$ 1,257,464	100 %

Net patient service revenue for the years ended December 31, 2022 and 2021, consists of the following:

	2022	2021
Gross patient service billings	$ 5,337,873	$ 4,611,681
Charity care allowances	(51,599)	(53,851)
Contractual allowances	(3,932,613)	(3,386,903)
Medicaid-PPIP	11,472	6,821
Medicaid-DPP	57,118	65,583
Medicaid-EPP	10,050	13,226
Medicaid-DSH	1,136	907
Net patient service revenue	$ 1,433,437	$ 1,257,464

Patient Receivables—The approximate percentage of patient receivables, net of allowances for contractual adjustments, charity care, and implicit price concessions, by source of payor, as of December 31, 2022 and 2021, is as follows:

	2022	2021
Blue Cross	31 %	34 %
Medicare	29	24
Commercial and other third-party payors	22	24
Medicaid	9	9
Other government third-party payors	3	4
PEIA	6	5
Total	100 %	100 %

Contract Assets—The opening and closing balances of contract assets are as follows:

	2022	**2021**
Opening balance—January 1	$ 10,883	$ 11,453
Ending balance—December 31	13,223	10,883
Increase (decrease)	$ 2,340	$ (570)

The increase in the contract asset balances as of the year ended December 31, 2022, compared to the year ended December 31, 2021, is due to an increase in patients not discharged. Approximately 98% of our contract assets meet the conditions for unconditional right to payment and are reclassified as patient receivables within 90 days.

Contract Liabilities—The CARES Act revised the Medicare accelerated payment program in an attempt to disburse payments to hospitals more quickly to mitigate shortfalls due to delays in nonessential procedures, as well as staffing and billing disruptions. These advance payments represent contract liabilities in the consolidated balance sheets at December 31, 2022 and 2021. The opening and closing balances of contract liabilities are as follows:

	2022	**2021**
Opening balance—January 1	$ 79,852	$ 117,072
Acquired MHS contract liabilities—September 1	22,544	-
Ending balance—December 31	17,855	79,852
Decrease	$ (84,541)	$ (37,220)

The decrease in the contract liability balances from the year ended December 31, 2022, compared to the year ended December 31, 2021, is due to payback and recoupments by Medicare of the accelerated payments.

Medicaid Provider Tax—During the years ended December 31, 2022 and 2021, the System recorded $40,876 and $36,242, respectively, related to Medicaid provider taxes within Medicaid provider tax in the accompanying consolidated statements of operations. Such taxes include the following:

Medicaid-DPP Tax—The West Virginia Department of Tax and Revenue imposes a tax on licensed general acute care hospitals to generate revenue that is used as the state contribution toward drawing down additional federal-matching dollars for Medicaid to enhance current hospital payment rates under the DPPs. The tax rate was 0.88% of net patient service revenue for the years ended December 31, 2022 and 2021. This tax rate is inclusive of the 0.13% tax for the Medicaid PPIP.

Broad-Based Health Care-Related Tax—The West Virginia Broad-Based Health Care-Related Tax of 1993 assesses a tax on net patient service revenue at rates varying from 0.35% to 5.00%, depending on the type of services provided.

Other Revenue—Other revenue is derived from ancillary services, which are an integral part of the operations of the System other than providing health care services to patients. Such revenue is recognized when the related service is performed, drugs are dispensed, or in the case of grant revenue, when the System incurs the cost related to the grant’s purpose.

4. CHARITY CARE AND COMMUNITY SERVICE BENEFIT

The System provides care to patients who meet certain criteria under the approved charity care policy without charge or at amounts less than the established rates. Because the System does not pursue collection of amounts that are determined to qualify as charity care, they are not reported as net patient service revenue. The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of gross charges forgone for direct patient care, which were $51,598 and $53,851 for the years ended December 31, 2022 and 2021, respectively. The cost associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care and amounted to $12,625 and $13,489 for the years ended December 31, 2022 and 2021, respectively.

In addition to the charity care provided for direct patient care, the System provides free and below-cost services and programs for the community. The costs of these services and programs are included in salaries and wages and employee benefits and various other expense line items of the System's consolidated statements of operations and are considered to be immaterial.

5. SHORT-TERM INVESTMENTS AND ASSETS LIMITED AS TO USE

Short-term investments and assets limited as to use as of December 31, 2022 and 2021, consist of the following:

	2022	2021
Short-term investments:		
Cash and cash equivalents	$ 23,347	$ 11,798
Equity securities and equity mutual funds	108,474	100,703
Fixed-income securities and fixed-income mutual funds	59,756	189,179
Total short-term investments	$ 191,577	$ 301,680

	2022	2021
Assets limited as to use:		
Self-insurance:		
Cash and cash equivalents	$ 3,446	$ 437
US Treasury and US government agency fixed income securities	3,801	885
US state and political subdivisions of the states fixed income securities	409	556
Equity securities and equity mutual funds	32,185	45,021
Alternative investments	9,248	9,248
Fixed-income securities and fixed-income mutual funds	14,371	10,409
Total self-insurance	63,460	66,556
Board-designated and restricted funds:		
Cash and cash equivalents	14,083	1,019
US Treasury and US government agency fixed income securities	25,122	25,043
US state and political subdivisions of the states fixed income securities	63	89
Equity securities and equity mutual funds	261,100	232,777
Fixed-income securities and fixed-income mutual funds	80,009	90,598
Alternative investments	27,484	13,739
Other	3,959	-
Total board-designated and restricted funds	411,820	363,265
Trustee-held funds:		
Capital improvement fund:		
Cash and cash equivalents	14,351	3,365
US Treasury and US government agency fixed income securities	12,233	3,874
US state and political subdivisions of the states fixed income securities	-	4,824
Collateral on derivatives—cash equivalents	3,610	20,450
Other trustee-held funds:		
Cash equivalents	1,097	363
Equity method investments	4,663	5,425
US Treasury and US government agency fixed income securities	6,662	2,109
US state and political subdivisions of the states fixed income securities	3,319	3,800
Fixed-income securities	3,353	3,643
Other	109	109
Total trustee-held funds	49,397	47,962
Deposit on Greenbrier Valley Medical Center	85,209	-
Total assets limited as to use	609,886	477,783
Less current portion	(24,143)	(10,000)
Assets limited as to use—net of current portion	$ 585,743	$ 467,783

On September 14, 2022, the Parent and CAMC Greenbrier Valley Medical Center, Inc., entered into an asset purchase agreement to acquire the assets of Greenbrier Valley Medical Center, Inc. (GVMC) owned by Community Health Systems, Inc. (CHS). Assets limited as to use include $85,209 of funds held in deposit by CHS toward this purchase (see Note 19).

Board-designated and restricted funds and trustee-held funds consist of the investments set aside for capital, debt, and other similar expenditures. Self-insurance assets relate primarily to the malpractice and general liability self-insurance. The Board has also designated the majority of proceeds received from two taxable notes in 2013, as well as proceeds received from the 2019 bond funds, for use toward future capital projects.

6. LIQUIDITY AND AVAILABILITY

As of December 31, 2022 and 2021, the System has working capital of $431,839 and $367,964, respectively, and average days' (based on normal expenditures divided by total cash and cash equivalent) cash on hand of 139 and 191 days, respectively.

The table below represents financial assets available to meet cash needs for general expenditures within one year from the respective consolidated balance sheet date as of December 31, 2022 and 2021, respectively:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 37,032	$ 41,881
Patient receivable—net	295,747	227,643
Short-term investments	191,577	301,680
Assets limited to use:		
Board-designated	325,363	264,370
Donor-restricted	86,457	98,895
Trustee-held funds	49,397	47,962
Pledges receivable—net	2,397	3,158
Total financial assets	987,970	985,589
Less amounts not available to be used within one year:		
Board-designated with liquidity horizons greater than one year	(14,133)	(7,295)
Trustee-held funds	(8,721)	(25,950)
Donor-restricted with liquidity horizons greater than one year	(86,457)	(98,895)
Pledges receivable—net	(377)	(529)
Financial assets not available to be used within one year	(109,688)	(132,669)
Financial assets available to meet general expenditures within one year	$ 878,282	$ 852,920

The System has certain Board-designated and donor-restricted assets limited to use, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year. The System has other assets limited to use for donor-restricted purposes, capital improvements, and for the professional and general liability captive insurance program. Additionally, certain other Board-designated assets are designated for future capital expenditures and an operating reserve. These assets limited to use, which are more fully described in Note 5, are not available for general expenditure within the next year. However, the Board-designated amounts could be made available, if necessary.

As part of the System's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to an operating reserve, which was $325,363 and $264,370 as of December 31, 2022 and 2021, respectively. The funds established by the Board may be drawn upon, if necessary, to meet unexpected liquidity needs.

Additionally, the system maintains a $10,000 line of credit, as discussed in more detail in note 8. As of December 31, 2022 and 2021, $10,000 remained available on the System's line of credit.

7. INVESTMENT INCOME

Investment income and net unrealized and realized gains on investments for the years ended December 31, 2022 and 2021, are composed of the following:

	2022	2021
Without donor restrictions:		
Dividend, interest income, and other	$ 14,830	$ 14,760
Realized gain on investments—net	589	13,115
Unrealized (loss) gain on investments—net	(83,671)	14,784
Total without donor restrictions investment income—net	(68,252)	42,659
With donor restrictions:		
Dividend, interest income, and other	2,962	2,817
Realized gain on investments—net	777	3,617
Unrealized (loss) gain on investments—net	(15,949)	4,509
Total with donor restrictions investment income—net	(12,210)	10,943
Net investment income and net realized and unrealized (losses) gains on investments	$ (80,462)	$ 53,602

8. LONG-TERM DEBT, FINANCE LEASE OBLIGATIONS, AND DERIVATIVES

Obligations under long-term debt and finance lease obligations as of December 31, 2022 and 2021, consist of the following:

	2022	2021
2022 Series A Taxable Bonds	$ 100,000	$ -
2019 Series A Bonds	87,985	87,985
2019 Series B Bonds	12,117	13,236
2014 Series A Bonds	45,625	45,625
2013 Taxable Debt Notes	64,375	66,435
2008 Series A Bonds (CAMC)	107,995	110,400
2021 Series A Bonds	14,623	-
2015 Series Bonds	41,372	-
2008 Series A Bonds (MON)	33,970	-
2008 Series B Bonds (MON)	10,160	-
Marion Note Payable	12,452	-
Marion Term Loan	1,419	-
PMH Construction Loan	9,070	-
USDA Loan	22,776	-
Finance lease obligations	38,036	8,042
Total	601,975	331,723
Plus unamortized bond premium	15,067	16,221
Less unamortized deferred financing costs	(3,113)	(2,851)
Total—net of unamortized premium and deferred financing costs	613,929	345,093
Less current maturities	(14,690)	(6,894)
Total long-term debt and finance lease obligations	$ 599,239	$ 338,199

The fair value of the System's debt obligations was $590,177 and $366,816 as of December 31, 2022 and 2021, respectively, and falls within Level 2 in the fair value hierarchy. In determining the fair value of debt, the System considers its credit standing and does not consider the credit standing of the financial institution that participated in the issuance of the debt instruments. Additional considerations for valuing the debt include the maturity date and the coupon and yield of the debt instrument.

Obligated Group—CAMC, Foundation, MHS, MGH, MES, SJMH and CAMC GVMC are members of the obligated group (the "Obligated Group") in accordance with the provisions of the 2019 Amended and Restated Master Trust Indenture dated as of June 1, 2019 (as amended and supplemented from time to time, the "Master Indenture") and are jointly and severally liable for the performance of all covenants and obligations contained in the Master Indenture and in the related notes, debt agreements and guarantees. The 2013 Taxable Debt Notes; 2008 Series A Bonds; 2014 Series A Bonds; 2019 Series A Bonds; 2019 Series B Bonds; 2022 Series A Taxable Bonds; and various notes, lines, and letters of credit are obligations under the Master Indenture. The CAMC Foundation's net assets with donor restrictions are not available to satisfy obligations of the Obligated Group. The obligations of the Obligated Group are evidenced and secured by promissory notes issued pursuant to the Master Indenture. All notes issued under the Master Indenture are secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities of CAMC and a deed of trust on the primary hospital facilities of MGH. Additionally, as summarized in Note 18 Business Combinations, in order to streamline covenants and reporting requirements, and otherwise comply with terms of the Master Indenture, modifications were made of existing financial obligations of MHS, MGH, MES, and PMH.

The Obligated Group is subject to certain restrictive covenants that require, among other items, the Obligated Group to maintain certain financial ratios as defined in the debt agreements and to make certain informational filings with its creditors. The System maintained compliance with all restrictive covenants as of December 31, 2022 and 2021.

2022 Series A Taxable Bonds—In December 2022, CAMC entered into a loan agreement with the West Virginia Finance Authority (the “Authority”) pursuant to which the Obligated Group borrowed the proceeds of the Authority’s $100,000 variable-rate revenue bonds 2022 Series A. Interest is paid monthly and principal is payable on September 1, 2052. As of December 31, 2022 the interest rate was 5.10%. The proceeds of these bonds were utilized to fund the System’s purchase of GVMC from CHS as discussed in Note 5.

2019 Series A Bonds—In June 2019, CAMC entered into a loan agreement with the Authority pursuant to which the Obligated Group borrowed the proceeds of the Authority’s $87,985 fixed-rate hospital revenue refunding bonds 2019 Series A. The bonds were issued at a premium of $15,918, which is being amortized to interest and debt expense over the 20-year life of the issue. Interest on the bonds is payable semiannually and principal is payable annually beginning September 2029. The coupon rates of the bonds range from 3.25% to 5.00% depending on maturity.

2019 Series B Bonds—In June 2019, CAMC entered into a loan agreement with the Authority pursuant to which the Obligated Group borrowed the proceeds of the Authority’s $16,032 variable-rate revenue bonds to refund the 2008 CAMC Teays Bonds. The bonds require the payment of principal and interest monthly through June 19, 2024. The principal on these bonds is being amortized as if it is being repaid over 14 years in equal monthly installments. On June 19, 2024, a balloon payment is due for the outstanding principal and accrued interest. The associated bond carries a variable monthly interest rate equal to the adjusted nonbank-qualified LIBOR. As of December 31, 2022 and 2021, the interest rate was 4.11% and 1.20%, respectively.

2014 Series A Bonds—In June 2014, CAMC entered into a loan agreement with the Authority pursuant to which the Obligated Group borrowed the proceeds of the Authority’s $45,625 fixed -rate hospital revenue refunding bonds 2014 Series A. The bonds were issued at a premium of $5,046, which is being amortized to interest and debt expense over the 14-year life of the issue. Interest on the bonds is payable semiannually and principal is payable annually beginning September 2024. The coupon rates of the bonds range from 3.50% to 5.00% depending on maturity.

2013 Taxable Debt Notes—In March 2013, CAMC issued and sold $60,000 4.5% taxable Master Note 2013-1 with final maturity on March 14, 2043, utilizing level-debt amortization over 30 years. In May 2013, CAMC issued and sold $20,000 4.02% taxable Master Note 2013-2 with final maturity on March 15, 2038, utilizing level-debt amortization over 25 years. This Obligated Group debt are evidenced and secured by a note under the Master Indenture and secured primarily by a security interest in revenue and deeds of trust, subject to release in connection with future events, secures each Master Indenture noteholder on a parity basis.

2008 Series A Bonds (CAMC)—In June 2008, CAMC entered into a loan agreement with the Authority pursuant to which the Obligated Group borrowed the proceeds of the Authority's $127,355 variable-rate revenue bonds 2008 Series A. The bonds require the payment of principal and interest through September 1, 2037. The bonds are multimodal variable-rate demand obligations. The timely payment of principal and interest on the 2008 Series A Bonds and the purchase price of tendered bonds are secured by an irrevocable, transferable direct pay letter of credit issued by a bank. The letter of credit will expire on June 19, 2024, unless renewed and may be replaced by a substitute letter of credit. Should any portion of the bonds not remarket, the holders of said bonds may tender them to the bank holding the direct pay letter of credit. Draws on the letter of credit, which cannot be remarketed after 90 days, will begin repayment over 10 years with a balloon payment at the end of five years. There were no draws on the letter of credit during the years ended December 31, 2022 and 2021. Interest on the 2008 bonds is variable and can bear interest at a daily rate or a weekly rate as determined by a remarketing agent. Interest accrues at the stated interest rate, which, in the judgment of the remarketing agent under then-existing market conditions, would result in the sale of the 2008 bonds on such rate determination date at a price equal to the principal amount thereof, plus interest accrued through the rate period. As of December 31, 2022 and 2021, the interest rate was 3.66% and 0.13%, respectively.

2021 Series A Bonds—On June 30, 2021, the Monongalia County Building Commission (the "Commission") issued the Variable Rate Hospital Refunding Revenue Bonds (Monongalia Health System Obligated Group) Series 2021A were issued. The 2021 Series A Bonds carry a fixed interest rate of 1.83% and varying maturities (final maturity in 2041, with varying annual principal payments ranging from $310 to $4,310), principal paid annually, and interest paid semiannually.

2015 Series Bonds—In April 2015, the Commission issued Refunding and Improvement Revenue Bonds Series 2015 (Monongalia Health System Obligated Group) (2015 Series Bonds) with a par value of $51,450, premium of $4,537, and discount of $261.

The 2015 Series Bonds carry fixed interest rates ranging from 3.00% to 5.00%, and varying maturities (final maturity on July 1, 2035, with varying annual principal payments ranging from $990 to $4,125), principal paid annually, and interest paid semiannually. The balances include unamortized net premium of approximately $1,168 as of December 31, 2022.

2008 Series B Taxable Bonds (MON) and 2008 Series A Bonds (MON)—In February 2008, the Commission issued Variable Rate Hospital Refunding and Improvement Revenue Bonds Series 2008A with a par value of $48,145. In February 2008, the Commission also issued Taxable Variable Rate Hospital Bonds Series 2008B with a par value of $14,250. Proceeds of the Series 2008B Bonds were used to reimburse MGH for certain payments made by it with respect to the pension liabilities of MHS.

The Series 2008 A Bonds have a variable interest rate (3.41% as of December 31, 2022), and varying maturities (final maturity in 2040, with varying annual principal payments ranging from $100 to $6,890), principal paid annually and interest paid monthly.

The Series 2008 B Taxable Bonds have a variable interest rate (3.41% as of December 31, 2022) and varying maturities (final maturity in 2040, with varying annual principal payments ranging from $240 to $870), principal paid annually, and interest paid monthly.

Marion Note Payable and Marion Term Loan—In March 2021, MHMH entered into a Construction and Term Loan Agreement (Marion Note Payable) and (Marion Term Loan), respectively. The Marion Note Payable carries a fixed interest rate of 2.50%. Monthly principal and interest payments of $51 are payable through February 3, 2026, with a balloon payment due on March 3, 2026. The Marion Note Payable is collateralized by a deed of trust and assignment of rents and leases on the real property.

The Marion Term Loan carries a fixed interest rate of 2.50%. Monthly principal and interest payments of $39 are payable through February 3, 2026. The Marion Term Loan is collateralized by a deed of trust and assignment of rents and leases on the real property of MHMH and guaranteed by the Obligated Group.

PMH Construction Loan and USDA Loan—In February 2014, PMH entered into a Commercial Real Estate Construction Non-Revolving Line of Credit / Term Loan (PMH Construction Loan) with the principal amount not to exceed $38,500. Construction was completed in May 2015. In July 2015, PMH entered into a loan agreement with the United States Department of Agriculture (USDA) (USDA Loan) in the principal amount of $26,000. The USDA Loan carries a fixed interest rate of 3.5%. Monthly principal and interest payments beginning in August 2015 in the amount of $108 through July 2050, collateralized by all personal property and revenue of PMH. The USDA Loan is not guaranteed by the Obligated Group. The residual balance of the PMH Construction Loan amounted to approximately $11,640 and was converted to a term loan in July 2015.

The PMH Construction Loan carries an adjustable interest rate (2.21% as of December 31, 2022). Monthly principal and interest payments of $60 beginning in August 2015 through July 2040. The PMH Construction Loan is collateralized by all personal property and revenue of PMH and is guaranteed by the Obligated Group.

Other—CAMC maintains a $10,000 working capital line of credit with a local bank, which expires on December 31, 2023, renewing annually. As of December 31, 2022 and 2021, there was no outstanding balance. A note securing the line of credit has been issued under the Master Indenture.

As of December 31, 2022 and 2021, there was $2,602 and $2,602, respectively, committed to four undrawn recurring letters of credit related to workers' compensation. These letters of credit are renewed annually.

CAMC is one of three charter members of HealthNet Aeromedical Services, Inc. (HNET), a West Virginia nonprofit corporation, that provides air medical transportation service to CAMC's primary patient population. HNET is not a consolidated entity of the Parent. CAMC has issued guarantees to support the acquisition, renovation, and replacement of two medical helicopters. In February 2020, one guarantee in the amount of $3,950 was fully amortized. In March 2020, CAMC entered into another guarantee in the amount of $7,344. The guarantees reduce as HNET's lease liability for each of the helicopters is repaid. As of December 31, 2022 and 2021, CAMC had not been called upon to make payments under the guarantee agreement.

CAMC has recorded $5,955 and $7,121 as of December 31, 2022 and 2021, respectively, as a finance lease obligation for these helicopters as a result of the lease guarantees and the helicopters being primarily used by CAMC.

MHS has recorded $30,776 as of December 31, 2022, as a finance lease obligation related to the lease of an ambulatory office park primarily used by MHS and affiliates.

MGH and MES have entered into 50-year lease agreements with the Commission for the lease of their facilities. Annual lease payments are equal to the annual debt service requirements for the Series 2008A, 2008B, 2015, and 2021 Bonds as stipulated by the Bond Trust Indentures and the related lease agreement, as amended and supplemented.

Debt-Service Requirements—The System is required to make principal payments under long-term debt and finance lease obligations. The required principal payments are as follows:

	2023	2024	2025	2026	2027	Thereafter	Total
2022 Series A Taxable Bonds	$ -	$ -	$ -	$ -	$ -	$100,000	$100,000
2019 Series A Bonds	-	-	-	-	-	87,985	87,985
2019 Series B Bonds	1,118	10,999	-	-	-	-	12,117
2014 Series A Bonds	-	8,115	8,530	9,370	9,565	10,045	45,625
2013 Taxable Debt Notes	2,145	2,245	2,335	2,440	2,550	52,660	64,375
2008 Series A Bonds	2,525	2,640	2,745	2,845	2,985	94,255	107,995
2021 Series A Bonds	735	750	750	750	750	10,888	14,623
2015 Series Bonds	2,020	2,120	2,230	2,760	2,900	29,342	41,372
2008 Series A Bonds	115	125	140	155	170	33,265	33,970
2008 Series B Taxable Bonds	375	390	410	435	455	8,095	10,160
Marion Note Payable	298	304	313	11,536	1	-	12,452
Marion Term Loan	438	449	460	73	0	-	1,419
PMH Construction Loan	436	445	455	465	476	6,793	9,070
USDA Loan	503	518	539	558	578	20,080	22,776
Finance lease obligations	2,392	1,775	1,724	1,499	1,507	29,139	38,036
Total principal	13,100	30,875	20,631	32,886	21,937	482,547	601,975
Plus unamortized bond premium	1,154	1,154	1,154	1,154	1,154	9,297	15,067
Less deferred financing costs	(182)	(182)	(182)	(182)	(182)	(2,203)	(3,113)
Principal—net	$14,072	$31,847	$21,603	$33,858	$22,909	$489,641	$613,929

Derivatives—The System has entered into floating-to-fixed and floating-to-floating interest rate swap agreements in connection with its debt management program. The objective is to reduce the amount of interest related to outstanding debt obligations. Such agreements are not designated as hedging instruments. Net interest paid or received under the swap agreements is included in the consolidated statements of operations as a component of interest and debt expense, while the change in the fair value of the derivative is reported separately in the consolidated statements of operations.

The System's interest rate swap agreements as of December 31, 2022 and 2021, are as follows:

			Notional Amount	
Swap Type	Expiration Date	System Pays	2022	2021
Floating	September 4, 2027	USD-securities industry and financial markets association municipal bond index	$ 50,000	$ 50,000
Fixed	September 1, 2037	4.22%	88,780	90,720
Fixed	July 1, 2040	3.68%	34,070	-
Fixed	July 1, 2040	4.77%	10,945	-
			$ 183,795	$ 140,720

Net interest paid and received on System's interest rate swap transactions was an expense of $559 and $2,877 for the years ended December 31, 2022 and 2021, respectively.

Under the terms of certain derivative contracts, the Obligated Group is required to maintain collateral posted with the counterparty to secure a portion of the estimated value of the derivative instruments when said instruments are valued in favor of the counterparty, as periodically determined by the counterparty. Collateral must be posted when the applicable aggregate derivative values exceed $5,000 in favor of the counterparty. As of December 31, 2022 and 2021, $3,610 and $20,450, respectively, of collateral had been posted. The System's accounting policy is not to offset collateral amounts against amounts recognized for derivative obligations. Accordingly, the posted collateral is included in assets limited as to use in the accompanying consolidated balance sheets.

Generally, the counterparties to the transactions could force an early termination if the Obligated Group's underlying credit rating declines from Baa1 to Baa3 or below as determined by Moody's Investors Service if the Obligated Group fails to post collateral or if the Obligated Group fails to make swap payments. Aggregate termination payments would approximate the fair market value of the outstanding instruments as reported above.

To evidence its obligations under the derivatives, promissory notes were negotiated by CAMC and the swap counterparty to give the swap counterparty security for the Obligated Group's obligations under the derivative agreements. The actual obligation of the Obligated Group on these notes may vary significantly from the nominal amounts of each note. No amounts are outstanding under these notes.

The following table summarizes the estimated fair value of the System's derivative financial instruments at December 31, 2022 and 2021:

Derivatives not Designated as Hedging Instruments	**Consolidated Balance Sheet Location**	**2022**	**2021**
Asset derivatives—interest rate swaps	Prepaid expenses and other	$ 3,069	$ 4,537
Liability derivatives—interest rate swaps	Derivative obligation	11,731	25,325
Net amount		$ 8,662	$ 20,788

9. LEASES

The System leases various land, computer, office, and movable equipment under noncancelable operating and financing lease agreements expiring at various dates through 2042. Initial lease terms are typically three to 10 years. We do not record short-term leases in our consolidated balance sheets.

We determine if an arrangement is a lease at inception of the contract. Our ROU assets represent our right to use the underlying assets for the lease term and our lease liabilities represent our obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the rate implicit in the lease is not readily determinable in most of our leases, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. The System's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise those options. Additionally, our leases do not contain any material residual guarantees or material restrictive covenants.

The components of lease cost for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Operating lease cost:		
Operating lease cost	$3,017	$2,350
Short-term lease cost	764	505
Variable lease cost	190	205
Total operating lease cost	$3,971	$3,060

Operating lease cost and amortization of the operating lease ROU assets are included in supplies and other in the accompanying consolidated statements of operations.

The weighted-average lease terms and discount rates for operating and finance leases for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Weighted-average remaining lease term (years)—operating leases	4.7	5.0
Weighted-average discount rate - operating leases	3.8 %	4.5 %
Weighted-average remaining lease term (years)—finance leases	11.48	-
Weighted-average discount rate - finance leases	2.9 %	-

Cash flow and other information related to operating leases for the years ended December 31, 2022 and 2021, was as follows:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities—operating cash outflows for operating leases	$3,774	$2,197
Noncash ROU assets obtained in exchange for lease obligations—operating leases	588	230

Future maturities of operating and finance lease liabilities as of December 31, 2022, are as follows:

Years Ending December 31	Operating Leases	Finance Leases
2023	$ 5,154	$ 4,116
2024	4,536	3,454
2025	3,392	3,459
2026	2,534	3,692
2027	1,557	3,634
Thereafter	4,703	25,969
Total undiscounted lease payments	21,876	44,324
Less imputed interest	2,661	6,288
Total lease liabilities	$19,215	$38,036

10. LIABILITIES FOR SELF-INSURANCE RESERVES

Certain subsidiaries of the System are self-insured for professional malpractice and general liability claims through Vandalia Health System, Inc. and Affiliates Malpractice Self-Insurance Trust (the "Trust"). This is a revocable trust. Participating affiliates have proportionate rights to the Trust's account balance held under the custodial management of a bank trust department and can withdraw from the Trust, subject to certain actuarially determined thresholds. The Trust's account may be used for payment of any professional malpractice and general liability losses, expenses relating thereto, costs of administering the Trust, and insurance premiums for coverage in excess of the self-insured limits.

Obligations of the Trust are determined using statistical analysis by an independent actuarial valuation of occurrence-based risks, which includes consideration of incurred but not reported claims exposure. The Vandalia Health System's methodology for estimating this self-insured obligation is a simulation modeling approach largely dependent on the System's actual loss history and certain national, regional, and state-specific claim statistics. In management's opinion, recorded reserves are adequate to cover the future settlement value of claims. However, it is reasonably possible that recorded reserves may not be adequate to cover the future settlement of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in operations in the periods in which such adjustments are known.

As of December 31, 2022 and 2021, the Vandalia Health System has recorded $41,351 and $24,920, respectively, as the liability for self-insured asserted and unasserted professional malpractice and general liability claims. The estimated current portion of $7,632 and $10,000 as of December 31, 2022 and 2021, is recorded in current liabilities in the accompanying consolidated balance sheets. The estimated liability for such malpractice and general liability claims related to all of Vandalia Health System, with the exception of Monongalia Health System has been discounted using a discount rate of 4% and 1% as of December 31, 2022 and 2021, respectively. The estimated liability for such professional and general liability claims related to Monongalia Health System has been discounted using a discount rate of 4% as of December 31, 2022.

The malpractice self-insurance limits related to all Vandalia Health System subsidiaries, with the exception of Monongalia Health System, Inc. are a maximum $3,000 per occurrence and a maximum annual aggregate limit of $12,000 for May 1, 2001, through April 30, 2002; $5,000 per occurrence and a maximum annual aggregate limit of $20,000 for May 1, 2002, through April 30, 2003; $7,000 per occurrence and a maximum annual aggregate limit of $25,000 for May 1, 2003, through April 30, 2004; $10,000 per occurrence and a maximum annual aggregate limit of $30,000 for May 1, 2004, through April 30, 2011; $10,000 per reported claim and a maximum annual aggregate limit of $25,000 for May 1, 2011, through April 30, 2018; and $10,000 per occurrence and maximum annual aggregate limit of $30,000 for May 1, 2018, through April 30, 2022.

MHS carries excess umbrella coverage with a commercial carrier and is maintained in two additional layers, one in the amount of $5,000 and the other in the amount of $10,000 for each occurrence and one-year aggregate. This funded amount in the self- insurance trust is intended to provide a first line coverage and the excess coverage for contingency funding for professional and general liability losses that may occur above the self-insured retention. MHS has recorded a receivable, included in other receivables within the consolidated balance sheet for estimated insurance recoveries of approximately $2,621 as of December 31, 2022, with a corresponding liability in self-insurance reserves within the consolidated balance sheet.

Prior to 2012, certain members of the System were also self-insured for workers' compensation, unemployment compensation, disability, and employee health insurance. The long-term portion of workers' compensation obligations (excluding MHS) recorded as a component of the long-term portion of self-insurance reserves is $491 and $820 as of December 31, 2022, and 2021, respectively. The current portion of workers' compensation obligations for the System recorded as a component of accounts payable and accrued expenses is $1,991 and $825 as of December 31, 2022, and 2021, respectively. Beginning January 1, 2012, all System members became insured for workers' compensation. Self-insured workers' compensation obligations are reserved for claims prior to the effective date of January 1, 2012, including incurred, but not reported claims. Beginning on January 1, 2012, claims are administered under a deductible insured program with limits of $1,000 per occurrence and $3,000 annual aggregate.

11. RETIREMENT OBLIGATIONS

Supplemental Executive Retirement Plans (SERPs)—The System (excluding MHS) maintains a Defined Benefit SERP ("Benefit SERP Plan") for the benefit of select corporate officers which is recorded as a component of retirement obligations in the consolidated balance sheets. The Benefit SERP Plan, when combined with the retirement savings plan, is intended to provide corporate officers with a retirement benefit from all System sources (including 50% of social security benefits) of approximately 55% of the officer's average compensation during his or her final five years of employment with an assumed normal retirement age of 60. Generally, an officer may become fully vested in the Benefit SERP Plan benefits at age 60 with at least 30 years of service. Partial vesting in these benefits begins at age 55 with at least five years of service. Benefit payments under this plan generally do not commence until 24 months after termination of employment. The Benefit SERP Plan is an unfunded and nonqualified plan.

The table below sets forth the change in the benefit obligation of the Benefit SERP Plan for the years ended December 31, 2022 and 2021:

	2022	2021
Projected benefit obligation—beginning of year	$ 8,114	$ 7,723
Service cost	335	373
Interest cost	186	130
Actuarial gain	(2,132)	(112)
Projected benefit obligation—end of year	$ 6,503	$ 8,114

The accumulated benefit obligation for the Benefit SERP Plan was $6,180 and $7,543 as of December 31, 2022 and 2021, respectively.

Included in net assets without donor restrictions as of December 31, 2022 and 2021, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $(1,035) and unrecognized actuarial gain of $1,146, respectively, and unrecognized net prior service cost of $598 and $700, respectively.

The benefit payments, which reflect expected future service, as appropriate, expected to be paid by the Benefit SERP Plan during the years ending December 31 are as follows:

Years Ending December 31	
2023	$ 698
2024	-
2025	3,723
2026	-
Thereafter	4,551

The components of net periodic benefit cost for the Benefit SERP Plan for the years ended December 31, 2022 and 2021, are as follows:

	2022	**2021**
Service Cost	$ 335	$ 373
Interest Cost	186	130
Actuarial loss	48	118
Amortization of prior service cost	102	104
Net periodic benefit cost	$ 671	$ 725

Service cost is recorded in salaries and wages and the remainder of net periodic benefit cost is recorded in employee benefits in the consolidated statements of operations. Actuarial plan assumptions for the years ended December 31, 2022 and 2021, are as follows:

	2022	**2021**
Assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	2.20 %	1.60 %
Expected rate of compensation increase	3.00	3.00
Assumptions used to determine benefit obligations as of December 31:		
Discount rate	5.25	2.20
Expected rate of compensation increase	3.00	3.00
Lump-sum interest rate	3.75	1.50

The Vandalia Health System, Inc. (excluding Monongalia Health System) also offers a Defined Contribution Plan (“Contribution Plan”) and a Target Benefit Defined Contribution Plan (“Target Plan”), which were established in 2019. Corporate officers new to the System will be invited into the Contribution Plan going forward. Corporate officers currently participating in the existing Benefit SERP Plan were offered an opportunity to transfer participation to the new Target Plan. SERP benefits for executives who chose to elect into the Target Plan had their benefits under the Benefit SERP Plan frozen as of February 29, 2020. The Target Plan began March 1, 2020, and provides an annual employer contribution that targets providing 55% of final average compensation at age 60 with 30 years of service.

The Target Plan and Contribution Plan are funded annually. Contributions of $539 and $471 were made to these plans for the years ended December 31, 2022 and 2021, respectively. The corresponding investment account, recorded within assets limited as to use in the consolidated balance sheets, had a total of $1,274 and $927, including $(192) and $85 of investment (losses) earnings, as of December 31, 2022 and 2021, respectively. The total liability is $1,385 and $811 as of December 31, 2022 and 2021, respectively, and is recorded within retirement obligations in the consolidated balance sheets.

Retirement Savings Plan—Employees of the Vandalia Health System (excluding Monongalia Health System) are eligible to participate in a retirement savings plan. Employees may contribute from 1% to 100% of their salary to the plan, subject to certain limitations, and the employers will match from 1% to 4% of salary based on the employees' salary deferrals made during the plan year; 100% match on the first 3% deferred, and 50% match on the next 2% with 4% being the maximum. Total employer contributions to the retirement savings plan were $15,397 and $14,934 during 2022 and 2021, respectively.

Monongalia Health System, Inc. Retirement Plan—The Monongalia Health System Plan was frozen, effective August 31, 2007, by way of an amendment approved on June 27, 2007. All the contributions necessary to fund the retirement benefits provided under the plan are placed in a trust fund. These assets consist primarily of common collective trusts with underlying investments in common stock, obligations of the United States government and its instrumentalities, and corporate bonds. Contributions required to fund plan benefits under the "final average pay formula" and "cash balance formula" are determined according to the projected unit credit funding method. Early retirement, deferred retirement, termination, disability, and pre-retirement death benefits are also provided under the Monongalia Health System Plan.

Monongalia Health System recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability on the consolidated statements of financial position and recognizes changes in that funded status in the year in which the changes occur. Funded status is measured as the difference between plan assets at fair value and the benefit obligation.

Monongalia Health System uses a June 30 measurement date for its defined benefit plan. In accordance with FASB ASC 715, *Compensation – Retirement Benefits*, the MHS is required to recognize a minimum liability relating to the underfunded status of the Monongalia Health Plan. An underfunding result whenever the accumulated benefit obligation exceeds the fair value of the Plan assets. The minimum pension liability adjustment is reflected as a component of other changes in net assets without donor restrictions on the consolidated statements of operations.

Obligation and funded status—The following table sets forth the changes in benefit obligations, changes in plan assets, and components of net periodic benefit cost for the defined benefit plan as of December 31, 2022 and for the period September 1, 2022 through December 31, 2022:

Benefit obligation as of September 1, 2022	$ 190,287
Service cost	227
Interest cost	2,873
Benefits paid from the plan assets	(3,968)
Actuarial loss (gain)	(10,547)
Benefit obligation at end of year	178,872
Fair value of plan assets as of September 1, 2022	181,893
Actual return on plan assets	(7,473)
Benefits paid from plan assets	(3,968)
Fair value of plan assets at end of year	170,452
Unfunded status	$ 8,420
Amounts recognized on consolidated balance sheet	
Noncurrent liabilities	$ (8,420)
Net amount (obligation) recognized in Statement of financial position	$ (8,420)
Components of net periodic benefit cost:	
Service cost	$ 227
Interest cost	2,873
Expected return on plan assets	(3,496)
Net periodic benefit cost	$ (396)

Other changes in Monongalia Health System plan assets and benefit obligations recognized in unfunded accumulated benefit obligation for the period September 1, 2022 through December 31, 2022:

Prior service credit (cost)	$ -
Net gain (loss)	(422)
Accumulated other comprehensive income (loss)	$ (422)

Total changes recognized in other changes in net assets without donor restrictions $422. Amounts recognized in the consolidated financial statements consist of the following as of December 31, 2022 and for the period September 1, 2022 through December 31, 2022:

Accrued benefit cost	$ 8,420
Additional minimum pension income adjustment	26
Net periodic benefit	$ 8,394

Actuarial plan assumptions for the period September 1, 2022 through December 31, 2022, are as follows:

Assumptions used to determine net periodic benefit cost for the period September 1, 2022 through year ended December 31, 2022:	
Discount rate	4.70 %
Expected long-term rate on plan assets	6.55
Assumptions used to determine benefit obligations as of December 31:	
Discount rate	5.43
Expected rate of compensation increase	-

Various factors are considered in estimating the expected long-term rate of return on Monongalia Health System plan assets. Among the factors considered include the historical long-term returns on plan assets, the current and expected allocation of plan assets, input from actuaries and investment consultants, and long-term inflation assumptions.

Allocation of Monongalia Health System plan assets is based on a diversified portfolio consisting of common collective trusts with underlying investments in fixed income as well as domestic and international equity securities. The investment policy for the defined benefit plan is to balance risk and return using a diversified portfolio consisting primarily of high-quality equity and fixed income securities. To accomplish this goal, the Monongalia Health System Plan's assets are actively managed by outside investment managers with the objective of optimizing long-term return while maintaining a high standard of portfolio quality and proper diversification. The maturities of fixed income securities are monitored so there is sufficient liquidity to meet current benefit payment obligations. The Pension and Investment Committee provides oversight of the MHS Plan investments and the performance of the investment managers.

The composition of the Monongalia Health System Plan assets and targeted allocation percentages are as follows as of December 31:

	2022	**Target Range**
Asset Category:		
Debt Securities	79 %	50-75%
Equity Securities	18	15-25%
Cash & Cash Equivalents	3	0-20%
	100 %	

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2022:

Cash and cash equivalents—Cash and cash equivalents include deposits and certificates of deposit. Due to their short-term nature, the carrying amounts approximate fair value.

Money market funds—These investments are public investment vehicles valued using $1 for the Net Asset Value (NAV). The money market fund is classified within Level 1 of the valuation hierarchy.

Equity and fixed income—The investments are valued at the closing price reported in the active market on which the individual securities are traded and quoted market prices in active markets.

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

The following tables present the fair values of MHS's pension plan assets at fair value as of December 31, 2022, by asset category:

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and other	$ 2,392	$ 2,392	$ -	$ -
Money Market fund	3,431	3,431	-	-
Equity:				
Small/mid cap	30,253	30,253	-	-
International	2,454	2,454	-	-
Fixed Income:				
Long duration	109,604	-	109,604	-
Opportunistic	22,318	-	22,318	-
Total assets at fair value	$ 170,452	$ 38,530	$ 131,922	$ -

Contributions and estimated future benefits—No contributions were made to the MHS Plan for the plan year ended December 31, 2022. Monongalia Health System does not expect to make any contributions to the plan during fiscal year 2023.

Expected pension benefits to be paid in future years are as follows as of December 31, 2022:

Years Ending December 31:	
2023	$ 12,705
2024	13,003
2025	13,211
2026	13,374
2027	13,516
2028 to 2032	66,827

Preston Memorial Retirement Plan—The Preston Memorial Hospital Corporation Retirement Plan (PMH Plan) for the employees of PMH is a single employer defined benefit pension plan administered by PMH. The PMH Plan provides retirement benefits to PMH Plan members and beneficiaries. There were no required contributions for the year ended December 31, 2022. The most recent actuarial valuation was performed as of December 31, 2022, with a mid-year update for reporting purposes showing plan assets of $3,864 and actuarial accrued liability of $4,135. The resulting unfunded status of the PMH Plan in the amount of $271 as of December 31, 2022, is recorded as part of the other long-term liabilities on the accompanying consolidated balance sheets. The change in minimum pension obligation amounted to $88 for the year ended December 31, 2022, which is recorded as part of the change in retirement obligation actuarial loss and prior service cost on the accompanying consolidated statements of changes in net assets.

Rabbi Trust — Monongalia Health System provides supplemental retirement for certain key executives using a non- statutory mutual fund option plan (assets prior to May 8, 2002) and Internal Revenue Code

§457(b) and §457(f) Plans. other highly compensated employees can participate in the §457(b) plan through voluntary withholdings. A Rabbi Trust (trust) is used to hold the assets of all three plans. The funding required for the employer provided supplemental retirement is recorded as additional salary expense. The actual funds are held by a bank, which is the trustee of the trust. The assets are recorded in assets limited as to use and the compensation liability is recorded in retirement obligation.

12. RELATED-PARTY TRANSACTIONS.

West Virginia University (WVU) employs physicians who provide medical education and supervision to the resident physicians employed by CAMC. During the years ended December 31, 2022 and 2021, CAMC provided $14,400 and $17,338, respectively, to WVU for the physicians who teach and supervise the resident physicians fees for services, income guarantees, support, and other expenses. The fees paid are included in either professional compensation and fees or supplies and other within the consolidated statements of operations, depending on the nature of the transaction. CAMC has committed $2,200 to further support WVU during 2023 for the use of the teaching and supervising physicians.

CAMC, Cabell Huntington Hospital, and WVU Hospital are members of HNET. Each member's legally controlled percentage is 33.3%. HNET is recognized as exempt from federal income tax under Section 501(c)(3) of the Code. Members are required to support HNET to the extent that expenses exceed revenues. For the years ended December 31, 2022 and 2021, HNET's expenses exceeded revenues by $ 2,331 and $1,603, respectively. Amounts due from/to HNET were $ (200) and $178 included in accounts payable and accrued expenses as of December 31, 2022 and 2021, respectively.

In 2014, CAMC purchased an interest in Charleston Area Radiation Therapy Centers, LLC, which manages the technical component of radiation therapy services offered by CAMC. Alliance Oncology, LLC owns a 50% interest; CAMC owns a 20% interest; and Charleston Radiation Therapy Consultants, PLLC owns a 30% interest in Charleston Area Radiation Therapy Centers, LLC. For the years ended December 31, 2022 and 2021, Charleston Area Radiation Therapy Centers, LLC's revenues exceeded expenses by $2,279 and $6,377, respectively. Amounts due to Charleston Area Radiation Therapy Centers, LLC included in accounts payable and accrued expenses were $616 and $834 as of December 31, 2022 and 2021, respectively.

13. FUNCTIONAL EXPENSES

The functional expenses related to the System's operations as of December 31, 2022 and 2021, are as follows:

	For the Year Ended December 31, 2022			
	Health Care Services	Support Services		
		Administrative	Fundraising	Total
Nonphysician salaries and wages	$ 352,857	$139,426	$300	$ 492,583
Physician salaries and wages	103,149	8,896	3	112,048
Employee benefits	38,328	128,434	60	166,822
Professional compensation and fees	67,809	21,225	2	89,036
Supplies and other	417,789	188,510	383	606,682
Depreciation and amortization	25,989	25,233	2	51,224
Medicaid provider tax	3,167	37,708	1	40,876
Interest and debt expense	1,753	12,296	1	14,050
Change in fair value of derivatives	(1,947)	(17,890)	-	(19,837)
Total	$1,008,894	$543,838	$752	$1,553,484

	For the Year Ended December 31, 2021			
	Health Care Services	Support Services		
		Administrative	Fundraising	Total
Nonphysician salaries and wages	$300,030	$135,202	$177	$ 435,409
Physician salaries and wages	86,917	6,613	-	93,530
Employee benefits	26,863	131,333	15	158,211
Professional compensation and fees	21,363	22,335	-	43,698
Supplies and other	337,875	173,407	249	511,531
Depreciation and amortization	17,465	27,291	-	44,756
Medicaid provider tax	-	36,242	-	36,242
Interest and debt expense	-	13,173	-	13,173
Change in fair value of derivatives	-	(5,639)	-	(5,639)
Total	$790,513	$539,957	$441	$1,330,911

14. COMMITMENTS, CONTINGENCIES, AND LITIGATION

Entities of the System are party to several lawsuits. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits. In the opinion of management, after consultation with counsel, adequate insurance and self-insurance reserves exist in the event of any significant financial exposure. Accordingly, in the opinion of management, resolution of those matters is not expected to have a material adverse effect on the System's consolidated financial position. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all these matters could materially affect the future consolidated results of operations or cash flows in a particular period.

Asset Retirement Obligations—Management, based on its consideration of asset retirement activities, such as asbestos removal on existing properties, does not believe that remediation of such items will have a material effect on the consolidated financial statements.

Information Technology Outsourcing—On April 3, 2015, CAMC signed an agreement (the "Cerner Agreement") with Cerner Corporation to replace the then-existing clinical and revenue cycle software and deliver functionality to meet regulatory requirements. The annual provisions of the Cerner Agreement begin April 1 of each year. Under the Cerner Agreement, CAMC paid $4,469 in 2022. On November 30, 2022, this agreement was amended to incorporate the addition of Mon Health System and CAMC Greenbrier Valley Medical Center through 2032 for the license of the underlying software, implementation, and related maintenance and support. Annual payments are recorded in supplies and other in the consolidated statements of operations.

Replacement facility—SJMH filed an application for a certificate of need to build a replacement facility. The application was denied by the West Virginia Healthcare Authority on June 13, 2022. Subsequent to the denial, SJMH filed an appeal in the West Virginia Intermediate Court of Appeals. The appeal hearing took place on January 11, 2023, and SJMH awaits the decision. The project costs filed in the original certificate of need application total $55,950.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The System uses a three-level valuation hierarchy for disclosure of fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3—Inputs to the valuation methodology are unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

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.

The financial instruments carried at fair value as of December 31, 2022, by caption, in the consolidated balance sheets by the three-level valuation hierarchy defined above are as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash equivalents	$ 120,405	$ -	$ -	$ 120,405
Equity securities	175,084	-	-	175,084
Equity mutual funds	226,675	-	-	226,675
Debt securities issued by US Treasury and other US government corporations and agencies	12,233	45,635	-	57,868
Debt securities issued by states of the United States and political subdivisions of the states	-	3,791	-	3,791
Fixed-income securities	-	58,933	-	58,933
Fixed-income mutual funds	83,394	-	-	83,394
Total investments in fair value hierarchy	$ 617,791	$ 108,359	$ -	$ 726,150
Cash	-	-	-	29,851
Equity method investments and other	-	-	-	8,730
Alternative investments	-	-	-	36,732
Total investments at fair value	$ -	$ -	$ -	$ 801,463
Asset derivatives—interest rate swaps	$ -	$ 3,069	$ -	$ 3,069
Liability derivatives—interest rate swaps	$ -	$ 11,731	$ -	$ 11,731

The financial instruments carried at fair value as of December 31, 2021, by caption, in the consolidated balance sheets by the three-level valuation hierarchy defined above are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	$ 33,437	$ -	$ -	$ 33,437
Equity securities	157,853	-	-	157,853
Equity mutual funds	220,648	-	-	220,648
Debt securities issued by US Treasury and other US government corporations and agencies	3,874	28,037	-	31,911
Debt securities issued by states of the United States and political subdivisions of the states	-	9,269	-	9,269
Fixed-income securities	-	51,143	-	51,143
Fixed-income mutual funds	242,686	-	-	242,686
Total investments in fair value hierarchy	$ 658,498	$ 88,449	$ -	$ 746,947
Cash	-	-	-	3,995
Equity method investments and other	-	-	-	5,534
Alternative investments	-	-	-	22,987
Total investments at fair value	$ -	$ -	$ -	$ 779,463
Asset derivatives—interest rate swaps	$ -	$ 4,537	$ -	$ 4,537
Liability derivatives—interest rate swaps	$ -	$ 25,325	$ -	$ 25,325

Following is a description of the System's valuation methodologies for assets and liabilities measured at fair value.

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments:

Cash Equivalents—Cash equivalents are valued at the quoted price reported on the applicable exchange on which the investment is traded.

Equity Securities—Equity securities are valued at the quoted price reported on the applicable exchange in an active market on which the investment is traded.

Equity Mutual Funds and Fixed-Income Mutual Funds—Mutual funds are valued using the net asset value based on the quoted price reported on the applicable exchange in an active market on which the investment is traded.

Debt Securities Issued by US Treasury and Other US Government Corporations and Agencies, Debt Securities Issued by States of the United States and Political Subdivisions of the States, and Fixed-Income Securities—Debt securities are valued using quoted market prices and/or other market data for the same or comparable securities and transactions in establishing the prices, discounted cash flow models, and other pricing methods. These models are primarily industry-standard models that consider various assumptions, including the time value and yield curve, as well as other relevant economic measures. Due to the nature of pricing methods utilized, debt securities are classified as Level 2 within the fair value hierarchy.

Derivatives—The fair value of the derivative instruments are based on observable inputs from market sources that aggregate data based upon market transactions (see Note 8). In determining the fair value of the System's derivative instruments, quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability. In order to determine the risk of nonperformance for derivative instruments, the System determines the credit spread for debt issues by entities with similar credit characteristics to the System. The fair value of the System's derivative instruments will adjust based on the nonperformance risk of the System when the derivative instrument is in a liability position or by each counterparty when the derivative instrument is in an asset position.

The System is required to assess its credit risk versus its counterparties; this assessment resulted in an increase in the asset and decrease in the liability of $2,114 and $2,949 for the years ended December 31, 2022 and 2021, respectively.

16. ENDOWMENT—WITH DONOR RESTRICTION

The System's endowment is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and consists of 151 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of the System has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment required by the donor gift instrument, if applicable. The remaining portion of the donor-restricted endowment fund that is not classified as a fund restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure. In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

a. The duration and preservation of the fund
b. The purposes of the System and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the System
g. The investment policies of the System

The System's investment and spending policies for endowment assets are structured to provide a predictable stream of funding to programs supported by the endowment and maintain purchasing power of the endowment assets. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation, and investment management costs, of at least 5% in perpetuity. Therefore, the desired minimum rate of return is equal to the consumer price index, plus 6% on an annualized basis. Actual returns in any given year will vary.

To satisfy 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) and current yield (interest and dividends). The System targets a diversified asset allocation that places a greater emphasis on equity-based and fixed-income investments to achieve its long-term objective within prudent risk constraints.

The System computes a 12-quarter trailing average market value of each portfolio as of the prior June 30 and makes 5% of that amount available for expenditure. The computed value may be adjusted for large contributions, withdrawals, or market value swings as necessary to produce the desired level of cash. With this policy, the annual dollar amount available for spending will be known at the beginning of the year. If necessary, quarterly transfers of approximately 1.25% are scheduled for transfer to the Foundation's main cash account.

Changes in endowment funds for the years ended December 31, 2022 and 2021, consisted of the following:

	2022	2021
Net assets—beginning of year	$ 97,991	$ 85,094
Acquired through member substitution	1,012	-
Investment income—net	(10,625)	9,490
Contributions	167	3,848
Fund transfer	-	37
Change in beneficial interest	(8)	-
Appropriation of endowment assets for expenditure	(1,231)	(478)
Net assets—end of year	$ 87,306	$ 97,991

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor or UPMIFA requires the System to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new net assets with donor restrictions contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees. There were no significant deficiencies of this nature that are reported in net assets without donor restrictions as of December 31, 2022 and 2021.

17. INTANGIBLE ASSETS

The System's identifiable intangible assets with finite lives are being amortized over their estimated useful lives and are as follows:

	December 31, 2022			
	Gross Carrying Amount	Accumulated Amortization	Net	Useful Life
Noncontract relationships—recorded in other assets	$ 4,131	$ (2,479)	$ 1,652	20 years
Intangibles—software—recorded in property, equipment, and information systems	81,529	(75,516)	6,013	7 years
Intangibles—trade name, licenses, and other—recorded in other assets	15,851	-	15,851	Indefinite

	December 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net	Useful Life
Noncontract relationships—recorded in other assets	$ 4,131	$ (2,272)	$ 1,859	20 years
Intangibles—software—recorded in property, equipment, and information systems	87,817	(79,521)	8,296	7 years

Amortization expense for finite-lived intangible assets was $5,254 and $7,858 for the years ended December 31, 2022 and 2021, respectively. The following is a schedule of estimated future amortization of finite-lived intangible assets as of December 31, 2022:

Years Ending December 31	
2023	$ 4,513
2024	1,362
2025	757
2026	207
2027	206
Thereafter	620
Total	$ 7,665

18. MEMBER SUBSTITUTION

In April 2022, the System and MHS entered into a member substitution agreement for the System to become the sole member of MHS and for MHS to become financially, clinically, and administratively integrated into the System (the "Transaction"). The Transaction closed on September 1, 2022. As part of the transaction, the System has recorded an inherent contribution totaling approximately $257,974 in 2022, which represents the excess of the fair value of assets acquired over the fair value of liabilities assumed from the transaction. The following information summarizes the recorded values of the assets acquired and liabilities assumed for the System on September 1, 2022:

Assets	
Cash and cash equivalents	$ 16,140
Short-term investments	464
Current portion of assets whose use is limited	20,547
Patient receivables	55,933
Other receivables	7,913
Estimated amounts due from third-party payors	5,880
Inventories	9,575
Prepaid expenses and other	3,288
Assets limited as to use	118,003
Property, equipment, and information systems-net	220,105
Right of use assets-operating leases	52,009
Other assets	42,546
Total assets	$ 552,403
Liabilities	
Accounts payable and accrued expenses	$ 23,633
Medicare accelerated payments liability	8,282
Current portion of self-insurance reserves	2,532
Derivative obligation	7,712
Accrued payroll and payroll-related expenses	21,735
Operating lease liabilities	1,970
Current maturities of long-term debt and finance lease obligations	7,114
Long-term debt and finance lease obligations-less current maturites	171,249
Long-term operating lease liabilities	4,025
Retirement obligations	3,860
Self-insurance reserves-less current portion	11,770
Other	24,050
Total liabilities	287,932
Net assets without donor restriction	257,974
Net assets with donor restriction	6,497
Total net assets	264,471
Net assets acquired over liabilities assumed	$ 264,471

Concurrently with the closing of the Transaction, the MHS Obligated Group, along with SJMH were joined with members from Vandalia Health's then existing obligated group (herein known as "the Joinder") and, as a result, became a party to the Amended and Restated CAMC Master Trust Indenture. As of the date of the Transaction and Joinder, all members of the MHS Obligated Group, along with SJMH and all members of the CAMC Obligated Group were combined into one obligated group, under the CAMC Master Trust Indenture.

In order to streamline covenants and reporting requirements, and to otherwise comply with the terms of the CAMC Master Trust Indenture, the Group Agent (as defined in the CAMC Master Trust Indenture) on behalf of the CAMC Obligated Group entered into amendments of existing financial obligations of the MHS Obligated Group in order to conform to the requirements contained in the CAMC Master Trust Indenture. Those modifications became effective at the time of closing of the Transaction.

Effective with the date of the Transaction, any obligations previously issued by the MHS Obligated Group have been replaced with substitute notes or other instruments issued under the CAMC Master Trust Indenture. These substitute notes and other instruments are subject to the provisions contained of the CAMC Master Trust Indenture along with the provisions contained in a series of respective continuing covenant agreements and other documents as amended pursuant to the Transaction.

The results of operations for MHS are included in the consolidated schedule of operations and changes in net assets beginning on September 1, 2022. For the period from September 1 through December 31, 2022, MHS had total operating revenues of $147,060, an operating loss of $(5,356) and deficiency in revenues over expenses of $(3,462). Additionally, for the period September 1 through December 31, 2022, MHS recognized an increase in net assets without donor restriction of $2,311, and an increase of $305 in net assets with donor restrictions.

19. SUBSEQUENT EVENTS

As discussed in Note 5, during 2022, the Parent and CAMC Greenbrier Valley Medical Center, Inc., entered into an asset purchase agreement to acquire the assets of GVMC. This transaction closed on January 1, 2023. CAMC GVMC purchased the assets of GVMC. CAMC GVMC joined the obligated group in 2022 (December 21, 2022) then purchased the assets of GVMC in 2023 (January 1, 2023).

On December 30, 2022, the Parent and CAMC Plateau Medical Center, Inc. entered into an asset purchase agreement of $92,077 to acquire the assets of Plateau Medical Center owned by CHS. There was $100,000 of debt incurred to complete the purchase and CAMC PMC became a member of the Obligated Group on February 14, 2023. This transaction closed on April 1, 2023.

On February 16, 2023, CAMC entered into a guaranty agreement with Davis Health System, Inc. and Truist Bank to guarantee promissory note of $20,000 which shall be payable by Davis Health System, Inc. beginning September 2024 and continuing through February 2033.

On April 17, 2023, CAMC filed a Letter of Intent with the WV Health Care Authority to purchase a majority share of Charleston Surgical Hospital. The hospital will be named CAMC Charleston Surgical Hospital and will operate as a separate hospital.

Subsequent events have been evaluated through April 27, 2023, the date the consolidated financial statements were available to be issued. The System has determined that any subsequent events that would require recognition or disclosure in the consolidated financial statements have been appropriately recognized or disclosed.

SUPPLEMENTARY CONSOLIDATING SCHEDULES

VANDALIA HEALTH, INC. AND SUBSIDIARIES

SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2022
(In thousands)

	Obligated Group	Non-obligated Group	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 33,859	$ 3,173	$ 37,032
Short-term investments	191,577	-	191,577
Current portion of assets limited as to use	18,025	6,118	24,143
Patient receivables	286,896	8,851	295,747
Other receivables	27,322	2,390	29,712
Estimated amounts due from third-party payors	47,004	(1,337)	45,667
Affiliate accounts receivable	9,771	(9,771)	-
Inventories	31,992	524	32,516
Prepaid expenses and other	32,697	635	33,332
Total current assets	679,143	10,583	689,726
ASSETS LIMITED AS TO USE	566,435	19,308	585,743
OTHER INVESTMENTS	-	-	-
PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net	586,750	32,368	619,118
RIGHT OF USE ASSETS—Operating leases	63,008	1,490	64,498
OTHER ASSETS:	44,822	773	45,595
TOTAL	$ 1,940,158	$ 64,522	$ 2,004,680

(Continued)

VANDALIA HEALTH, INC. AND SUBSIDIARIES

SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2022
(In thousands)

LIABILITIES AND NET ASSETS	Obligated Group	Non-obligated Group	Total
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	$ 106,531	$ 7,543	$ 114,074
Medicare accelerated payments liability	1,252	2,524	3,776
Current portion of self-insurance reserves	7,632	-	7,632
Derivative obligation	11,731	-	11,731
Accrued payroll and payroll-related expenses	78,378	2,696	81,074
Estimated amounts due to third-party payors	19,411	-	19,411
Operating lease liabilities	4,867	632	5,499
Affiliate payables	5,193	(5,193)	-
Current maturities of long-term debt and finance lease obligations	13,017	1,673	14,690
Total current liabilities	248,012	9,875	257,887
LONG-TERM LIABILITIES:			
Long-term debt and finance lease obligations—less current maturities	555,195	44,044	599,239
Long-term operating lease liabilities	12,774	942	13,716
Retirement obligations	12,560	-	12,560
Self-insurance reserves—less current portion	32,510	1,700	34,210
Other	35,046	1,353	36,399
Total long-term liabilities	648,085	48,039	696,124
Total liabilities	896,097	57,914	954,011
NET ASSETS:			
Without donor restrictions	939,855	(14,207)	925,648
Noncontrolling interest in joint ventures	20,443	1,318	21,761
Without donor restrictions—total	960,298	(12,889)	947,409
Receivable from affiliate	(11,918)	11,918	-
With donor restrictions	95,681	7,579	103,260
Total net assets	1,044,061	6,608	1,050,669
TOTAL	$ 1,940,158	$ 64,522	$ 2,004,680

See notes to supplementary consolidating schedules. (Concluded)

VANDALIA HEALTH, INC. OBLIGATED GROUP

SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2022
(In thousands)

	CAMC	CAMC Foundation	CAMC GVMC	Mon Health System	Mon Health Medical Center	Mon Elder Services	Stonewall Jackson Memorial Hospital	Reclassifications and Eliminations	Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$ 27,260	$ 1,387	$ -	$ 148	$ -	$ 172	$ 4,892	$ -	$ 33,859
Short-term investments	177,517	13,719	-	-	-	341	-	-	191,577
Current portion of assets limited as to use	5,100	-	-	-	12,925	-	-	-	18,025
Patient receivables	233,944	-	-	-	48,359	-	4,593	-	286,896
Other receivables	18,613	1,780	-	774	4,623	78	1,454	-	27,322
Estimated amounts due from third-party payors	40,232	-	-	-	4,069	-	2,703	-	47,004
Affiliate accounts receivable	4,097	55	-	2,215	13,559	76	-	(10,231)	9,771
Inventories	24,456	-	-	-	6,406	-	1,130	-	31,992
Prepaid expenses and other	27,107	31	-	4,154	1,397	-	8	-	32,697
Total current assets	558,326	16,972	-	7,291	91,338	667	14,780	(10,231)	679,143
ASSETS LIMITED AS TO USE	266,211	271,126	-	7,878	38,344	18,473	33,443	(69,040)	566,435
PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net	397,708	6,546	-	3,890	136,295	19,800	22,511	-	586,750
RIGHT OF USE ASSETS—Operating leases	12,184	-	-	31,874	17,863	-	1,087	-	63,008
OTHER ASSETS:									
Other assets	3,609	343	-	26,904	13,848	-	118	-	44,822
Total other assets	3,609	343	-	26,904	13,848	-	118	-	44,822
TOTAL	$1,238,038	$294,987	$ -	$77,837	$297,688	$38,940	$71,939	$(79,271)	$1,940,158

(Continued)

VANDALIA HEALTH, INC. OBLIGATED GROUP

SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2022
(In thousands)

	CAMC	CAMC Foundation	CAMC GVMC	Mon Health System	Mon Health Medical Center	Mon Elder Services	Stonewall Jackson Medical Center	Reclassifications and Eliminations	Total
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES:									
Accounts payable and accrued expenses	$ 82,998	$ 28	$ -	$ 4,266	$ 16,269	$ 381	$ 2,589	$ -	$ 106,531
Medicare accelerated payments liability	-	-	-	-	-	-	1,252	-	1,252
Current portion of self-insurance reserves	5,100	-	-	-	2,532	-	-	-	7,632
Derivative obligation	6,754	-	-	-	4,977	-	-	-	11,731
Accrued payroll and payroll-related expenses	60,088	-	-	2,180	14,087	241	1,782	-	78,378
Estimated amounts due to third-party payors	19,411	-	-	-	-	-	-	-	19,411
Operating lease liabilities	2,644	-	-	513	916	-	794	-	4,867
Affiliate payables	5,321	1,850	-	10,319	76	24	(2,166)	(10,231)	5,193
Current maturities of long-term debt and									-
finance lease obligations	7,090	-	-	1,833	3,612	417	65	-	13,017
Total current liabilities	189,406	1,878	-	19,111	42,469	1,063	4,316	(10,231)	248,012
LONG-TERM LIABILITIES:									
Long-term debt and finance lease									
obligations—less current maturities	429,836	-	-	28,942	88,516	7,885	16	-	555,195
Long-term operating lease liabilities	9,400	-	-	1,472	1,609	-	293	-	12,774
Retirement obligations	8,680	-	-	2,756	1,124	-	-	-	12,560
Self-insurance reserves—less current portion	23,443	-	-	(350)	5,364	109	3,944	-	32,510
Affiliate long-term payables	-	-	-	-	-	-	-	-	-
Long-term Medicare accelerated payments liability	-	-	-	-	-	-	-	-	-
Other	15,858	-	-	689	4,420	14,079	-	-	35,046
Total long-term liabilities	487,217	-	-	33,509	101,033	22,073	4,253	-	648,085
Total liabilities	676,623	1,878	-	52,620	143,502	23,136	8,569	(10,231)	896,097
NET ASSETS:									
Without donor restrictions	503,645	198,081	-	18,842	140,536	15,804	62,947	-	939,855
Noncontrolling interest in joint ventures	418	-	-	6,375	13,650	-	-	-	20,443
Without donor restrictions—total	504,063	198,081	-	25,217	154,186	15,804	62,947	-	960,298
Receivable from affiliate	(11,918)	-	-	-	-	-	-	-	(11,918)
With donor restrictions	69,270	95,028	-	-	-	-	423	(69,040)	95,681
Total net assets	561,415	293,109	-	25,217	154,186	15,804	63,370	(69,040)	1,044,061
TOTAL	$1,238,038	$294,987	$ -	$77,837	$297,688	$38,940	$71,939	$(79,271)	$1,940,158

See notes to supplementary consolidating schedules.

(Concluded)

VANDALIA HEALTH, INC. NON-OBLIGATED GROUP

SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2022
(In thousands)

	CAMC IAM	WV Health Network	WVPHO	Vandalia	Preston Memorial Hospital	Foundation of MGH	Mon Health Care	Mon Health Marion	Reclassifications and Eliminations	Total
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 2,022	$ 846	$ 98	$ 207	$ -	$ 3,173
Short-term investments	-	-	-	-	-	-	-	-	-	-
Current portion of assets limited as to use	-	-	-	-	6,118	-	-	-	-	6,118
Patient receivables	-	-	-	-	7,754	-	-	1,097	-	8,851
Other receivables	1,190	93	31	-	607	379	68	22	-	2,390
Estimated amounts due from third-party payors	-	-	-	-	1,855	-	-	-	(3,192)	(1,337)
Affiliate accounts receivable	1,406	4,256	31	-	0	-	-	-	(15,464)	(9,771)
Inventories	-	-	-	-	524	-	-	-	-	524
Prepaid expenses and other	53	-	-	-	99	43	376	64	-	635
Total current assets	2,649	4,349	62	-	18,979	1,268	542	1,390	(18,656)	10,583
ASSETS LIMITED AS TO USE	4,727	-	-	109	11,600	7,599	-	-	(4,727)	19,308
OTHER INVESTMENTS	-	-	-	-	-	-	-	-	-	-
PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net	776	-	-	-	20,273	-	-	11,319	-	32,368
RIGHT OF USE ASSETS—Operating leases	195	-	-	-	1,295	-	-	-	-	1,490
OTHER ASSETS:										
Other assets	-	-	-	-	244	893	1,006	-	(1,370)	773
Investments in subsidiaries:										-
Charleston Area Medical Center, Inc.	-	-	-	573,333	-	-	-	-	(573,333)	-
Charleston Area Medical Center Foundation, Inc	-	-	-	219,342	-	-	-	-	(219,342)	-
CAMC Institute for Academic Medicine	-	-	-	3,860	-	-	-	-	(3,860)	-
CAMC Health Network	-	-	-	5	-	-	-	-	(5)	-
WVPHO	-	-	-	(883)	-	-	-	-	883	-
Mon Health Inc.	-	-	-	266,975	-	-	-	-	(266,975)	-
Total other assets	-	-	-	1,062,632	244	893	1,006	-	(1,064,002)	773
TOTAL	$8,347	$4,349	$62	$1,062,741	$52,391	$9,760	$1,548	$12,709	$(1,087,385)	$64,522

(Continued)

VANDALIA HEALTH, INC. NON-OBLIGATED GROUP

SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2022
(In thousands)

LIABILITIES AND NET ASSETS	CAMC IAM	WV Health Network	WVPHO	Vandalia	Preston Memorial Hospital	Foundation of MGH	Mon Health Care	Mon Health Marion	Reclassifications and Eliminations	Total
CURRENT LIABILITIES:										
Accounts payable and accrued expenses	$ 2,569	$3,121	$ 141	$ 155	$ 627	$ 89	$ 135	$ 706	$ 0	$ 7,543
Medicare accelerated payments liability	-	-	-	-	2,524	-	-	-	-	2,524
Current portion of self-insurance reserves	-	-	-	-	-	-	-	-	-	-
Derivative obligation	-	-	-	-	-	-	-	-	-	-
Accrued payroll and payroll-related expenses	-	-	-	-	2,522	-	-	174	-	2,696
Estimated amounts due to third-party payors	-	-	-	-	3,192	-	-	-	(3,192)	-
Operating lease liabilities	112	-	-	-	520	-	-	-	-	632
Affiliate payables	1,648	223	804	-	763	10	43	6,781	(15,465)	(5,193)
Current maturities of long-term debt and finance lease obligations	-	-	-	-	938	-	-	735	-	1,673
Total current liabilities	4,329	3,344	945	155	11,086	99	178	8,396	(18,656)	9,875
LONG-TERM LIABILITIES:										
Long-term debt and finance lease obligations—less current maturities	-	-	-	-	30,908	-	-	13,136	-	44,044
Long-term operating lease liabilities	158	-	-	-	784	-	-	-	-	942
Retirement obligations	-	-	-	-	-	-	-	-	-	-
Self-insurance reserves—less current portion	-	-	-	-	1,700	-	-	-	-	1,700
Affiliate long-term payables	-	-	-	11,918	-	-	-	-	(11,918)	-
Long-term Medicare accelerated payments liability	-	-	-	-	-	-	-	-	-	-
Other	-	1,000	-	-	271	82	-	-	-	1,353
Total long-term liabilities	158	1,000	-	11,918	33,663	82	-	13,136	(11,918)	48,039
Total liabilities	4,487	4,344	945	12,073	44,749	181	178	21,532	(30,574)	57,914
NET ASSETS:										
Without donor restrictions	(2,074)	5	(883)	947,408	7,642	3,208	52	(8,823)	(960,742)	(14,207)
Noncontrolling interest in joint ventures	-	-	-	-	-	-	1,318	-	-	1,318
Without donor restrictions—total	(2,074)	5	(883)	947,408	7,642	3,208	1,370	(8,823)	(960,742)	(12,889)
Receivable from affiliate	-	-	-	-	-	-	-	-	11,918	11,918
With donor restrictions	5,934	-	-	103,260	-	6,371	-	-	(107,986)	7,579
Total net assets	3,860	5	(883)	1,050,668	7,642	9,579	1,370	(8,823)	(1,056,811)	6,608
TOTAL	$ 8,347	$4,349	$ 62	$1,062,741	$52,391	$9,760	$1,548	$12,709	$(1,087,385)	$ 64,522

See notes to supplementary consolidating schedules.

(Concluded)

VANDALIA HEALTH, INC. AND SUBSIDIARIES

SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In thousands)

	Obligated Group	Non-Obligated Group	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:			
Net patient service revenue	$1,414,535	$ 18,902	$1,433,437
Other revenue	116,835	4,184	121,019
Support from Affiliates	-	-	-
Investment income—net	(68,032)	(220)	(68,252)
Net assets released from restrictions	8,746	1,641	10,387
Total unrestricted revenue and other support	1,472,084	24,507	1,496,591
EXPENSES:			
Salaries and wages	585,386	19,245	604,631
Employee benefits	161,941	4,881	166,822
Professional compensation and fees	86,999	2,037	89,036
Supplies and other	607,210	(528)	606,682
Depreciation and amortization	50,232	992	51,224
Medicaid provider tax	40,566	310	40,876
Interest and debt expense	13,565	485	14,050
Change in fair value of derivatives	(19,837)	-	(19,837)
Total expenses	1,526,062	27,422	1,553,484
LOSS FROM OPERATIONS	(53,978)	(2,915)	(56,893)
INHERENT CONTRIBUTION FROM MEMBER SUBSTITUTION	-	257,974	257,974
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(53,978)	255,059	201,081
EXCESS OF REVENUE OVER EXPENSES—Noncontrolling interest	(101)	-	(101)
TOTAL EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (54,079)	$255,059	$ 200,980

See notes to supplementary consolidating schedules.

VANDALIA HEALTH, INC. OBLIGATED GROUP

SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In thousands)

	CAMC	CAMC Foundation	CAMC GVMC	Mon Health System	Mon Health Medical Center	Mon Elder Services	Stonewall Jackson Memorial Hospital	Reclassifications and Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:									
Net patient service revenue	$1,291,293	$ -	$ -	$ -	$106,922	$ -	$16,320	$ -	$1,414,535
Other revenue	115,042	1,379	-	18,197	453	2,077	334	(20,647)	116,835
Support from Affiliates	-	-	-	-	-	-	-	-	-
Investment income—net	(38,139)	(29,598)	-	518	(206)	(91)	(516)	-	(68,032)
Increase in net assets of subsidiaries	-	-	-	-	-	-	-	-	-
Net asset released from Relief Fund	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	7,136	1,610	-	-	-	-	-	-	8,746
Total unrestricted revenue and other support	1,375,332	(26,609)	-	18,715	107,169	1,986	16,138	(20,647)	1,472,084
EXPENSES:									
Salaries and wages	534,913	288	-	6,338	35,910	938	6,999	-	585,386
Employee benefits	151,000	57	-	1,515	7,906	331	1,132	-	161,941
Professional compensation and fees	78,228	-	-	254	6,383	5	2,129	-	86,999
Supplies and other	555,833	5,082	-	10,406	49,962	446	6,128	(20,647)	607,210
Depreciation and amortization	43,077	69	-	904	4,924	341	917	-	50,232
Medicaid provider tax	37,029	-	-	-	3,344	-	193	-	40,566
Interest and debt expense	11,920	-	-	306	1,286	51	2	-	13,565
Change in fair value of derivatives	(17,102)	-	-	-	(2,735)	-	-	-	(19,837)
Total expenses	1,394,898	5,496	-	19,723	106,980	2,112	17,500	(20,647)	1,526,062
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(19,566)	(32,105)	-	(1,008)	189	(126)	(1,362)	-	(53,978)
EXCESS OF REVENUE OVER EXPENSES—Noncontrolling interest	(101)	-	-	-	-	-	-	-	(101)
TOTAL EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (19,667)	$(32,105)	$ -	$ (1,008)	$ 189	$ (126)	$ (1,362)	$ -	$ (54,079)

See notes to supplementary consolidating schedules.

VANDALIA HEALTH, INC. NON-OBLIGATED GROUP

SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In thousands)

	CAMC IAM	WV Health Network	WVPHO	Vandalia	Preston Memorial Hospital	Foundation of MGH	Mon Health Care	Mon Health Marion	Reclassifications and Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:										
Net patient service revenue	$ -	$ -	$ -	$ -	$16,905	$ -	$ -	$ 1,997	$ -	$ 18,902
Other revenue	7,192	2,164	209	-	341	(16)	-	-	(5,706)	4,184
Support from Affiliates	6,272	-	-	3,708	-	-	-	-	(9,980)	-
Investment income—net	-	-	-	-	(139)	(81)	-	-	-	(220)
Increase in net assets of subsidiaries	-	-	-	(49,125)	-	-	-	-	49,125	-
Net asset released from Relief Fund	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	1,581	-	-	-	-	60	-	-	-	1,641
Total unrestricted revenue and other support	15,045	2,164	209	(45,417)	17,107	(37)	-	1,997	33,439	24,507
EXPENSES:										
Salaries and wages	9,343	1,441	317	-	7,022	-	-	1,122	-	19,245
Employee benefits	1,822	244	72	-	2,204	-	-	301	238	4,881
Professional compensation and fees	21	-	-	-	1,922	18	-	76	-	2,037
Supplies and other	3,994	1,207	674	3,708	4,189	91	15	1,677	(16,083)	(528)
Depreciation and amortization	194	8	-	-	664	-	-	126	-	992
Medicaid provider tax	-	-	-	-	310	-	-	-	-	310
Interest and debt expense	-	-	-	-	340	-	-	145	-	485
Change in fair value of derivatives	-	-	-	-	-	-	-	-	-	-
Total expenses	15,374	2,900	1,063	3,708	16,651	109	15	3,447	(15,845)	27,422
INCOME FROM OPERATIONS	(329)	(736)	(854)	(49,125)	456	(146)	(15)	(1,450)	49,284	(2,915)
INHERENT CONTRIBUTION	-	-	-	257,974	-	-	-	-	-	257,974
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(329)	(736)	(854)	208,849	456	(146)	(15)	(1,450)	49,284	255,059
EXCESS OF REVENUE OVER EXPENSES—Noncontrolling interest	-	-	-	-	-	-	-	-	-	-
TOTAL EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (329)	$ (736)	$ (854)	$208,849	$ 456	$(146)	$(15)	$(1,450)	$ 49,284	$255,059

See notes to supplementary consolidating schedules.

VANDALIA HEALTH INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTARY CONSOLIDATING SCHEDULES
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. The supplementary consolidating schedules are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. This supplementary consolidating schedules are the responsibility of the System's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Accounting policies applicable to the consolidated financial statements are consistent with those used to prepare the supplementary consolidating schedules.

2. Vandalia Health, Inc. records as an investment in subsidiary its direct share of the net assets of CAMC, Foundation, and Institute. Certain Foundation assets are held by the Foundation on behalf of CAMC and the Institute. CAMC and the Institute record their direct share of such assets as interest in the Foundation's net assets in the supplementary consolidating schedules. Vandalia Health, Inc. records the remaining Foundation net assets as an investment in subsidiary to reflect its direct share of the residual assets of the Foundation.

3. CAMC, Foundation, Mon Health System, Mon Health Medical Center, Mon Elder Services, Stonewall Jackson Memorial Hospital and CAMC GVMC are members of the obligated group (the "Obligated Group") in accordance with the provisions of the 2019 Amended and Restated Master Trust Indenture dated as of June 1, 2019 (the "Master Indenture") and are jointly and severally liable for the performance of all covenants and obligations contained in the Indenture and in the related notes and guarantees. The 2013 Taxable Debt Notes; 2008 Series A Bonds (CAMC); 2014 Series A Bonds; 2019 Series A Bonds; 2019 Series B Bonds; 2022 Series A Taxable Bonds, 2015 Series Bonds, 2021 Series A Bonds, 2008 Series B Taxable Bonds (MON) and 2008 Series A Bonds (MON); and various notes, guarantees lines of credit, and letters of credit are obligations under the Master Indenture. The CAMC Foundation's net assets with donor restrictions are not available to satisfy obligations of the Obligated Group. The obligations of the Obligated Group are evidenced and secured by promissory notes issued pursuant to the Master Indenture dated June 1, 2019, as supplemented from time to time. All notes issued under the Master Indenture are secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities (see prior comments regarding Master Indenture collateral).

4. Support, other revenue, salaries and wages, professional compensation, and supplies include transactions between each of the consolidated entities for affiliate services and support provided, including administrative and physician support. Such amounts are recorded at the estimated cost of the entity providing such support (e.g., for shared services) or the amount charged by the providing entity pursuant to contracts between the entities. Such amounts are eliminated on consolidation.