# CAMC Health System, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Consolidating Schedules as of and for the Years Ended December 31, 2021 and 2020, and Independent Auditor's Report

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CAMC Health System, Inc.:

### Opinion

We have audited the consolidated financial statements of CAMC Health System, Inc. and subsidiaries (the "System"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 43–50 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 8, 2022

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS
## AS OF DECEMBER 31, 2021 AND 2020
## (In thousands)

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 41,881 | $ 39,887 |
| Short-term investments | 301,680 | 271,200 |
| Current portion of assets limited as to use | 10,000 | 10,000 |
| Patient receivables | 227,643 | 207,124 |
| Other receivables | 13,186 | 13,833 |
| Estimated amounts due from third-party payors | 11,241 | 26,042 |
| Inventories | 22,802 | 24,783 |
| Prepaid expenses and other | 24,961 | 25,794 |
| Total current assets | 653,394 | 618,663 |
| ASSETS LIMITED AS TO USE | 467,783 | 437,125 |
| PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net | 394,167 | 397,916 |
| RIGHT OF USE ASSETS—Operating leases | 12,550 | 12,491 |
| OTHER ASSETS | 4,689 | 4,087 |
| TOTAL | $ 1,532,583 | $ 1,470,282 |

(Continued)

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS
## AS OF DECEMBER 31, 2021 AND 2020
## (In thousands)

| | 2021 | 2020 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | $ 86,698 | $ 77,469 |
| Medicare accelerated payments liability | 64,696 | 79,070 |
| Current portion of self-insurance reserves | 10,000 | 10,000 |
| Derivative obligation | 25,325 | 31,924 |
| Accrued payroll and payroll-related expenses | 71,413 | 60,220 |
| Estimated amounts due to third-party payors | 17,881 | 16,624 |
| Operating lease liabilities | 2,523 | 2,477 |
| Current maturities of long-term debt and finance lease obligations | 6,894 | 6,478 |
| Total current liabilities | 285,430 | 284,262 |
| LONG-TERM LIABILITIES: | | |
| Long-term debt and finance lease obligations—less current maturities | 338,199 | 345,214 |
| Long-term operating lease liabilities | 9,835 | 9,709 |
| Retirement obligations | 10,684 | 9,956 |
| Self-insurance reserves—less current portion | 15,740 | 13,597 |
| Long-term Medicare accelerated payments liability | 15,156 | 38,002 |
| Other | 10,719 | 18,316 |
| Total long-term liabilities | 400,333 | 434,794 |
| Total liabilities | 685,763 | 719,056 |
| NET ASSETS: | | |
| Without donor restrictions | 737,172 | 658,397 |
| Noncontrolling interest in joint ventures | 378 | 334 |
| Without donor restrictions—total | 737,550 | 658,731 |
| With donor restrictions | 109,270 | 92,495 |
| Total net assets | 846,820 | 751,226 |
| TOTAL | $ 1,532,583 | $ 1,470,282 |

See notes to consolidated financial statements. (Concluded)

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS
## FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
## (In thousands)

| | 2021 | 2020 |
|---|---|---|
| UNRESTRICTED REVENUE AND OTHER SUPPORT: | | |
| Net patient service revenue | $ 1,257,464 | $ 1,066,655 |
| Other revenue | 95,457 | 80,350 |
| Investment income—net | 42,659 | 41,164 |
| Net assets released from Relief Fund | 13,305 | 74,189 |
| Net assets released from restrictions | 3,824 | 1,921 |
| Total unrestricted revenue and other support | 1,412,709 | 1,264,279 |
| EXPENSES: | | |
| Salaries and wages | 528,939 | 488,687 |
| Employee benefits | 158,211 | 121,176 |
| Professional compensation and fees | 43,698 | 35,034 |
| Supplies and other | 511,531 | 472,110 |
| Depreciation and amortization | 44,756 | 43,920 |
| Medicaid provider tax | 36,242 | 30,680 |
| Interest and debt expense | 13,173 | 13,619 |
| Change in fair value of derivatives | (5,639) | 4,403 |
| Total expenses | 1,330,911 | 1,209,629 |
| EXCESS OF REVENUE OVER EXPENSES—Controlling and noncontrolling interest | 81,798 | 54,650 |
| EXCESS OF REVENUE OVER EXPENSES—Noncontrolling interest | (108) | (109) |
| EXCESS OF REVENUE OVER EXPENSES—Net of noncontrolling interest | $ 81,690 | $ 54,541 |

See notes to consolidated financial statements.

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
## FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
## (In thousands)

| | 2021 | 2020 |
|---|---|---|
| NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Excess of revenue over expenses—controlling and noncontrolling interest | $ 81,798 | $ 54,650 |
| Change in retirement obligations actuarial loss and prior service cost | (8) | 1,135 |
| Contributions for capital expenditures | 512 | 477 |
| Equity transactions with noncontrolling interest | (84) | (76) |
| Net assets reclassification—other | (3,422) | - |
| Net assets released from restrictions for capital expenditures | 144 | - |
| Other | (121) | - |
| Increase in net assets without donor restrictions | 78,819 | 56,186 |
| NET ASSETS WITH DONOR RESTRICTIONS: | | |
| Contributions | 5,996 | 5,561 |
| Contributions from Relief Fund | 13,305 | 74,189 |
| Investment income—net | 10,943 | 8,982 |
| Net assets reclassification—other | 3,422 | - |
| Net assets released from restrictions for capital expenditures | (144) | - |
| Net assets released from Relief Fund | (13,305) | (74,189) |
| Net assets released from restrictions for programs | (3,824) | (1,921) |
| Other | 382 | 609 |
| Increase in net assets with donor restrictions | 16,775 | 13,231 |
| INCREASE IN NET ASSETS | 95,594 | 69,417 |
| NET ASSETS—Beginning of year | 751,226 | 681,809 |
| NET ASSETS—End of year | $ 846,820 | $ 751,226 |

See notes to consolidated financial statements.

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
## (In thousands)

| | 2021 | 2020 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Increase in net assets | $ 95,594 | $ 69,417 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities: | | |
| Change in fair value of derivatives | (5,639) | 4,403 |
| Loss (gain) on disposal of fixed assets | 74 | (1) |
| Change in retirement obligations actuarial loss and prior service cost | 8 | (1,135) |
| Depreciation and amortization | 44,756 | 43,920 |
| Realized and unrealized gain on investments | (27,899) | (29,770) |
| Net restricted contributions and investment income | (30,244) | (88,732) |
| Equity transactions with noncontrolling interest | 84 | 76 |
| Other | (976) | (976) |
| Changes in assets and liabilities: | | |
| Patient receivables | (20,519) | 20,228 |
| Other receivables | 647 | 14,425 |
| Short-term investments | (27,984) | (174,325) |
| Inventories, prepaid expenses, and other | 1,252 | (4,308) |
| Estimated amounts due to third-party payors | 16,058 | 975 |
| Accounts payable and accrued expenses | 8,438 | (20,167) |
| Accrued payroll and payroll-related expenses | 11,193 | (4,171) |
| Medicare accelerated payments liability | (37,220) | 117,072 |
| Other liabilities | (4,621) | 12,297 |
| Net cash provided by (used in) operating activities | 23,002 | (40,772) |
| INVESTING ACTIVITIES: | | |
| Capital expenditures | (40,290) | (41,632) |
| Purchases of limited as to use investments | (136,889) | (181,972) |
| Proceeds from sales of limited as to use investments | 124,584 | 172,196 |
| Net cash used in investing activities | (52,595) | (51,408) |
| FINANCING ACTIVITIES: | | |
| Principal payments on debt obligations and finance lease obligations | (5,623) | (9,680) |
| Repayments under lines of credit | (2,406) | (3,011) |
| Borrowings under lines of credit | 2,406 | 3,011 |
| Equity transactions with noncontrolling interest | (84) | (76) |
| Net restricted contributions and investment income | 30,244 | 88,732 |
| Net cash provided by financing activities | 24,537 | 78,976 |
| NET DECREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS | (5,056) | (13,204) |
| CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS—Beginning of year | 67,387 | 80,591 |
| CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS—End of year | $ 62,331 | $ 67,387 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid during the year for interest | $ 12,749 | $ 12,083 |
| Finance lease additions | $ 922 | $ 7,344 |
| Capital expenditures remaining in accounts payable at year-end | $ 1,433 | $ 642 |

See notes to consolidated financial statements.

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
## AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
## (In thousands)

### 1. ORGANIZATION

CAMC Health System, Inc. (the "Parent") 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"):

***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% and 79.9% 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, 2021 and 2020, respectively. The residual interest is reflected as noncontrolling interest in the consolidated financial statements.

***CAMC Health Network, LLC (the "Health Network") d/b/a West Virginia Health Network***—The Health Network is a sole member LLC, with CAMC 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.

***West Virginia Provider and Hospital, LLC (the "WVPHO")—***In 2021, the WVPHO was formed as a sole member LLC, with CAMC 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 WVPHO began operating in 2021.

***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.

### 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, 2021 and 2020.

**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. The payments received by the System from the Relief Fund have been recorded as contributions from Relief Fund with an associated net assets released from Relief Fund within the consolidated statements of changes in net assets and consolidated statements of operations.

| | | Year Recognized | |
|---|---|---|---|
| | **Payments Received** | **December 31, 2020** | **December 31, 2021** |
| CARES Act | $ 84,028 | $ 74,189 | $ 9,839 |
| ARP Act | 3,466 | - | 3,466 |
| Total | $ 87,494 | $ 74,189 | $ 13,305 |

During the year ended December 31, 2021, Federal Emergency Management Agency awarded $921 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. The System received $0 and $117,072 of accelerated payments with repayment to occur based upon the terms and conditions of the program during the years ended December 31, 2021 and 2020, respectively. 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, 2021, $37,220 of the balance was recouped by CMS.

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 amounts to be repaid by December 31, 2022. As of December 31, 2021 and 2020, the System had $8,992 recorded within accrued payroll and payroll related expenses and $0 and $8,992, respectively, recorded within other long-term liabilities 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 $13,327 related to this program is included in salary and wages in the accompanying consolidated statement of operations for the year ended December 31, 2021. 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 $6,202 and $835, 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:

| | **2021** | **2020** |
|---|---|---|
| Cash and cash equivalents | $41,881 | $39,887 |
| Assets limited as to use | 20,450 | 27,500 |
| Total cash, cash equivalents, restricted cash, and restricted cash equivalents | $62,331 | $67,387 |

**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.

***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.

***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, 2021 and 2020, $65,583 and $38,604, respectively, related to the DPP. Supplemental payments for the Medicaid population have been extended for the West Virginia fiscal year ending June 30, 2022. Included in the amount for the year ended December 31, 2021, is an additional payment of $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, 2021 and 2020, $13,226 and $13,399, 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 year ended December 31, 2021, $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 $150 and $661 during the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

**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 $67,840 and $53,488 for the years ended December 31, 2021 and 2020, 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 of 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, 2021 and 2020:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Recorded Value** | **Fair Value** | **Recorded Value** | **Fair Value** |
| Included within assets limited as to use | $ 22,987 | $ 25,147 | $ 11,270 | $ 12,726 |

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 has entered into interest rate swap agreements in connection with its debt management program. CAMC records its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. None of CAMC's current derivatives are designated as an accounting hedge and the asset or liability is presented as current as CAMC 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. Property, equipment, and information systems consisted of the following:

| | 2021 | 2020 |
|---|---|---|
| Land | $ 53,395 | $ 52,487 |
| Buildings and improvements | 585,830 | 563,411 |
| Equipment and information systems | 603,828 | 600,901 |
| Construction in progress | 14,232 | 21,797 |
| Total property, equipment, and information systems | 1,257,285 | 1,238,596 |
| Less accumulated depreciation and amortization | (863,118) | (840,680) |
| Property, equipment, and information systems—net | $ 394,167 | $ 397,916 |

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 $15,109 and $15,109, net of $7,211 and $5,579 of accumulated amortization, as of December 31, 2021 and 2020, 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 three 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 $44,756 and $43,920 for the years ended December 31, 2021 and 2020, 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.

**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 $2,851 and $3,049 as of December 31, 2021 and 2020, 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 ($160,909 and $143,225 as of December 31, 2021 and 2020, respectively), scholarships and education ($52,497 and $49,258 as of December 31, 2021 and 2020, respectively), patient-related programs ($7,338 and $6,361 as of December 31, 2021 and 2020, respectively), and various other health care-related programs ($1,702 and $1,458 as of December 31, 2021 and 2020, respectively).

Net assets without donor restrictions as of December 31, 2021 and 2020, are as follows:

| | 2021 | 2020 |
|---|---|---|
| Undesignated | $ 515,104 | $ 458,429 |
| Quasi endowment | 222,446 | 200,302 |
| Total | $ 737,550 | $ 658,731 |

**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 $31,296 and $30,232 for 2021 and 2020, respectively.

Net assets with donor restrictions as of December 31, 2021 and 2020, are restricted to the following:

| | 2021 | 2020 |
|---|---|---|
| Patient-related projects | $ 53,470 | $ 47,738 |
| Scholarships and education | 32,495 | 26,140 |
| Various other health care-related activities | 23,305 | 18,617 |
| Total | $ 109,270 | $ 92,495 |

**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.

**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 CAMC, the Foundation, the Institute, and the Health Network are exempt from income taxes under Section 501(c)(3) of the Code and applicable state statutes. The System does not have any material uncertain tax positions as of December 31, 2021 and 2020. Tax years from 2018 remain open.

**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.

**Changes in Presentation**— Certain prior-year amounts in Note 5 and Note 15, have been reclassified to conform to current-year presentation. The purpose of these reclassifications are to present the information in a format that is more reflective of the nature and type of the assets limited as to use held by the System and to present this information in a more useful format for the readers on a go-forward basis. These reclassifications had no effect on the previously reported total assets limited as to use or short-term investments within the consolidated balance sheet or related footnote disclosures.

**Newly Adopted Accounting Pronouncements**—The following new accounting standards have been adopted by the System during the year ended December 31, 2021:

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)—Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU No. 2018-14 updates disclosure requirements to reflect most relevant information and applies to all employers that sponsor defined benefit pension or other postretirement plans. The System adopted this ASU for the year ended December 31, 2021. The new guidance was applied on a retrospective basis for all periods presented. See Note 11 for disclosures on the System's defined benefit supplemental executive retirement plan.

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, 2021, 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.

**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, 2021:

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 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 will be effective for the System for the year ending December 31, 2022. The System is currently evaluating the potential impact this ASU will have on its consolidated financial statements and related disclosures.

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 the year ending December 31, 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.

In November 2021, the FASB issued ASU No. 2021-10, *Government Assistance (Topic 832)—Disclosures by Business Entities about Government Assistance*. The amendments in this update improve financial reporting by requiring disclosures that increase the transparency of transactions with a government accounted for by applying a grant or contribution accounting model by analogy, including (1) the types of transactions, (2) the accounting for those transactions, and (3) the effect of those transactions on an entity's financial statements. The amendments in this ASU will be effective for the System for the year ending December 31, 2022. 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, 2021 and 2020, by major primary payor sources, is as follows:

| | Net Patient Service Revenue | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| Medicare | $ 382,389 | 30 % | $ 342,916 | 32 % |
| Medicaid | 200,422 | 16 | 165,118 | 15 |
| Other government third-party payors | 84,499 | 7 | 59,885 | 6 |
| Blue Cross | 382,702 | 31 | 307,937 | 29 |
| Commercial and other third-party payors | 154,062 | 12 | 135,228 | 13 |
| Self-pay | 53,390 | 4 | 55,571 | 5 |
| Total | $ 1,257,464 | 100 % | $ 1,066,655 | 100 % |

Net patient service revenue for the years ended December 31, 2021 and 2020, consists of the following:

| | 2021 | 2020 |
|---|---|---|
| Gross patient service billings | $ 4,611,681 | $ 3,955,631 |
| Charity care allowances | (53,851) | (74,102) |
| Contractual allowances | (3,386,903) | (2,866,576) |
| Medicaid-PPIP | 6,821 | - |
| Medicaid-DPP | 65,583 | 38,604 |
| Medicaid-EPP | 13,226 | 13,399 |
| Medicaid-DSH | 907 | (301) |
| Net patient service revenue | $ 1,257,464 | $ 1,066,655 |

**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, 2021 and 2020, is as follows:

| | 2021 | 2020 |
|---|---|---|
| Blue Cross | 34 % | 30 % |
| Medicare | 24 | 27 |
| Commercial and other third-party payors | 24 | 21 |
| Medicaid | 9 | 13 |
| Other government third-party payors | 4 | 5 |
| PEIA | 5 | 4 |
| Total | 100 % | 100 % |

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

| | 2021 | 2020 |
|---|---|---|
| Opening balance—January 1 | $ 11,453 | $ 12,283 |
| Ending balance—December 31 | 10,883 | 11,453 |
| Decrease | $ (570) | $ (830) |

The decrease in the contract asset balances as of the year ended December 31, 2021, compared to the year ended December 31, 2020, is due to a decrease in patients not discharged. Approximately 94% 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, 2021 and 2020. The opening and closing balances of contract liabilities are as follows:

| | 2021 | 2020 |
|---|---|---|
| Opening balance—January 1 | $ 117,072 | $ - |
| Ending balance—December 31 | 79,852 | 117,072 |
| (Decrease) increase | $ (37,220) | $ 117,072 |

The decrease in the contract liability balances from the year ended December 31, 2021, compared to the year ended December 31, 2020, is due to recoupments by Medicare of the accelerated payments.

**Medicaid Provider Tax**—During the years ended December 31, 2021 and 2020, the System recorded $36,242 and $30,680, 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, 2021 and 2020. 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 $53,851 and $74,102 for the years ended December 31, 2021 and 2020, 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 $13,489 and $18,992 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, consist of the following:

| | 2021 | 2020 |
|---|---|---|
| Short-term investments: | | |
| Cash and cash equivalents | $ 11,798 | $ 25,703 |
| Equity securities and equity mutual funds | 100,703 | 60,353 |
| Fixed-income securities and fixed-income mutual funds | 189,179 | 185,144 |
| Total short-term investments | $ 301,680 | $ 271,200 |

| | 2021 | 2020 |
|---|---|---|
| Assets limited as to use: | | |
| Self-insurance: | | |
| Cash and cash equivalents | $ 437 | $ 768 |
| US Treasury and US government agency fixed income securities | 885 | 366 |
| US state and political subdivisions of the states fixed income securities | 556 | 595 |
| Equity securities and equity mutual funds | 45,021 | 40,330 |
| Alternative investments | 9,248 | 4,248 |
| Fixed-income securities and fixed-income mutual funds | 10,409 | 8,168 |
| Total self-insurance | 66,556 | 54,475 |
| Board-designated and restricted funds: | | |
| Cash and cash equivalents | 1,019 | 1,065 |
| US Treasury and US government agency fixed income securities | 25,043 | 22,709 |
| US state and political subdivisions of the states fixed income securities | 89 | 111 |
| Equity securities and equity mutual funds | 232,777 | 197,641 |
| Fixed-income securities and fixed-income mutual funds | 90,598 | 98,326 |
| Alternative investments | 13,739 | 7,022 |
| Total board-designated and restricted funds | 363,265 | 326,874 |
| Trustee-held funds: | | |
| Capital improvement fund: | | |
| Cash equivalents | 3,365 | 28 |
| US Treasury and US government agency fixed income securitie | 3,874 | - |
| US state and political subdivisions of the states fixed income securities | 4,824 | 8,747 |
| Fixed-income securities | - | 3,888 |
| Equity securities | - | 9,116 |
| Collateral on derivatives—cash equivalents | 20,450 | 27,500 |
| Other trustee-held funds: | | |
| Cash equivalents | 363 | 827 |
| Equity method investments | 5,425 | 6,330 |
| US Treasury and US government agency fixed income securitie | 2,109 | 2,201 |
| US state and political subdivisions of the states fixed income securities | 3,800 | 3,773 |
| Fixed-income securities | 3,643 | 3,257 |
| Other | 109 | 109 |
| Total trustee-held funds | 47,962 | 65,776 |
| Total assets limited as to use | 477,783 | 447,125 |
| Less current portion | (10,000) | (10,000) |
| Assets limited as to use—net of current portion | $ 467,783 | $ 437,125 |

Board-designated and restricted funds and trustee-held funds consist of the Foundation's and CAMC's 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, 2021 and 2020, the System has working capital of $367,964 and $334,401, respectively, and average days' (based on normal expenditures divided by total cash and cash equivalent) cash on hand of 191 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, 2021 and 2020, respectively:

| | 2021 | 2020 |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and cash equivalents | $ 41,881 | $ 39,887 |
| Patient receivable—net | 227,643 | 207,124 |
| Short-term investments | 301,680 | 271,200 |
| Assets limited to use: | | |
| Board-designated | 264,370 | 238,862 |
| Donor-restricted | 98,895 | 88,012 |
| Trustee-held funds | 47,962 | 65,776 |
| Pledges receivable—net | 3,158 | 528 |
| Total financial assets | 985,589 | 911,389 |
| Less amounts not available to be used within one year: | | |
| Board-designated with liquidity horizons greater than one year | (7,295) | (6,334) |
| Trustee-held funds | (25,950) | (33,841) |
| Donor-restricted with liquidity horizons greater than one year | (98,895) | (88,012) |
| Pledges receivable—net | (529) | (50) |
| Financial assets not available to be used within one year | (132,669) | (128,237) |
| Financial assets available to meet general expenditures within one year | $ 852,920 | $ 783,152 |

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 $264,370 and $238,862 as of December 31, 2021 and 2020, respectively. This fund 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, 2021 and 2020, $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, 2021 and 2020, are composed of the following:

| | 2021 | 2020 |
|---|---|---|
| Without donor restrictions: | | |
| Dividend, interest income, and other | $ 14,760 | $ 11,394 |
| Realized gain on investments—net | 13,115 | 7,585 |
| Unrealized gain on investments—net | 14,784 | 22,185 |
| Total without donor restrictions investment income—net | 42,659 | 41,164 |
| With donor restrictions: | | |
| Dividend, interest income, and other | 2,817 | 1,801 |
| Realized gain on investments—net | 3,617 | 372 |
| Unrealized gain on investments—net | 4,509 | 6,809 |
| Total with donor restrictions investment income—net | 10,943 | 8,982 |
| Net investment income and net realized and unrealized gains on investments | $ 53,602 | $ 50,146 |

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

Obligations under long-term debt and finance lease obligations as of December 31, 2021 and 2020, consist of the following:

| | 2021 | 2020 |
|---|---|---|
| 2019 Series A Bonds | $ 87,985 | $ 87,985 |
| 2019 Series B Bonds | 13,236 | 14,354 |
| 2014 Series A Bonds | 45,625 | 45,625 |
| 2013 Taxable Debt Notes | 66,435 | 68,410 |
| 2008 Series A Bonds | 110,400 | 112,730 |
| Finance lease obligations | 8,042 | 8,262 |
| Total | 331,723 | 337,366 |
| Plus unamortized bond premium | 16,221 | 17,375 |
| Less unamortized deferred financing costs | (2,851) | (3,049) |
| Total—net of unamortized premium and deferred financing costs | 345,093 | 351,692 |
| Less current maturities | (6,894) | (6,478) |
| Total long-term debt and finance lease obligations | $ 338,199 | $ 345,214 |

The fair value of the System's debt obligations was $366,816 and $356,948 as of December 31, 2021 and 2020, 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 take into account 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 and the Foundation are members of the obligated group (the "Obligated Group") in accordance with the provisions of the 2019 Amended and Restated Master Trust Indenture (the "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; 2014 Series A Bonds; 2019 Series A Bonds; 2019 Series B Bonds; and various notes, lines, and letters of credit are obligations under the Indenture. The 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 Indenture dated June 1, 2019, as supplemented from time to time. All notes issued under the Indenture are secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities.

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, 2021 and 2020.

**2019 Series A Bonds**—In June 2019, CAMC entered into a loan agreement with the West Virginia Hospital Finance Authority (the "Authority") pursuant to which CAMC 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 CAMC borrowed the proceeds of the Authority's $16,032 variable-rate revenue bonds. The bonds require the payment of principal and interest monthly through June 19, 2024, to refund the 2008 CAMC Teays Bonds. 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 remaining principal and accrued interest. The associated bond carries a variable monthly interest rate equal to the adjusted nonbank-qualified LIBOR. As of December 31, 2021 and 2020, the interest rate was 1.20% and 1.26%, respectively.

**2014 Series A Bonds**—In June 2014, CAMC entered into a loan agreement with the Authority pursuant to which CAMC 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**—On March 22, 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. On May 21, 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. These notes are issued and secured under the Indenture and secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities.

**2010 Bank Loan**—In December 2010, CAMC entered into a bank loan agreement for $9,000. Principal and interest were payable in equal monthly installments sufficient to fully amortize the debt in 15 years with the outstanding balance of the note being due and payable in full on December 10, 2015. CAMC refinanced this note on December 10, 2015, with outstanding balance paid in full on December 1, 2020. Therefore, there were no borrowings outstanding under the 2010 Bank Loan as of December 31, 2021 and 2020.

**2008 Series A Bonds**—In June 2008, CAMC entered into a loan agreement with the Authority pursuant to which CAMC 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 supported by a credit enhancement and liquidity facility.

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, 2021 and

2020. 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, 2021 and 2020, the interest rate was 0.13% and 0.09%, respectively.

**Other**—CAMC maintains a $10,000 working capital line of credit with a local bank, which expires on December 31, 2022. As of December 31, 2021 and 2020, there was no outstanding balance. A note securing the line of credit has been issued under the Indenture.

As of December 31, 2021 and 2020, there was $2,602 and $2,623, 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, 2021 and 2020, CAMC had not been called upon to make payments under the guarantee agreement.

CAMC has recorded $7,121 and $8,262 as of December 31, 2021 and 2020, respectively, as a finance lease obligation for these helicopters as a result of the lease guarantees and the helicopters being primarily used by CAMC.

**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:

| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| 2019 Series A Bonds | $ - | $ - | $ - | $ - | $ - | $ 87,985 | $ 87,985 |
| 2019 Series B Bonds | 1,118 | 1,118 | 11,000 | - | - | - | 13,236 |
| 2014 Series A Bonds | - | - | 8,115 | 8,530 | 9,370 | 19,610 | 45,625 |
| 2013 Taxable Debt Notes | 2,060 | 2,145 | 2,245 | 2,335 | 2,440 | 55,210 | 66,435 |
| 2008 Series A Bonds | 2,405 | 2,525 | 2,640 | 2,745 | 2,845 | 97,240 | 110,400 |
| Finance lease obligations | 1,397 | 1,318 | 1,027 | 986 | 753 | 2,562 | 8,043 |
| Total principal | 6,980 | 7,106 | 25,027 | 14,596 | 15,408 | 262,607 | 331,724 |
| Plus unamortized bond premium | 1,154 | 1,154 | 1,154 | 1,154 | 1,154 | 10,451 | 16,221 |
| Less deferred financing costs | (86) | (86) | (135) | (135) | (134) | (2,276) | (2,852) |
| Principal—net | $8,048 | $8,174 | $26,046 | $15,615 | $16,428 | $270,782 | $345,093 |

**Derivatives**—CAMC 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.

CAMC's interest rate swap agreements as of December 31, 2021 and 2020, are as follows:

| | | | Notional Amount | |
|---|---|---|---|---|
| **Swap Type** | **Expiration Date** | **System Pays** | **2021** | **2020** |
| Floating | September 4, 2027 | USD-securities industry and financial markets association municipal bond index | $ 50,000 | $ 50,000 |
| Fixed | September 1, 2037 | 4.22% | 90,720 | 92,605 |
| | | | $140,720 | $142,605 |

Net interest paid and received on CAMC's interest rate swap transactions was an expense of $2,877 and $2,551 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, $20,450 and $27,500, 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 CAMC's derivative financial instruments at December 31, 2021 and 2020:

| **Derivatives not Designated as Hedging Instruments** | **Consolidated Balance Sheet Location** | **2021** | **2020** |
|---|---|---|---|
| Asset derivatives—interest rate swaps | Prepaid expenses and other | $ 4,537 | $ 5,497 |
| Liability derivatives—interest rate swaps | Derivative obligation | 25,325 | 31,924 |
| Net amount | | $ 20,788 | $ 26,427 |

## 9. LEASES

The System leases various land, computer, office, and movable equipment under noncancelable operating lease agreements expiring at various dates through 2030. 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. Operating 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.

As of December 31, 2021, CAMC has entered into a 15-year operating lease for a medical building. The lease has not yet commenced. The building is currently under construction and CAMC does not have control of the asset as of December 31, 2021.

The components of lease cost for the years ended December 31, 2021 and 2020, were as follows:

| | **2021** | **2020** |
|---|---|---|
| Operating lease cost: | | |
| Operating lease cost | $2,350 | $2,714 |
| Short-term lease cost | 505 | 433 |
| Variable lease cost | 205 | 129 |
| Total operating lease cost | $3,060 | $3,276 |

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 leases for the years ended December 31, 2021 and 2020, were as follows:

| | **2021** | **2020** |
|---|---|---|
| Weighted-average remaining lease term (years)—operating leases | 5.0 | 4.7 |
| Weighted-average discount rate—operating leases | 4.5 % | 4.5 % |

Cash flow and other information related to operating leases for the years ended December 31, 2021 and 2020, was as follows:

| | 2021 | 2020 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities—operating cash outflows for operating leases | $2,197 | $2,736 |
| Noncash ROU assets obtained in exchange for lease obligations—operating leases | 230 | 154 |

Future maturities of operating lease liabilities as of December 31, 2021, are as follows:

| Years Ending December 31 | |
|---|---|
| 2022 | $ 2,523 |
| 2023 | 2,443 |
| 2024 | 2,210 |
| 2025 | 2,016 |
| 2026 | 1,631 |
| Thereafter | 3,905 |
| Total undiscounted lease payments | 14,728 |
| Less imputed interest | 2,370 |
| Total operating lease liabilities | $12,358 |

## 10. LIABILITIES FOR SELF-INSURANCE RESERVES

Certain of the System's subsidiaries are self-insured for professional malpractice and general liability claims through the CAMC 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 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. As of December 31, 2021 and 2020, the System has recorded $24,920 and $22,567, respectively, as the liability for self-insured asserted and unasserted professional malpractice and general liability claims. The estimated current portion of $10,000 as of December 31, 2021 and 2020, is recorded in current liabilities in the accompanying consolidated balance sheets. The estimated liability for such malpractice and general liability claims has been discounted using a discount rate of 1% and 0.25% as of December 31, 2021 and 2020, respectively. While the ultimate amount of costs incurred under the System's self-insured programs is dependent on future developments, 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.

The malpractice self-insurance limits 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.

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 recorded as a component of the long-term portion of self-insurance reserves is $820 and $1,041 as of December 31, 2021 and 2020, respectively. The current portion of workers' compensation obligations recorded as a component of accounts payable and accrued expenses is $825 and $371 as of December 31, 2021 and 2020, 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.

Prior to 2012, the System was subject to risk pools (security and guaranty) for the benefit of self-insured employers in West Virginia. The risk pools were utilized to fund the claims payments of defaulted and bankrupt self-insured employers. The System maintains a required $500 letter of credit in favor of the West Virginia Insurance Commission to secure claims with dates of injury on or prior to June 30, 2004. The System and other pool participants are required to pay annual guaranty pool assessments until the guaranty pool contains the sum of $30,000 or 5% of the estimated total claims liability of all self-insured employers. In the event that actual claim defaults exceed the amounts of defaulted claim reserves, additional amounts may be assessed to the self-insured employers to fund the guaranty pool. The System made no contributions to the guaranty pool during the years ended December 31, 2021 and 2020. The amount of the System's liability in respect to potential assessments cannot be estimated. Accordingly, no accrual for such liability has been reflected in the consolidated financial statements.

## 11. RETIREMENT OBLIGATIONS

**Supplemental Executive Retirement Plans (SERPs)**—The System 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, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Projected benefit obligation—beginning of year | $7,723 | $ 7,662 |
| Service cost | 373 | 284 |
| Interest cost | 130 | 179 |
| Actuarial (gain) loss | (112) | 1,376 |
| Curtailments | - | (1,778) |
| Projected benefit obligation—end of year | $8,114 | $ 7,723 |

The accumulated benefit obligation for the Benefit SERP Plan was $7,543 and $6,607 as of December 31, 2021 and 2020, respectively.

Included in net assets without donor restrictions as of December 31, 2021 and 2020, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $1,146 and $1,376, respectively, and unrecognized net prior service cost of $700 and $804, 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 | |
|---|---|
| 2022 | $ - |
| 2023 | 694 |
| 2024 | - |
| 2025 | 4,588 |
| 2026 | - |
| Thereafter | 3,879 |

The components of net periodic benefit cost for the Benefit SERP Plan for the years ended December 31, 2021 and 2020, are as follows:

| | 2021 | 2020 |
|---|---|---|
| Service cost | $373 | $ 284 |
| Interest cost | 130 | 179 |
| Curtailments | - | 625 |
| Actuarial loss | 118 | - |
| Amortization of prior service cost | 104 | 107 |
| Net periodic benefit cost | $725 | $1,195 |

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, 2021 and 2020, are as follows:

| | 2021 | 2020 |
|---|---|---|
| Assumptions used to determine net periodic benefit cost for the years ended December 31: | | |
| Discount rate | 1.60 % | 1.60 % |
| Expected rate of compensation increase | 3.00 | 3.00 |
| Assumptions used to determine benefit obligations as of December 31: | | |
| Discount rate | 2.20 | 1.60 |
| Expected rate of compensation increase | 3.00 | 3.00 |
| Lump-sum interest rate | 1.50 | 1.75 |

The 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 $471 and $321 were made to these plans for the years ended December 31, 2021 and 2020, respectively. The corresponding investment account, recorded within assets limited as to use in the consolidated balance sheets, had a total of $927 and $371, including $85 and $51 of investment earnings, as of December 31, 2021 and 2020, respectively. The total liability is $811 and $388 as of December 31, 2021 and 2020, respectively, and is recorded within retirement obligations in the consolidated balance sheets.

**Retirement Savings Plan**—Employees of the 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 $14,934 and $6,238 during 2021 and 2020, respectively. As part of the System’s response to the COVID-19 pandemic, employer matching was temporarily discontinued, effective June 1, 2020, through the remainder of 2020. The matching was reinstated on January 1, 2021.

## 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, 2021 and 2020, CAMC provided $17,338 and $18,867, respectively, to WVU for the physicians who teach and supervise the resident physicians for call pay, income guarantees, fees for services, 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 $4,443 to further support WVU during 2022 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, 2021 and 2020, HNET's expenses exceeded revenues by $1,603 and $1,515, respectively. Amounts due to HNET were $178 included in accounts payable and accrued expenses as of December 31, 2021. Amounts due from HNET included in other receivables were $185 as of December 31, 2020.

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, 2021 and 2020, Charleston Area Radiation Therapy Centers, LLC's revenues exceeded expenses by $6,377 and $6,109, respectively. Amounts due to Charleston Area Radiation Therapy Centers, LLC included in accounts payable and accrued expenses were $834 and $1,212 as of December 31, 2021 and 2020, respectively.

## 13. FUNCTIONAL EXPENSES

The functional expenses related to the System's operations as of December 31, 2021 and 2020, are as follows:

| | For the Year Ended December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Health Care Services | | | | Support Services | | |
| | Acute | Ambulatory | Physician | Research | Administrative | Fundraising | Total |
| Nonphysician salaries and wages | $192,336 | $ 73,195 | $ 26,684 | $ 7,815 | $135,202 | $177 | $ 435,409 |
| Physician salaries and wages | 30,396 | 5,704 | 50,683 | 134 | 6,613 | - | 93,530 |
| Employee benefits | 16,144 | 6,170 | 3,445 | 1,104 | 131,333 | 15 | 158,211 |
| Professional compensation and fees | 8,231 | 2,482 | 10,602 | 48 | 22,335 | - | 43,698 |
| Supplies and other | 169,189 | 156,669 | 10,254 | 1,763 | 173,407 | 249 | 511,531 |
| Depreciation and amortization | 8,263 | 8,297 | 708 | 197 | 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 | $424,559 | $252,517 | $102,376 | $11,061 | $539,957 | $441 | $1,330,911 |

| | For the Year Ended December 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Health Care Services | | | | Support Services | | |
| | Acute | Ambulatory | Physician | Research | Administrative | Fundraising | Total |
| Nonphysician salaries and wages | $174,093 | $ 66,044 | $ 23,968 | $ 6,870 | $126,773 | $202 | $ 397,950 |
| Physician salaries and wages | 30,835 | 5,548 | 48,709 | 203 | 5,442 | - | 90,737 |
| Employee benefits | 13,009 | 5,114 | 2,875 | 887 | 99,242 | 49 | 121,176 |
| Professional compensation and fees | 9,472 | 2,800 | 9,333 | 120 | 13,309 | - | 35,034 |
| Supplies and other | 157,189 | 138,825 | 8,603 | 1,587 | 165,659 | 247 | 472,110 |
| Depreciation and amortization | 8,801 | 7,942 | 859 | 283 | 26,035 | - | 43,920 |
| Medicaid provider tax | - | - | - | - | 30,680 | - | 30,680 |
| Interest and debt expense | - | - | - | - | 13,619 | - | 13,619 |
| Change in fair value of derivatives | - | - | - | - | 4,403 | - | 4,403 |
| Total | $393,399 | $226,273 | $ 94,347 | $ 9,950 | $485,162 | $498 | $1,209,629 |

## 14. COMMITMENTS, CONTINGENCIES, AND LITIGATION

Entities of the System are party to a number of 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 of 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 pays $6,611 per year through 2023 with an optional three-year renewal 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.

## 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, 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 |

The financial instruments carried at fair value as of December 31, 2020, 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 | $ 48,856 | $ - | $ - | $ 48,856 |
| Equity securities | 148,647 | - | - | 148,647 |
| Equity mutual funds | 158,793 | - | - | 158,793 |
| Debt securities issued by US Treasury and other US government corporations and agencies | - | 25,276 | - | 25,276 |
| Debt securities issued by states of the United States and political subdivisions of the states | - | 13,226 | - | 13,226 |
| Fixed-income securities | - | 68,465 | - | 68,465 |
| Fixed-income mutual funds | 230,318 | - | - | 230,318 |
| Total investments in fair value hierarchy | $ 586,614 | $ 106,967 | $ - | $ 693,581 |
| Cash | | | | 7,035 |
| Equity method investments and other | | | | 6,439 |
| Alternative investments | | | | 11,270 |
| Total investments at fair value | | | | $ 718,325 |
| Asset derivatives—interest rate swaps | $ - | $ 5,497 | $ - | $ 5,497 |
| Liability derivatives—interest rate swaps | $ - | $ 31,924 | $ - | $ 31,924 |

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 $2,949 and $4,872 for the years ended December 31, 2021 and 2020, 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 147 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, 2021 and 2020, consisted of the following:

| | **2021** | **2020** |
|---|---|---|
| Net assets—beginning of year | $ 85,094 | $ 74,768 |
| Investment income—net | 9,490 | 7,458 |
| Contributions | 3,848 | 3,184 |
| Fund transfer | 37 | - |
| Appropriation of endowment assets for expenditure | (478) | (316) |
| Net assets—end of year | $ 97,991 | $ 85,094 |

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, 2021 and 2020.

## 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, 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 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net | Useful Life |
| Noncontract relationships—recorded in other assets | $ 4,131 | $ (2,065) | $ 2,066 | 20 years |
| Intangibles—software—recorded in property, equipment, and information systems | 83,979 | (72,527) | 11,452 | 7 years |

Amortization expense for finite-lived intangible assets was $7,858 and $7,473 for the years ended December 31, 2021 and 2020, respectively. The following is a schedule of estimated future amortization of finite-lived intangible assets as of December 31, 2021:

| Years Ending December 31 | |
|---|---|
| 2022 | $ 5,000 |
| 2023 | 3,510 |
| 2024 | 405 |
| 2025 | 207 |
| 2026 | 207 |
| Thereafter | 826 |
| Total | $ 10,155 |

## 18. SUBSEQUENT EVENTS

On March 10, 2022, the Parent and Monongalia Health System ("Mon Health"), Inc. entered into a non-binding letter of intent to merge Mon Health into the Parent and operate as single non-profit health care organization under the brand of Vandalia Health (the "Transaction"). Vandalia Health will endeavor to advance a seamless continuum of care that improves access for the respective West Virginia communities it serves while strengthening and expanding the scope and scale of care available for patients and families, while also managing health care costs. The closing of the Transaction is subject to customary closing conditions and the receipt of all necessary regulatory and governance approvals.

Subsequent events have been evaluated through April 8, 2022, 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.

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# SUPPLEMENTARY CONSOLIDATING SCHEDULES

## CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

### SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
### AS OF DECEMBER 31, 2021
### (In thousands)

| | CAMC | Health Network | WVPHO | Reclassifications and Eliminations | CAMC Consolidated | Foundation | Reclassifications and Eliminations | Combined Obligated Group | CAMC Health System | Institute | Reclassifications and Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| CURRENT ASSETS: | | | | | | | | | | | | |
| Cash and cash equivalents | $ 41,230 | $ - | $ - | $ - | $ 41,230 | $ 651 | $ - | $ 41,881 | $ - | $ - | $ - | $ 41,881 |
| Short-term investments | 291,358 | - | - | - | 291,358 | 10,322 | - | 301,680 | - | - | - | 301,680 |
| Current portion of assets limited as to use | 10,000 | - | - | - | 10,000 | - | - | 10,000 | - | - | - | 10,000 |
| Patient receivables | 227,643 | - | - | - | 227,643 | - | - | 227,643 | - | - | - | 227,643 |
| Other receivables | 9,314 | 94 | - | - | 9,408 | 2,192 | - | 11,600 | - | 1,586 | - | 13,186 |
| Estimated amounts due from third-party payors | 11,241 | - | - | - | 11,241 | - | - | 11,241 | - | - | - | 11,241 |
| Affiliate accounts receivable | 3,348 | 3,536 | - | (3,738) | 3,146 | 49 | (1,441) | 1,754 | - | 1,278 | (3,032) | - |
| Inventories | 22,802 | - | - | - | 22,802 | - | - | 22,802 | - | - | - | 22,802 |
| Prepaid expenses and other | 24,846 | - | - | - | 24,846 | 29 | - | 24,875 | - | 86 | - | 24,961 |
| Total current assets | 641,782 | 3,630 | - | (3,738) | 641,674 | 13,243 | (1,441) | 653,476 | - | 2,950 | (3,032) | 653,394 |
| ASSETS LIMITED AS TO USE | 226,890 | - | - | - | 226,890 | 319,326 | (78,542) | 467,674 | 109 | 5,349 | (5,349) | 467,783 |
| PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net | 386,880 | - | - | - | 386,880 | 6,615 | - | 393,495 | - | 672 | - | 394,167 |
| RIGHT OF USE ASSETS—Operating leases | 11,389 | - | - | - | 11,389 | - | - | 11,389 | - | 1,161 | - | 12,550 |
| OTHER ASSETS: | | | | | | | | | | | | |
| Other assets | 4,196 | - | - | - | 4,196 | 493 | - | 4,689 | - | - | - | 4,689 |
| Investments in subsidiaries: | | | | | | | | | | | | |
| CAMC | - | - | - | - | - | - | - | - | 600,048 | - | (600,048) | - |
| Health Network | - | - | - | - | - | - | - | - | 741 | - | (741) | - |
| WVPHO | - | - | - | - | - | - | - | - | (29) | - | 29 | - |
| Foundation | - | - | - | - | - | - | - | - | 254,231 | - | (254,231) | - |
| Institute | - | - | - | - | - | - | - | - | 4,803 | - | (4,803) | - |
| Total other assets | 4,196 | - | - | - | 4,196 | 493 | - | 4,689 | 859,794 | - | (859,794) | 4,689 |
| TOTAL | $1,271,137 | $3,630 | $ - | $(3,738) | $1,271,029 | $339,677 | $(79,983) | $1,530,723 | $859,903 | $10,132 | $(868,175) | $1,532,583 |

(Continued)

## CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

### SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
### AS OF DECEMBER 31, 2021
### (In thousands)

| LIABILITIES AND NET ASSETS | CAMC | Health Network | WVPHO | Reclassifications and Eliminations | CAMC Consolidated | Foundation | Reclassifications and Eliminations | Combined Obligated Group | CAMC Health System | Institute | Reclassifications and Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CURRENT LIABILITIES: | | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 82,857 | $1,465 | $ 2 | $ - | $ 84,324 | $ 17 | $ - | $ 84,341 | $ 4 | $ 2,352 | $ 1 | $ 86,698 |
| Medicare accelerated payments liability | 64,696 | - | - | - | 64,696 | - | - | 64,696 | - | - | - | 64,696 |
| Current portion of self-insurance reserves | 10,000 | - | - | - | 10,000 | - | - | 10,000 | - | - | - | 10,000 |
| Derivative obligation | 25,325 | - | - | - | 25,325 | - | - | 25,325 | - | - | - | 25,325 |
| Accrued payroll and payroll-related expenses | 71,413 | - | - | - | 71,413 | - | - | 71,413 | - | - | - | 71,413 |
| Estimated amounts due to third-party payors | 17,881 | - | - | - | 17,881 | - | - | 17,881 | - | - | - | 17,881 |
| Operating lease liabilities | 2,367 | - | - | - | 2,367 | - | - | 2,367 | - | 156 | - | 2,523 |
| Affiliate payables | 4,717 | 174 | 27 | (3,738) | 1,180 | 1,538 | (1,441) | 1,277 | - | 1,755 | (3,032) | - |
| Current maturities of long-term debt and finance lease obligations | 6,894 | - | - | - | 6,894 | - | - | 6,894 | - | - | - | 6,894 |
| Total current liabilities | 286,150 | 1,639 | 29 | (3,738) | 284,080 | 1,555 | (1,441) | 284,194 | 4 | 4,263 | (3,031) | 285,430 |
| LONG-TERM LIABILITIES: | | | | | | | | | | | | |
| Long-term debt and finance lease obligations—less current maturities | 338,199 | - | - | - | 338,199 | - | - | 338,199 | - | - | - | 338,199 |
| Long-term operating lease liabilities | 8,769 | - | - | - | 8,769 | - | - | 8,769 | - | 1,066 | - | 9,835 |
| Retirement obligations | 10,684 | - | - | - | 10,684 | - | - | 10,684 | - | - | - | 10,684 |
| Self-insurance reserves—less current portion | 15,740 | - | - | - | 15,740 | - | - | 15,740 | - | - | - | 15,740 |
| Affiliate long-term payables | - | - | - | - | - | - | - | - | 13,079 | - | (13,079) | - |
| Long-term Medicare accelerated payments liability | 15,156 | - | - | - | 15,156 | - | - | 15,156 | - | - | - | 15,156 |
| Other | 9,469 | 1,250 | - | - | 10,719 | - | - | 10,719 | - | - | - | 10,719 |
| Total long-term liabilities | 398,017 | 1,250 | - | - | 399,267 | - | - | 399,267 | 13,079 | 1,066 | (13,079) | 400,333 |
| Total liabilities | 684,167 | 2,889 | 29 | (3,738) | 683,347 | 1,555 | (1,441) | 683,461 | 13,083 | 5,329 | (16,110) | 685,763 |
| NET ASSETS: | | | | | | | | | | | | |
| Without donor restrictions | 521,128 | 741 | (29) | - | 521,840 | 230,186 | - | 752,026 | 737,550 | (1,880) | (750,524) | 737,172 |
| Noncontrolling interest in joint ventures | 378 | - | - | - | 378 | - | - | 378 | - | - | - | 378 |
| Without donor restrictions—total | 521,506 | 741 | (29) | - | 522,218 | 230,186 | - | 752,404 | 737,550 | (1,880) | (750,524) | 737,550 |
| Receivable from affiliate | (13,078) | - | - | - | (13,078) | - | - | (13,078) | - | - | 13,078 | - |
| With donor restrictions | 78,542 | - | - | - | 78,542 | 107,936 | (78,542) | 107,936 | 109,270 | 6,683 | (114,619) | 109,270 |
| Total net assets | 586,970 | 741 | (29) | - | 587,682 | 338,122 | (78,542) | 847,262 | 846,820 | 4,803 | (852,065) | 846,820 |
| TOTAL | $1,271,137 | $3,630 | $ - | $(3,738) | $1,271,029 | $339,677 | $(79,983) | $1,530,723 | $859,903 | $10,132 | $(868,175) | $1,532,583 |

See notes to supplementary consolidating schedules.

(Concluded)

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

## SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
## AS OF DECEMBER 31, 2020
## (In thousands)

| ASSETS | CAMC | Health Network | Reclassifications and Eliminations | CAMC Consolidated | Foundation | Reclassifications and Eliminations | Combined Obligated Group | CAMC Health System | Institute | Reclassifications and Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CURRENT ASSETS: | | | | | | | | | | | |
| Cash and cash equivalents | $ 36,661 | $ - | $ - | $ 36,661 | $ 3,226 | $ - | $ 39,887 | $ - | $ - | $ - | $ 39,887 |
| Short-term investments | 262,382 | - | - | 262,382 | 8,818 | - | 271,200 | - | - | - | 271,200 |
| Current portion of assets limited as to use | 10,000 | - | - | 10,000 | - | - | 10,000 | - | - | - | 10,000 |
| Patient receivables | 207,124 | - | - | 207,124 | - | - | 207,124 | - | - | - | 207,124 |
| Other receivables | 12,808 | 199 | - | 13,007 | 118 | - | 13,125 | - | 708 | - | 13,833 |
| Estimated amounts due from third-party payors | 26,042 | - | - | 26,042 | - | - | 26,042 | - | - | - | 26,042 |
| Affiliate accounts receivable | 2,602 | 20 | (176) | 2,446 | 49 | (1,268) | 1,227 | - | 1,626 | (2,853) | - |
| Inventories | 24,783 | - | - | 24,783 | - | - | 24,783 | - | - | - | 24,783 |
| Prepaid expenses and other | 25,760 | - | - | 25,760 | 15 | - | 25,775 | - | 19 | - | 25,794 |
| Total current assets | 608,162 | 219 | (176) | 608,205 | 12,226 | (1,268) | 619,163 | - | 2,353 | (2,853) | 618,663 |
| ASSETS LIMITED AS TO USE | 219,631 | - | - | 219,631 | 284,554 | (67,169) | 437,016 | 109 | 4,811 | (4,811) | 437,125 |
| OTHER INVESTMENTS | - | - | - | - | - | - | - | - | - | - | - |
| PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net | 390,493 | - | - | 390,493 | 6,683 | - | 397,176 | - | 740 | - | 397,916 |
| RIGHT OF USE ASSETS—Operating leases | 11,220 | - | - | 11,220 | - | - | 11,220 | - | 1,271 | - | 12,491 |
| OTHER ASSETS: | | | | | | | | | | | |
| Other assets | 4,040 | - | - | 4,040 | 47 | - | 4,087 | - | - | - | 4,087 |
| Investments in subsidiaries: | | | | | | | | | | | |
| CAMC | - | - | - | - | - | - | - | 530,907 | - | (530,907) | - |
| Health Network | - | - | - | - | - | - | - | (197) | - | 197 | - |
| Foundation | - | - | - | - | - | - | - | 230,024 | - | (230,024) | - |
| Institute | - | - | - | - | - | - | - | 4,569 | - | (4,569) | - |
| Total other assets | 4,040 | - | - | 4,040 | 47 | - | 4,087 | 765,303 | - | (765,303) | 4,087 |
| TOTAL | $1,233,546 | $219 | $(176) | $1,233,589 | $303,510 | $(68,437) | $1,468,662 | $765,412 | $9,175 | $(772,967) | $1,470,282 |

(Continued)

## CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

### SUPPLEMENTARY CONSOLIDATING BALANCE SHEET SCHEDULE
### AS OF DECEMBER 31, 2020
### (In thousands)

| LIABILITIES AND NET ASSETS | CAMC | Health Network | Reclassifications and Eliminations | CAMC Consolidated | Foundation | Reclassifications and Eliminations | Combined Obligated Group | CAMC Health System | Institute | Reclassifications and Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CURRENT LIABILITIES: | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 75,120 | $ 260 | $ - | $ 75,380 | $ 20 | $ - | $ 75,400 | $ 5 | $ 2,063 | $ 1 | $ 77,469 |
| Medicare accelerated payments liability | 79,070 | - | - | 79,070 | - | - | 79,070 | - | - | - | 79,070 |
| Current portion of self-insurance reserves | 10,000 | - | - | 10,000 | - | - | 10,000 | - | - | - | 10,000 |
| Derivative obligation | 31,924 | - | - | 31,924 | - | - | 31,924 | - | - | - | 31,924 |
| Accrued payroll and payroll-related expenses | 60,220 | - | - | 60,220 | - | - | 60,220 | - | - | - | 60,220 |
| Estimated amounts due to third-party payors | 16,624 | - | - | 16,624 | - | - | 16,624 | - | - | - | 16,624 |
| Operating lease liabilities | 2,326 | - | - | 2,326 | - | - | 2,326 | - | 151 | - | 2,477 |
| Affiliate payables | 1,428 | 156 | (176) | 1,408 | 1,486 | (1,268) | 1,626 | - | 1,228 | (2,854) | - |
| Current maturities of long-term debt and finance lease obligations | 6,478 | - | - | 6,478 | - | - | 6,478 | - | - | - | 6,478 |
| Total current liabilities | 283,190 | 416 | (176) | 283,430 | 1,506 | (1,268) | 283,668 | 5 | 3,442 | (2,853) | 284,262 |
| LONG-TERM LIABILITIES: | | | | | | | | | | | |
| Long-term debt and finance lease obligations—less current maturities | 345,214 | - | - | 345,214 | - | - | 345,214 | - | - | - | 345,214 |
| Long-term operating lease liabilities | 8,545 | - | - | 8,545 | - | - | 8,545 | - | 1,164 | - | 9,709 |
| Retirement obligations | 9,956 | - | - | 9,956 | - | - | 9,956 | - | - | - | 9,956 |
| Self-insurance reserves—less current portion | 13,597 | - | - | 13,597 | - | - | 13,597 | - | - | - | 13,597 |
| Affiliate long-term payables | - | - | - | - | - | - | - | 14,181 | - | (14,181) | - |
| Long-term Medicare accelerated payments liability | 38,002 | - | - | 38,002 | - | - | 38,002 | - | - | - | 38,002 |
| Other | 18,316 | - | - | 18,316 | - | - | 18,316 | - | - | - | 18,316 |
| Total long-term liabilities | 433,630 | - | - | 433,630 | - | - | 433,630 | 14,181 | 1,164 | (14,181) | 434,794 |
| Total liabilities | 716,820 | 416 | (176) | 717,060 | 1,506 | (1,268) | 717,298 | 14,186 | 4,606 | (17,034) | 719,056 |
| NET ASSETS: | | | | | | | | | | | |
| Without donor restrictions | 462,644 | (197) | - | 462,447 | 208,281 | - | 670,728 | 658,405 | (1,678) | (669,058) | 658,397 |
| Noncontrolling interest in joint ventures | 334 | - | - | 334 | - | - | 334 | - | - | - | 334 |
| Without donor restrictions—total | 462,978 | (197) | - | 462,781 | 208,281 | - | 671,062 | 658,405 | (1,678) | (669,058) | 658,731 |
| Receivable from affiliate | (14,181) | - | - | (14,181) | - | - | (14,181) | - | - | 14,181 | - |
| With donor restrictions | 67,929 | - | - | 67,929 | 93,723 | (67,169) | 94,483 | 92,821 | 6,247 | (101,056) | 92,495 |
| Total net assets | 516,726 | (197) | - | 516,529 | 302,004 | (67,169) | 751,364 | 751,226 | 4,569 | (755,933) | 751,226 |
| TOTAL | $1,233,546 | $ 219 | $(176) | $1,233,589 | $303,510 | $(68,437) | $1,468,662 | $765,412 | $ 9,175 | $(772,967) | $1,470,282 |

See notes to supplementary consolidating schedules.

(Concluded)

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

## SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS SCHEDULE
## FOR THE YEAR ENDED DECEMBER 31, 2021
## (In thousands)

| | CAMC | Health Network | WVPHO | Reclassifications and Eliminations | CAMC Consolidated | Foundation | Reclassifications and Eliminations | Combined Obligated Group | CAMC Health System | Institute | Reclassifications and Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| UNRESTRICTED REVENUE AND OTHER SUPPORT: | | | | | | | | | | | | |
| Net patient service revenue | $1,257,464 | $ - | $ - | $ - | $1,257,464 | $ - | $ - | $1,257,464 | $ - | $ - | $ - | $ 1,257,464 |
| Other revenue | 93,912 | 3,303 | - | (3,500) | 93,715 | 622 | (4,322) | 90,015 | - | 6,993 | (1,551) | 95,457 |
| Support from CAMC | - | - | - | - | - | - | - | - | 517 | 6,659 | (7,176) | - |
| Investment income—net | 17,422 | - | - | - | 17,422 | 25,237 | - | 42,659 | - | - | - | 42,659 |
| Increase in net assets of subsidiaries | - | - | - | - | - | - | - | - | 81,260 | - | (81,260) | - |
| Net asset released from Relief Fund | 13,305 | - | - | - | 13,305 | - | - | 13,305 | - | - | - | 13,305 |
| Net assets released from restrictions | 1,487 | - | - | - | 1,487 | 1,046 | - | 2,533 | - | 1,291 | - | 3,824 |
| Total unrestricted revenue and other support | 1,383,590 | 3,303 | - | (3,500) | 1,383,393 | 26,905 | (4,322) | 1,405,976 | 81,777 | 14,943 | (89,987) | 1,412,709 |
| EXPENSES: | | | | | | | | | | | | |
| Salaries and wages | 518,709 | 1,134 | 17 | - | 519,860 | 177 | - | 520,037 | - | 8,902 | - | 528,939 |
| Employee benefits | 155,344 | 300 | 10 | - | 155,654 | 10 | - | 155,664 | - | 2,292 | 255 | 158,211 |
| Professional compensation and fees | 43,650 | - | - | - | 43,650 | - | - | 43,650 | - | 48 | - | 43,698 |
| Supplies and other | 518,481 | 900 | 2 | (3,500) | 515,883 | 4,734 | (4,322) | 516,295 | 517 | 3,758 | (9,039) | 511,531 |
| Depreciation and amortization | 44,443 | 31 | - | - | 44,474 | 80 | - | 44,554 | - | 202 | - | 44,756 |
| Medicaid provider tax | 36,242 | - | - | - | 36,242 | - | - | 36,242 | - | - | - | 36,242 |
| Interest and debt expense | 13,173 | - | - | - | 13,173 | - | - | 13,173 | - | - | - | 13,173 |
| Change in fair value of derivatives | (5,639) | - | - | - | (5,639) | - | - | (5,639) | - | - | - | (5,639) |
| Total expenses | 1,324,403 | 2,365 | 29 | (3,500) | 1,323,297 | 5,001 | (4,322) | 1,323,976 | 517 | 15,202 | (8,784) | 1,330,911 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | 59,187 | 938 | (29) | - | 60,096 | 21,904 | - | 82,000 | 81,260 | (259) | (81,203) | 81,798 |
| EXCESS OF REVENUE OVER EXPENSES— Noncontrolling interest | (108) | - | - | - | (108) | - | - | (108) | - | - | - | (108) |
| TOTAL EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | $ 59,079 | $ 938 | $(29) | $ - | $ 59,988 | $21,904 | $ - | $ 81,892 | $81,260 | $ (259) | $(81,203) | $ 81,690 |

See notes to supplementary consolidating schedules.

## CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

### SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS SCHEDULE
### FOR THE YEAR ENDED DECEMBER 31, 2020
### (In thousands)

| | CAMC | Health Network | Reclassifications and Eliminations | CAMC Consolidated | Foundation | Reclassifications and Eliminations | Combined Obligated Group | CAMC Health System | Institute | Reclassifications and Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| UNRESTRICTED REVENUE AND OTHER SUPPORT: | | | | | | | | | | | |
| Net patient service revenue | $1,066,655 | $ - | $ - | $1,066,655 | $ - | $ - | $1,066,655 | $ - | $ - | $ - | $1,066,655 |
| Other revenue | 80,107 | 2,236 | (3,262) | 79,081 | 626 | (4,138) | 75,569 | - | 5,991 | (1,210) | 80,350 |
| Support from CAMC | - | - | - | - | - | - | - | 589 | 5,928 | (6,517) | - |
| Investment income—net | 19,384 | - | - | 19,384 | 21,780 | - | 41,164 | - | - | - | 41,164 |
| Increase in net assets of subsidiaries | - | - | - | - | - | - | - | 55,136 | - | (55,136) | - |
| Net asset released from Relief Fund | 74,189 | - | - | 74,189 | - | - | 74,189 | - | - | - | 74,189 |
| Net assets released from restrictions | - | - | - | - | 932 | - | 932 | - | 989 | - | 1,921 |
| Total unrestricted revenue and other support | 1,240,335 | 2,236 | (3,262) | 1,239,309 | 23,338 | (4,138) | 1,258,509 | 55,725 | 12,908 | (62,863) | 1,264,279 |
| EXPENSES: | | | | | | | | | | | |
| Salaries and wages | 479,722 | 944 | - | 480,666 | 201 | - | 480,867 | - | 7,818 | 2 | 488,687 |
| Employee benefits | 118,961 | 106 | - | 119,067 | 41 | - | 119,108 | - | 1,848 | 220 | 121,176 |
| Professional compensation and fees | 34,913 | - | - | 34,913 | - | - | 34,913 | - | 121 | - | 35,034 |
| Supplies and other | 478,088 | 1,097 | (3,262) | 475,923 | 4,564 | (4,138) | 476,349 | 589 | 3,296 | (8,124) | 472,110 |
| Depreciation and amortization | 43,523 | 31 | - | 43,554 | 79 | - | 43,633 | - | 287 | - | 43,920 |
| Medicaid provider tax | 30,680 | - | - | 30,680 | - | - | 30,680 | - | - | - | 30,680 |
| Interest and debt expense | 13,619 | - | - | 13,619 | - | - | 13,619 | - | - | - | 13,619 |
| Change in fair value of derivatives | 4,403 | - | - | 4,403 | - | - | 4,403 | - | - | - | 4,403 |
| Total expenses | 1,203,909 | 2,178 | (3,262) | 1,202,825 | 4,885 | (4,138) | 1,203,572 | 589 | 13,370 | (7,902) | 1,209,629 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | 36,426 | 58 | - | 36,484 | 18,453 | - | 54,937 | 55,136 | (462) | (54,961) | 54,650 |
| EXCESS OF REVENUE OVER EXPENSES—Noncontrolling interest | (109) | - | - | (109) | - | - | (109) | - | - | - | (109) |
| TOTAL EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | $ 36,317 | $ 58 | $ - | $ 36,375 | $18,453 | $ - | $ 54,828 | $55,136 | $ (462) | $(54,961) | $ 54,541 |

See notes to supplementary consolidating schedules.

# CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO SUPPLEMENTARY CONSOLIDATING SCHEDULES
## AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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. CAMC Health System, 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. CAMC Health System, 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 and the Foundation are members of the Obligated Group in accordance with the provisions of the 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 notes; 2008 Series A Bonds; 2014 Series A Bonds; 2019 Series A Bonds; 2019 Series B Bonds; and various notes, lines, and letters of credit are obligations under the Indenture. The Foundation's restricted net assets are not available to satisfy obligations of the Obligated Group.

4. Support from CAMC, 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.