

# Temple University Health System

Consolidated Financial Statements as of and  
for the Years Ended June 30, 2024 and 2023,  
Supplemental Schedules as of and for the  
Year Ended June 30, 2024, and  
Independent Auditor's Report

# TEMPLE UNIVERSITY HEALTH SYSTEM

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## INDEPENDENT AUDITOR'S REPORT

To the Audit and Compliance Committee of Temple University Health System, Inc.

### Opinion

We have audited the consolidated financial statements of Temple University Health System, Inc. (a wholly owned subsidiary of Temple University – Of the Commonwealth System of Higher Education) and subsidiaries (the "Health System"), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets, and consolidated statements of 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 Health System as of June 30, 2024 and 2023, 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 Health 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 Health System's ability to continue as a going concern for one year after the date that the financial statements are 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 Health 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 Health 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 Supplemental Schedules**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of the Health 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*

October 28, 2024

# **TEMPLE UNIVERSITY HEALTH SYSTEM**

## **CONSOLIDATED BALANCE SHEETS**

**AS OF JUNE 30, 2024 AND 2023**

**(In thousands)**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 156,992	\$ 179,227
Patient accounts receivable—net	312,831	332,097
Other receivables—net	210,652	102,155
Inventories and other current assets	57,537	60,368
Current portion of assets limited as to use	27,729	22,408
Investments	662,411	588,630
Current portion of workers' compensation fund	6,849	6,940
Current portion of self-insurance program receivables	10,894	3,750
Expenditures reimbursable by research grants and awards	13,991	11,862
Total current assets	<u>1,459,886</u>	<u>1,307,437</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land and land improvements	13,743	13,743
Buildings	530,380	524,035
Fixed and movable equipment	639,050	607,277
Construction-in-progress	59,983	20,660
	<u>1,243,156</u>	<u>1,165,715</u>
Less accumulated depreciation	<u>864,679</u>	<u>817,289</u>
Net property, plant and equipment	<u>378,477</u>	<u>348,426</u>
OPERATING LEASE RIGHT-OF-USE ASSETS	20,331	23,928
ASSETS LIMITED AS TO USE	142,651	146,901
INVESTMENTS	140,437	142,557
WORKERS' COMPENSATION FUND	2,820	2,226
SELF-INSURANCE PROGRAM RECEIVABLES	59,944	89,368
INTANGIBLE ASSETS	109	660
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	135,467	125,450
OTHER ASSETS	<u>64,158</u>	<u>76,011</u>
TOTAL ASSETS	<u><u>\$ 2,404,280</u></u>	<u><u>\$ 2,262,964</u></u>

(Continued)

# **TEMPLE UNIVERSITY HEALTH SYSTEM**

## **CONSOLIDATED BALANCE SHEETS**

**AS OF JUNE 30, 2024 AND 2023**

**(In thousands)**

	<b>2024</b>	<b>2023</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 18,507	\$ 15,034
Line of credit	12,000	-
Current portion of operating lease liabilities	4,142	4,420
Accounts payable	165,334	84,347
Accrued expenses	143,616	128,329
Current portion of estimated settlements with third-party payers	29,301	8,799
Current portion of self-insurance program liabilities	91,112	79,855
Unexpended research grants and awards	7,806	8,541
Other current liabilities	<u>100,420</u>	<u>89,888</u>
Total current liabilities	<u>572,238</u>	<u>419,213</u>
<b>LONG-TERM DEBT</b>	380,874	395,477
<b>OPERATING LEASE LIABILITIES</b>	17,501	20,837
<b>SELF-INSURANCE PROGRAM LIABILITIES</b>	237,190	288,344
<b>ACCRUED POSTRETIREMENT BENEFITS</b>	1,999	14,561
<b>OTHER LONG-TERM LIABILITIES</b>	<u>82,546</u>	<u>99,830</u>
Total liabilities	<u>1,292,348</u>	<u>1,238,262</u>
<b>NET ASSETS:</b>		
Without donor restrictions	909,828	835,820
With donor restrictions	<u>202,104</u>	<u>188,882</u>
Total net assets	<u>1,111,932</u>	<u>1,024,702</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,404,280</u>	<u>\$ 2,262,964</u>

See notes to consolidated financial statements.

(Concluded)

# **TEMPLE UNIVERSITY HEALTH SYSTEM**

## **CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

(In thousands)

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues and other support without donor restrictions:		
Net patient service revenue	\$ 2,775,358	\$ 2,480,997
Research revenue	45,590	40,090
Contribution revenue	4,835	4,068
Other revenue	25,364	39,788
Investment income	646	817
Net assets released from restrictions used for operations	7,565	7,364
Revenues and other support without donor restrictions	<u>2,859,358</u>	<u>2,573,124</u>
Expenses:		
Salaries	1,235,490	1,171,157
Employee benefits	301,408	285,774
Professional fees	195,792	178,354
Supplies and pharmaceuticals	672,000	598,324
Purchased services and other	231,565	226,202
Maintenance and utilities	52,113	51,752
Leases	12,503	13,960
Insurance	80,515	36,670
Depreciation and amortization	58,580	52,370
Interest	18,059	17,129
Asset impairment	352	-
Loss on disposal of fixed assets	28	194
Gain on lease modification	(20)	-
Expenses	<u>2,858,385</u>	<u>2,631,886</u>
Operating income (loss)	<u>973</u>	<u>(58,762)</u>
Other income—net:		
Investment income	74,957	60,917
Other—net	3,071	4,123
Other income—net	<u>78,028</u>	<u>65,040</u>
Excess of revenues and other support over expenses	<u>79,001</u>	<u>6,278</u>

(Continued)

# **TEMPLE UNIVERSITY HEALTH SYSTEM**

## **CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS** **FOR THE YEARS ENDED JUNE 30, 2024 AND 2023** (In thousands)

	<b>2024</b>	<b>2023</b>
Excess of revenues and other support over expenses	\$ 79,001	\$ 6,278
Other changes in net assets without donor restrictions:		
Net transfers to the University	(14,321)	(5,137)
Net assets released from restrictions used for purchase of property, plant and equipment	4,504	2,977
Net change in fair value of investments	5,836	1,168
Adjustment to funded status of pension and postretirement liabilities	(1,761)	1,620
Other change in net assets	749	(472)
Increase in net assets without donor restrictions	<u>74,008</u>	<u>6,434</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contribution income	10,366	15,855
Net assets released from restrictions	(12,069)	(10,341)
Net change in fair value of investments	1,315	1,859
Investment income	3,593	4,922
Change in beneficial interest in assets held by others	<u>10,017</u>	<u>3,986</u>
Increase in net assets with donor restrictions	<u>13,222</u>	<u>16,281</u>
INCREASE IN NET ASSETS	87,230	22,715
NET ASSETS—Beginning of year	<u>1,024,702</u>	<u>1,001,987</u>
NET ASSETS—End of year	<u>\$ 1,111,932</u>	<u>\$ 1,024,702</u>

See notes to consolidated financial statements.

(Concluded)



# TEMPLE UNIVERSITY HEALTH SYSTEM

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

(In thousands)

	2024	2023
OPERATING ACTIVITIES:		
Increase in net assets	\$ 87,230	\$ 22,715
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(60,170)	(42,422)
Net realized and unrealized gains on beneficial interests in assets held by others	(10,017)	(3,986)
Depreciation, amortization and accretion	58,580	52,370
Impairment on intangibles	352	-
Amortization of bond premium, discount, debt issuance costs and underwriter's discount	(2,979)	(3,080)
Allowance for doubtful accounts	-	(662)
Adjustment to funded status of pension, postretirement and long-term disability liabilities	1,012	(1,148)
Net assets released from restrictions used for purchase of property, plant and equipment	(4,504)	(2,977)
Loss on disposal of fixed assets	28	194
Gain on lease modification	(20)	-
Perpetually restricted gifts and donations received	(70)	(488)
Net transfers to the University	14,321	5,137
Equity method investment loss	17,005	7,430
Changes in operating assets and liabilities:		
Patient accounts receivable	19,266	(66,334)
Other receivables	(108,829)	(17,868)
Inventories and other current assets	2,831	(3,425)
Expenditures reimbursable by research grants and awards	(2,129)	(4,822)
Other assets	11,683	2,300
Accounts payable and accrued expenses	92,271	(16,469)
Estimated settlements with third-party payers	20,502	(29,912)
Self-insurance program receivables and liabilities	(17,617)	(17,823)
Unexpended research grants and awards	(735)	6,146
Net change in operating lease right-of-use assets and liabilities	3	250
Other liabilities	(19,128)	(16,142)
Net cash provided by (used in) operating activities	<u>98,886</u>	<u>(131,016)</u>

(Continued)

# **TEMPLE UNIVERSITY HEALTH SYSTEM**

## **CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

**(In thousands)**

	<b>2024</b>	<b>2023</b>
<b>INVESTING ACTIVITIES:</b>		
Increase in assets limited as to use and workers' compensation fund	\$ (2,495)	\$ (71)
Purchases of property, plant and equipment	(76,516)	(76,911)
Purchases of investments	(100,477)	(311,754)
Proceeds from sales of investments	95,149	293,282
Proceeds from sales of property, plant and equipment	-	79
Purchase of equity method investment	-	(16,800)
Cash advances to equity method investment	(21,200)	(19,000)
Proceeds from loans to equity method investment	<u>4,697</u>	<u>-</u>
Net cash used in investing activities	<u>(100,842)</u>	<u>(131,175)</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from contributions and investments restricted to property, plant and equipment and endowments	4,504	2,977
Repayment of long-term debt	(12,426)	(14,783)
Repayment of finance lease liabilities	(4,864)	(4,824)
Proceeds from line of credit	65,000	-
Repayment of line of credit	(53,000)	-
Perpetually restricted gifts and donations received	70	488
Net transfers to the University	<u>(14,321)</u>	<u>(5,137)</u>
Net cash used in financing activities	<u>(15,037)</u>	<u>(21,279)</u>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>(16,993)</b>	<b>(283,470)</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—</b>		
Beginning of year	<u>198,651</u>	<u>482,121</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—</b>		
End of year	<u><u>\$ 181,658</u></u>	<u><u>\$ 198,651</u></u>
Cash and cash equivalents	\$ 156,992	\$ 179,227
Restricted cash included in assets limited as to use	<u>24,666</u>	<u>19,424</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 181,658</u></u>	<u><u>\$ 198,651</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW</b>		
<b>INFORMATION—Cash paid for interest</b>	<u><u>\$ 21,305</u></u>	<u><u>\$ 18,602</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITY:</b>		
Amounts recorded for purchases of property and equipment in excess of amounts paid	<u>\$ 14,300</u>	<u>\$ 10,298</u>
Cost of assets acquired through finance leases	<u>\$ 6,353</u>	<u>\$ 4,674</u>
See notes to consolidated financial statements.		(Concluded)

# TEMPLE UNIVERSITY HEALTH SYSTEM

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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### 1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Temple University Health System, Inc. (“TUHS”) is a Pennsylvania nonprofit corporation of which Temple University—Of The Commonwealth System of Higher Education (the “University” or “TU”) is its sole member. TUHS was incorporated in August 1995 and serves principally to coordinate the activities and plans of its health care subsidiaries and affiliates in Philadelphia and the surrounding area. The subsidiaries and affiliates (herein referred to as “corporate members”) of TUHS (collectively, with TUHS, referred to as the “Health System”), all of which operate in Philadelphia and the surrounding area, include the following:

- Temple University Hospital, Inc. (“TUH”), a nonprofit corporation, operating an 890-bed acute care teaching hospital at three inpatient campuses and additional outpatient locations in Philadelphia and Montgomery Counties, with TUHS as its sole member;
- Temple University Health System Foundation (“TUHSF”), a nonprofit corporation formed to support the health-care-related activities of TUHS, with TUH as its sole member;
- Episcopal Hospital (“Episcopal”), a nonprofit corporation, providing clinical outpatient health care services, with TUHS as its sole member;
- Temple Health System Transport Team, Inc. (“T3”), a nonprofit corporation, is a critical care air and ground ambulance company, with TUHS as its sole member;
- Temple Physicians, Inc. (“TPI”), a nonprofit corporation formed to develop and acquire community-based primary care practices located in the service area of TUHS, with TUHS as its sole member;
- TUHS Insurance Company, Ltd. (“TUHIC”), a captive insurance company established to reinsure the professional liability claims of certain subsidiaries of TUHS. TUHS is the beneficial owner of TUHIC which is domiciled in Bermuda;
- American Oncologic Hospital d/b/a The Hospital of Fox Chase Cancer Center (“AOH”), a nonprofit corporation, is a 100 licensed bed specialty hospital that provides advanced inpatient and outpatient care to cancer patients, with TUHS as its sole member;
- Institute for Cancer Research d/b/a the Research Institute of Fox Chase Cancer Center (“ICR”), a nonprofit corporation, is primarily engaged in basic research, including programs in cancer biology, developmental therapeutics, immune cell development and host disease, cancer epigenetics, and cancer prevention and control and is a National Cancer Institute designated Comprehensive Cancer Center, with AOH as its sole member;
- Fox Chase Cancer Center Medical Group, Inc. (“MGI”), a nonprofit corporation, employs and provides physician services to the Fox Chase family of organizations, with AOH as its sole member;

- Fox Chase Network, Inc. (“Network”), a nonprofit corporation, provides cancer related clinical and administrative services to cancer programs of community hospitals and physicians, with AOH as its sole member;
- Fox Chase, Ltd. (“Limited”), a business corporation that holds minority interests in joint ventures with area hospitals, with AOH as its sole stockholder;
- Temple Center for Population Health, LLC (“TCPH”), a Pennsylvania limited liability company, participating in accountable care, coordinated care, shared savings, bundled payment programs and other similar programs or initiatives with or implemented by governmental payers, commercial payers and other parties, with TUHS as its sole member;
- Temple Faculty Practice Plan, Inc. (“TFPP”), a nonprofit corporation, provides teaching and physician services to the TUHS hospitals, with TUHS as its sole member;
- Temple Health Subsidiaries, Inc. (“THS”), a business corporation formed to participate in for-profit joint ventures, the sole shareholder of which is TUH;
- Temple Care, Inc. (“TC”), a Pennsylvania nonprofit corporation, organized to participate in the Centers for Medicare and Medicaid (CMS) backed Accountable Care Organization Realizing Equity, Access, and Community Health Model (REACH), with an aim to support the REACH goals of tying provider reimbursements to quality and health equity metrics and reductions in the cost of care, with TCPH as its sole member.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Health System. All significant intercompany transactions and balances are eliminated in consolidation.

**Cash, Cash Equivalents, and Restricted Cash**—Cash, cash equivalents, and restricted cash consist primarily of highly liquid investments, such as money market funds and debt instruments with original maturities of three months or less at the time of purchase. At June 30, 2024 and 2023, the Health System had cash balances in financial institutions, which exceed federal depository insurance limits. Management believes that credit risks related to these deposits are minimal. Cash, cash equivalents, and restricted cash are carried at cost, which approximates fair value. Restricted cash is included within assets limited as to use in the consolidated balance sheets. As of June 30, 2024 and 2023, restricted cash balances were \$24,666,000 and \$19,424,000 respectively, and primarily consisted of donor restricted assets.

**Investments**—Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investment income or loss (including realized gains and losses, interest, and dividends) is included in other income unless the income is restricted by donor or law, except for investment income on borrowed funds held by trustees as collateral on outstanding debt. This investment income is included in revenues and other support without donor restrictions. Unrealized gains and losses on equity securities are included within other income. Unrealized gains and losses on debt securities are included within other changes in net assets unless the amount was recorded as part of a credit loss impairment adjustment as disclosed in Note 6.

The Health System also invests in various limited partnerships and hedge funds. Such investments are accounted for using a net asset value (“NAV”) equivalent, which approximates fair value as determined

by the fund managers and financial information provided by the funds. This financial information includes assumptions and methods that were reviewed by the Health System. The Health System believes that the estimated fair value is reasonable as of June 30, 2024 and 2023. Because these investments are not readily marketable, the estimated fair values are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material. These investments vary as to their level of liquidity, with differing requirements for notice prior to redemption or withdrawal. Investment gains and losses on these funds are included in other income.

Investments, in general, are exposed to various risks such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

The Health System reviews its debt securities to identify those for which market value is below cost. The Health System then makes a determination as to whether a credit loss impairment exists based on guidelines established in FASB ASC Topic 326 *Financial Instruments – Credit Losses*.

**Assets Limited as to Use**—Assets limited as to use primarily include assets held by trustees under indenture and insurance agreements, designated assets set aside by the Board primarily for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and donor restricted assets. Amounts required to meet current liabilities of the Health System have been classified as current assets in the consolidated balance sheets.

**Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Depreciation expense was \$58,225,000 and \$51,961,000 for the years ended June 30, 2024 and 2023, respectively. Expenditures for maintenance and repairs necessary to maintain property, plant and equipment are charged to operations. Costs of renewals and betterments are capitalized.

Costs associated with the development and installation of internal-use software are accounted for in accordance with FASB ASC Subtopic 350-40 *Intangibles – Goodwill and Other, Internal-Use Software*. Internal-use software costs are expensed or capitalized and amortized according to the provisions of the accounting standard. The total cost of capitalized software was \$86,467,000 and \$82,201,000 at June 30, 2024 and 2023, respectively. Total accumulated amortization was \$58,314,000 and \$46,367,000 at June 30, 2024 and 2023, respectively. These amounts are included within property, plant and equipment in the consolidated balance sheets. The related amortization expense was \$14,421,000 and \$11,513,000 for the years ended June 30, 2024 and 2023, respectively, and was included within depreciation and amortization in the consolidated statements of operations and changes in net assets.

**Leases**—The Health System determines if an arrangement is a lease at inception. A contract is or contains a lease if the contract conveys the right to control and obtain substantially all of the economic benefits from an identified asset, and provides the Health System with the right to direct the use of the identified asset for a period of time in exchange for consideration.

Operating leases are included in operating lease right-of-use assets, current portion of operating lease liabilities, and operating lease liabilities in the consolidated balance sheets. Finance leases are included in net property, plant, and equipment, current portion of long-term debt, and long-term debt in the consolidated balance sheets.

Right-of-use assets and lease liabilities are recognized at the commencement date, based on the present value of lease payments over the lease term. If a lease agreement does not provide an implicit rate, based on the information available at the commencement date, the Health System uses its incremental borrowing rate in determining the present value of lease payments. The Health System determines its incremental borrowing rate based on the approximate rate at which the Health System would borrow, on a collateralized basis, over a similar term. This determination involves numerous assumptions such as credit standing, lease term, amount of borrowing, and location of leased assets. The lease term includes periods covered by options to extend the lease when it is reasonably certain the Health System will exercise the option, as well as periods covered by options to terminate the lease when it is reasonably certain that the Health System will not exercise the option.

Expense for operating lease payments is recognized on a straight-line basis over the lease term and is presented within leases expense in the consolidated statement of operations. Finance lease assets are amortized on a straight-line basis over the term of the lease and presented within depreciation and amortization in the consolidated statement of operations. Interest expense on finance lease liabilities is recognized using the effective interest method and is presented within interest expense in the consolidated statement of operations.

The Health System has elected the practical expedient that allows lessees to choose not to separate lease and non-lease components and is applying this expedient to all real estate leases and all embedded equipment leases related to consumable purchase agreements.

A short-term lease is a lease with a term of twelve months or less and that does not include purchase options that are reasonably certain to be exercised. ASC 842 *Leases* includes a recognition exemption specific to short-term leases that, if elected, would allow a lessee to not recognize on the balance sheet right-of-use assets and lease liabilities related to such leases, but rather expense the payments related to the short-term lease on a straight-line basis over the lease term. The Health System has elected this recognition exemption for all asset classes.

Variable lease payments are defined as payments made by a lessee to a lessor that vary because of changes in facts and circumstances occurring after lease commencement. Certain lease agreements for real estate include payments based on actual common area maintenance and expenses. These variable lease payments are recognized within operating expenses but are not included in the calculation of right-of-use asset or liability balances.

**Long-Lived Assets Review**—The Health System reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of a long-lived asset is considered impaired, a loss is recognized by which the carrying value exceeds the fair value (less any costs related to disposal or abandonment, if applicable). There was no impairment recognized on long-lived assets for the years ended June 30, 2024 and 2023.

**Goodwill and Other Intangibles**—Goodwill and other intangible assets are accounted for in accordance with the accounting guidance in FASB ASC Topic 350 *Intangibles—Goodwill and Other*. Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or when indicators of a potential impairment are present. The Health System's annual impairment date is June 30th. The annual evaluation for impairment of goodwill and indefinite-lived intangibles is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. Any resulting impairment losses are recognized in the results of operations.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed on a straight-line basis over the estimated periods benefited. Patents, technology and other intangibles with contractual terms are generally amortized over their respective legal or contractual lives. When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determinable lives may be adjusted and impairment charges recorded.

Refer to Note 8 for impairment charges recorded during the years ended June 30, 2024 and 2023.

**Asset Retirement Obligations**—The Health System recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, in accordance with FASB ASC Topic 410 *Asset Retirement and Environmental Obligations*, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the Health System capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The value of the asset, when established in 2006, was \$1,144,000. Over time, the liability is accreted to its present value each period using a discount rate between 5% and 7%, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets. Effective June 30, 2018, the Health System determined that the anticipated timing of settlement for the obligation had changed and also revised its cost estimates. An estimated increase in future cash flows of \$1,409,000 was recognized as an additional asset retirement obligation and asset retirement cost on the balance sheet. At June 30, 2024 and 2023, the recorded asset retirement obligation was \$8,142,000 and \$7,986,000, respectively. Accretion costs for the years ended June 30, 2024 and 2023 were \$156,000 and \$145,000, respectively.

**Deferred Financing Costs**—Deferred financing costs are amortized over the term of the related debt. Gross deferred financing costs were \$8,281,000 as of June 30, 2024 and 2023. Accumulated amortization of deferred financing costs was \$2,795,000 and \$2,221,000 as of June 30, 2024 and 2023, respectively. Deferred financing costs are presented on the balance sheets as a direct deduction from the carrying value of long-term debt. Amortization expense was \$574,000 and \$589,000 for the years ended June 30, 2024 and 2023, respectively. Amortization expense is included within interest expense in the consolidated statements of operations and changes in net assets.

**Net Assets**—Net assets are categorized according to externally (donor) imposed restrictions. A description of the two net asset categories follows:

*Net Assets Without Donor Restrictions*—are those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation. Included in net assets without donor restrictions are board-designated assets of \$437,000 and \$326,000 at June 30, 2024 and 2023, respectively.

*Net Assets With Donor Restrictions*—are those assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature and limit the use of assets to a specific time period or purpose. Other donor restrictions are perpetual in nature and require that the corpus of the related gifts, trusts, or pledges be invested in perpetuity, with only the income available for operations or in accordance with donor restrictions (See Note 15).

**Beneficial Interest in Perpetual Trusts**—The Health System is the irrevocable beneficiary of the income from certain perpetual trusts administered by third parties. The Health System's beneficial

interest is reported at the fair value of the underlying trust assets. Because the trusts are perpetual and the original corpus cannot be used, these funds are reported as net assets with donor restrictions.

**Contributions, Grants and Awards, and Research Contracts**—The Health System records unconditional promises to give (pledges) as receivables and revenues, and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Upon expiration of donor restrictions, that is, when a stipulated time restriction ends and/or purpose restriction is accomplished, amounts are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. Conditional promises to give are recognized once the Health System overcomes the barrier to be entitled to the resources and the grantor has transferred the resources.

Donor restricted contributions whose restrictions are met within the same year they are received are reported as net assets without donor restrictions within contribution revenue.

Income from research contracts and grants and awards that are considered exchange transactions are recognized as research revenue over time by measuring progress toward complete satisfaction of the performance obligations. Overhead allowances are recorded as the related direct expenses are incurred. Indirect cost revenues on agency grants and contracts are subject to audit and possible adjustment by governmental payers. Appropriate allowances are made currently for estimated adjustments to governmental arrangements.

**Performance Indicator**—In the accompanying consolidated statements of operations and changes in net assets, the primary indicator of the Health System's results is "Excess of revenues and other support over expenses". Changes in net assets without donor restrictions which are excluded from the excess of revenues and other support over expenses, consistent with industry practice, include unrealized gains and losses on debt securities, permanent transfers of assets to and from affiliates for other than goods or services, contributions of long-lived assets and certain adjustments to pension, postretirement and long-term disability liabilities.

**Net Patient Service Revenue, Patient Accounts Receivable, and Estimated Settlements with Third-Party Payers**—The Health System reports net patient service revenue at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts are due from Medicare and Medicaid, managed health care plans, commercial payers, patients and others. Reimbursement is primarily based on the payment terms of contractual arrangements, such as predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Generally, the Health System bills the patients and third-party payers several days after the services are performed and/or the patient is discharged. In addition, the Health System receives Medical Assistance payments for the reimbursement of services for charity and uncompensated care services. The federal funding of such costs is subject to an upper payment limit and retrospective settlement.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. The Health System recognizes revenues for performance obligations satisfied over a period of time based on actual charges incurred in relation to total expected (or actual) charges. The Health System believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Health System receiving inpatient acute care services. The Health System measures performance obligations from admission to the point where there are no further services required for the patient, which is generally the time of discharge. The Health System recognizes revenues for performance obligations satisfied at a point in time, which generally relates to patients receiving outpatient services, when:



(a) services are provided; and (b) the Health System does not believe the patient requires additional services.

The Health System estimates the transaction price for patients based on gross charges for services provided, reduced by explicit price concessions which include contractual adjustments provided to third-party payers and discounts provided to uninsured patients in accordance with the Health System's policy. The Health System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical collection experience. Revenues are also adjusted for implicit price concessions. Implicit price concessions are determined based on historical collection experience. The implicit price concessions included in estimating the transaction price represent the difference between amounts remaining to be paid and the amounts the Health System generally expects to collect based on its historical experience. Subsequent changes to the estimate of transaction price are generally recorded as adjustments to patient service revenue in the period of change and are accrued on an estimated basis in the period the related services are rendered. Adjustments may also occur in future periods as final settlements are determined.

Because the Health System's patient service obligations generally relate to contracts with duration of less than one year, the Health System has elected to apply the optional exemption and, therefore, is 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 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.

Generally, patients who are covered by third-party payers are responsible for related co-pays, coinsurance and deductibles, which vary in amount. The Health System also provides services to uninsured patients and offers uninsured patients a discount from standard charges. The Health System estimates the transaction price for patients with co-pays, co-insurance and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under the Health System's uninsured discount programs, the discount offered to certain uninsured patients is recognized as a contractual discount, which reduces net operating revenues at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual discounts 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 and other factors that affect the estimation process. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of the change.

Consistent with the Health System's mission, care is provided to patients regardless of their ability to pay. The Health System provides care without charge, or at a standard rate discounted for uninsured patients that is not related to published charges, to patients who meet certain criteria under the Health System's charity care policy. Some patients qualify for charity care based on federal poverty guidelines or their financial condition being such that requiring payment would impose a hardship on the patient. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The Health System has determined that it has provided sufficient explicit price concessions for these accounts.

In assessing collectability, the Health System uses a combination of contract specific adjustments (such as high dollar and long length-of-stay accounts) as well as a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. This portfolio approach is being used as the Health System has a large volume of similar contracts with similar classes of customers. The Health System reasonably expects that the effect of applying a portfolio approach would not differ materially from considering each contract separately. Management's judgment to group the

contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all of the contracts (which are at the patient level) by the particular payer or group of payers will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level.

Amounts received under Medicare and Medicaid programs are subject to review and final determination by program intermediaries or their agents and the contracts the Health System has with commercial payers typically provide for retroactive audit and review of claims. Revenue includes an estimate of variable consideration for retroactive revenue adjustments due to settlements of audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered or when known by the Health System and adjusted in future periods as final settlements or changes in estimates are determined. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term (see Note 3).

The Health System engages in various contracts with insurance companies where the Health System is at risk for the total cost of care to an attributed patient population as well as contracts that provide for pay-for-performance incentives. The value of these agreements is estimated and included in net patient service revenue.

**Other Revenue**—Other revenue includes amounts earned from cafeteria operations, parking garage operations, transport services provided by T3, and other non-patient care services. Revenue is recognized as performance obligations are satisfied. Other revenue also includes the Health System's share of equity method investment gains and losses.

The CARES Act authorized \$175 billion in funding to hospitals and other health care providers to be distributed through the Public Health and Social Services Emergency Fund ("Provider Relief Funds"). Payments from Provider Relief Funds are intended to compensate health care providers for lost revenues and qualified expenses incurred in response to the COVID-19 pandemic and are not required to be repaid; provided that the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using Provider Relief Funds to reimburse expenses or losses that other sources are obligated to reimburse. The Health System received \$213,188,000 in Provider Relief Fund payments through June 30, 2023, of which \$0 remained as deferred revenue in the consolidated balance sheets at June 30, 2024 and 2023. For the years ended June 30, 2024 and 2023, the consolidated statements of operations and changes in net assets include \$0 and \$8,698,000, respectively, in Provider Relief Funds recognized in other revenue.

**Income Taxes**—Substantially all of the individual members of the Health System are nonprofit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Limited, a wholly owned subsidiary in which the Health System exercises control, is a for-profit corporation that is subject to federal and state income tax. Such taxes are immaterial and have been reported with other expenses in the accompanying consolidated financial statements.

The Health System's federal Exempt Organization Business Income Tax Returns for 2023, 2022, 2021, and 2020 remain subject to examination by the Internal Revenue Service ("IRS").

**Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates comprise explicit and implicit price concessions on patient service revenue and patient accounts receivable, estimated settlements with

third-party payers, state Medicaid audit settlements, self-insurance program assets and liabilities, accrued postretirement benefits, estimated asset retirement obligations and the valuation of alternative investments.

### 3. NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE

Net patient service revenue from these major payer sources based on primary insurance designation is as follows for the years ended June 30, 2024 and 2023 (in thousands):

	2024		
	Inpatient	Outpatient	Total
Medicare	\$ 204,237	\$ 204,612	\$ 408,849
Managed Medicare	224,092	212,579	436,671
Medicaid	30,717	2,360	33,077
Managed Medicaid	264,554	187,694	452,248
Commercial and managed care	208,675	423,073	631,748
Self-pay	278	6,202	6,480
Other	413,657	392,628	806,285
Net patient service revenue	<u>\$ 1,346,210</u>	<u>\$ 1,429,148</u>	<u>\$ 2,775,358</u>

  

	2023		
	Inpatient	Outpatient	Total
Medicare	\$ 196,754	\$ 179,639	\$ 376,393
Managed Medicare	213,388	177,192	390,580
Medicaid	21,179	2,340	23,519
Managed Medicaid	241,785	170,887	412,672
Commercial and managed care	196,818	392,997	589,815
Self-pay	645	8,687	9,332
Other	377,749	300,937	678,686
Net patient service revenue	<u>\$ 1,248,318</u>	<u>\$ 1,232,679</u>	<u>\$ 2,480,997</u>

Physician revenue is included in outpatient revenue in the above schedules.

Included in the Other category above is support received from the Commonwealth of Pennsylvania, primarily related to providing access to health care services, including care for the uninsured and indigent population (see Note 5). Revenues recognized related to this support for the years ended June 30, 2024 and 2023 were \$483,614,000 and \$416,244,000, respectively. To the extent that these support payments are dependent on a provider tax from the hospitals, those expenses are included in purchased services and other in the consolidated statements of operations and changes in net assets. Provider tax assessment expenses for the years ended June 30, 2024 and June 30, 2023 were \$70,003,000 and \$58,742,000, respectively. There is no guarantee that this funding will continue in future years. Under certain circumstances, the Health System could be required to repay certain support payments received from the Commonwealth.

Net patient service revenue also includes estimates of reimbursement from third-party payers. For the years ended June 30, 2024 and 2023, net patient service revenue increased by \$24,611,000 and \$40,779,000, respectively, as a result of settlements related to prior years or changes in estimates associated with Medicare cost reports and state Medicaid audits. Audits pertaining to fiscal years through 2020 have been closed.

Net patient accounts receivable consists of the following components at June 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Patient receivables	\$ 293,821	\$ 312,892
Contract assets	<u>19,010</u>	<u>19,205</u>
	<u><u>\$ 312,831</u></u>	<u><u>\$ 332,097</u></u>

Contract assets relate to in-house patients who were provided services during the fiscal year but were not discharged as of the reporting date, and for which the Health System may not have the right to bill.

#### 4. BUSINESS AND CREDIT CONCENTRATION

The Health System provides diversified health care services primarily to area residents through its inpatient and outpatient care facilities in the Greater Philadelphia Metropolitan Area. As a function of its mission and location, the Health System serves a disproportionately high number of poor or indigent patients; consequently, the Health System derives a substantial portion of its revenue from the Medicare (federal government) and the Medical Assistance (Commonwealth of Pennsylvania, Department of Human Services [DHS]) programs.

The distribution of inpatient services provided from continuing operations (TUH and AOH) based upon patient discharges (excluding newborns) by class of payer for the years ended June 30, 2024 and 2023, is as follows (unaudited):

	<b>2024</b>		<b>2023</b>	
	<b>Discharges</b>	<b>%</b>	<b>Discharges</b>	<b>%</b>
Medical Assistance:				
Fee for service	1,603	4.3 %	1,300	3.7 %
Managed care	<u>13,639</u>	<u>36.3</u>	<u>13,138</u>	<u>36.9</u>
Total Medical Assistance	<u>15,242</u>	<u>40.6</u>	<u>14,438</u>	<u>40.6</u>
Medicare:				
Fee for service	6,694	17.9	6,705	18.8
Managed care	<u>9,370</u>	<u>25.0</u>	<u>8,602</u>	<u>24.2</u>
Total Medicare	<u>16,064</u>	<u>42.9</u>	<u>15,307</u>	<u>43.0</u>
Commercial and managed care	<u>5,119</u>	<u>13.7</u>	<u>5,249</u>	<u>14.8</u>
Other	<u>1,045</u>	<u>2.8</u>	<u>583</u>	<u>1.6</u>
	<u><u>37,470</u></u>	<u><u>100.0 %</u></u>	<u><u>35,577</u></u>	<u><u>100.0 %</u></u>

Health Choices is a DHS program that requires all Medical Assistance recipients in the Philadelphia five-county area to join a Medicaid Health Maintenance Organization (“HMO”). Under Health Choices, DHS has entered into capitation arrangements with five Medicaid HMOs, four of which the Health System contracts with, which in turn negotiate separate payment rates with health care providers. The Medical Assistance-managed care category above includes the four Medicaid HMOs under the Health Choices program with which the Health System contracts. The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements.

The mix of net receivables from third-party payers and patients at June 30, 2024 and 2023 is as follows (unaudited):

	2024	2023
Medical Assistance:		
Fee for service (FFS)	3.4 %	2.2 %
Managed care	21.6	20.1
Medicare		
Fee for service (FFS)	11.6	16.0
Managed care	21.2	16.9
Commercial and managed care	36.7	34.8
Other	<u>5.5</u>	<u>10.0</u>
	<u>100.0 %</u>	<u>100.0 %</u>

## 5. CHARITY CARE

The Health System maintains detailed records to identify and monitor the level of charity care it provides to its patients. Charity care costs are estimated by applying an overall cost to charge ratio to charity care charges. The estimated costs and expenses incurred to provide charity care, including the estimated unreimbursed cost of services in excess of specific payments for services rendered to Medical Assistance recipients, were \$262,986,000 and \$235,224,000 for the years ended June 30, 2024 and 2023, respectively (see Note 3).

## 6. INVESTMENTS

**Assets Limited as to Use**—The composition of assets limited as to use at June 30, 2024 and 2023, is set forth in the following table (in thousands):

	2024	2023
Under indenture agreements-held by trustee:		
Debt service funds	\$ 22,802	\$ 19,847
Debt service reserve funds	<u>24,756</u>	<u>24,538</u>
	47,558	44,385
Under debt agreements	239	234
Under insurance arrangements (TUHIC)	65,855	74,468
Board designated	437	326
Donor restricted	55,329	48,945
Workers' and unemployment compensation	<u>962</u>	<u>951</u>
	170,380	169,309
Less amounts required for current liabilities	<u>27,729</u>	<u>22,408</u>
	<u>\$ 142,651</u>	<u>\$ 146,901</u>

By security classification (in thousands):

	2024	2023
U.S. government securities	\$ 65,427	\$ 75,225
Fixed income mutual funds	13,777	13,113
Corporate bonds, notes, and other debt securities	19,965	17,480
Cash, money market funds, and certificates of deposit	53,648	46,522
Equity securities and mutual funds	16,206	15,387
Limited partnerships	<u>1,357</u>	<u>1,582</u>
	<u>\$ 170,380</u>	<u>\$ 169,309</u>

**Workers' Compensation Fund**—Workers' compensation fund at June 30, 2024 and 2023, consisted of (in thousands):

	2024	2023
U.S. government securities	\$ 8,116	\$ 7,776
Cash, money market funds, and certificates of deposit	<u>1,553</u>	<u>1,390</u>
	<u>\$ 9,669</u>	<u>\$ 9,166</u>

**Investments**—Investments at June 30, 2024 and 2023, consisted of (in thousands):

	2024	2023
U.S. government securities	\$ 53,921	\$ 38,315
Fixed income mutual funds	65,970	61,398
Corporate bonds, notes, and other debt securities	45,634	57,126
Equity securities and mutual funds	497,002	431,845
Real estate	324	320
Hedge funds	65,008	60,070
Limited partnerships	72,444	80,732
Limited liability corporations	1,633	687
Other	912	694
	<u>\$ 802,848</u>	<u>\$ 731,187</u>

**Investment Income**—Investment income and gains (losses) from investments, including assets limited as to use and cash and cash equivalents, are comprised of the following for the years ended June 30, 2024 and 2023 (in thousands):

	2024	2023
Interest and dividend income	\$ 27,375	\$ 28,579
Net realized (losses) gains on sales of investments	(916)	19,657
Net change in fair value of alternative investments	(2,565)	(11,089)
Recognition of credit loss impairment	(1,170)	(3,297)
Investment management fees	(1,198)	(1,318)
Net unrealized gains on equity securities	<u>64,821</u>	<u>37,151</u>
	<u>\$ 86,347</u>	<u>\$ 69,683</u>

Interest, dividends, realized and unrealized gains (losses) for the years ended June 30, 2024 and 2023 are reported as follows (in thousands):

	2024	2023
Consolidated statements of operations and changes in net assets:		
Revenues without donor restrictions—investment income	\$ 646	\$ 817
Other income without donor restrictions—investment income	74,957	60,917
Other changes in net assets without donor restrictions— net change in fair value	5,836	1,168
Net assets with donor restrictions—investment income	3,593	4,922
Net assets with donor restrictions—net change in fair value	<u>1,315</u>	<u>1,859</u>
	<u>\$ 86,347</u>	<u>\$ 69,683</u>

The following tables provide information on the gross unrealized losses and fair market value of the Health System's debt securities with unrealized losses that are not deemed to have a credit loss impairment, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2024 and 2023 (in thousands):

	At June 30, 2024					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government securities	\$ 20,745	\$ (425)	\$ 24,473	\$ (4,461)	\$ 45,218	\$ (4,886)
Corporate bonds, notes, and other debt securities	<u>11,221</u>	<u>(71)</u>	<u>25,676</u>	<u>(3,796)</u>	<u>36,897</u>	<u>(3,867)</u>
Total temporarily impaired securities	<u>\$ 31,966</u>	<u>\$ (496)</u>	<u>\$ 50,149</u>	<u>\$ (8,257)</u>	<u>\$ 82,115</u>	<u>\$ (8,753)</u>

  

	At June 30, 2023					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government securities	\$ 19,621	\$ (438)	\$ 16,894	\$ (3,637)	\$ 36,515	\$ (4,075)
Corporate bonds, notes, and other debt securities	<u>7,127</u>	<u>(276)</u>	<u>46,331</u>	<u>(8,225)</u>	<u>53,458</u>	<u>(8,501)</u>
Total temporarily impaired securities	<u>\$ 26,748</u>	<u>\$ (714)</u>	<u>\$ 63,225</u>	<u>\$ (11,862)</u>	<u>\$ 89,973</u>	<u>\$ (12,576)</u>

With respect to the debt securities in an unrealized loss position as of June 30, 2024 and 2023, the Health System has determined it is not more likely than not that the Health System may be required to sell its available-for-sale securities before their anticipated recoveries. In assessing the likelihood that the Health System will be required to sell a security before its anticipated recovery, the Health System considers various factors including its future cash flow requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short-term investments and fixed maturity investments available-for-sale in an unrealized gain position, and other relevant factors.

In evaluating credit losses, the Health System considers a variety of factors in the assessment of a security including: (1) the extent of the decline below cost and par; (2) the potential for the security to recover in value; (3) an analysis of the financial condition of the issuer; (4) the rating of the issuer; and (5) failure of the issuer of the security to make scheduled interest or principal payments.

During fiscal years 2024 and 2023, the Health System recorded credit loss impairment charges of \$1,170,000 and \$3,297,000, respectively, on certain investments in debt securities.

**TUHC Debt Securities**—At June 30, 2024 and 2023, TUHC held investments in debt securities which are included as assets limited as to use in the Health System's consolidated balance sheets. The amortized cost of debt securities at June 30, 2024 and 2023, by contractual maturity, is shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Gross unrealized holding gains on these securities aggregated \$80,000 and \$77,000 at June 30, 2024 and 2023, respectively. Gross



unrealized holding losses on these securities aggregated \$3,401,000 and \$5,028,000 at June 30, 2024 and 2023, respectively.

	<b>Amortized Cost</b>	
	<b>2024</b>	<b>2023</b>
Due within one year	\$ 3,165	\$ 677
Due after one year through five years	30,540	38,621
Due after five years through ten years	35,155	39,160
Due after ten years	<u>-</u>	<u>346</u>
	<u>\$ 68,860</u>	<u>\$ 78,804</u>

## 7. PLEDGES

As of June 30, 2024 and 2023, pledges are included in the consolidated financial statements at their net present value, less estimated uncollectible amounts, as follows (in thousands):

	<b>2024</b>	<b>2023</b>
Total value of pledges	\$ 1,838	\$ 1,776
Unamortized discount for gross pledges	(17)	(74)
Reserve for uncollectible pledges	<u>-</u>	<u>-</u>
Reported value for pledges	<u>\$ 1,821</u>	<u>\$ 1,702</u>

The discount rates applied to pledges were between 4.52% and 5.09% for 2024 and 4.49% and 5.40% for 2023.

Based upon payment schedules that are either specified by donors or estimated by the Health System, payments on pledges are due as follows (in thousands):

	<b>2024</b>	<b>2023</b>
Amounts due within one year	\$ 1,488	\$ 974
Amounts due in two to five years	<u>333</u>	<u>728</u>
Reported value for pledges	<u>\$ 1,821</u>	<u>\$ 1,702</u>

The current and long-term portion of pledges receivable are presented within other receivables and other assets, respectively, on the consolidated balance sheets.

## 8. INTANGIBLE ASSETS

The Health System had \$109,000 and \$660,000 of amortizing intangible assets related to the affiliation with AOH at June 30, 2024 and 2023, respectively. There were no intangible assets with indefinite lives at June 30, 2024 or 2023. There were no new intangible assets acquired during 2024.

Intangible assets at June 30, 2024 and 2023 are summarized as follows (in thousands):

Balance at June 30, 2023	\$ 660
Adjustments:	
Impairment	(352)
Amortization	<u>(199)</u>
Balance at June 30, 2024	<u>\$ 109</u>
Balance at July 1, 2022	\$ 924
Adjustments:	
Impairment	-
Amortization	<u>(264)</u>
Balance at June 30, 2023	<u>\$ 660</u>

The following table summarizes amortizing intangible assets at June 30, 2024 and 2023 (in thousands):

<b>2024</b>				
	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Accumulated Impairment</b>	<b>Net</b>
Intellectual property	\$ 4,342	\$ (3,436)	\$ (797)	\$ 109
Contracts and agreements	1,860	(1,508)	(352)	-
Physician contracts	2,346	(2,238)	(108)	-
Other	<u>619</u>	<u>(619)</u>	<u>-</u>	<u>-</u>
Total amortizing intangibles	<u>\$ 9,167</u>	<u>\$ (7,801)</u>	<u>\$ (1,257)</u>	<u>\$ 109</u>
<b>2023</b>				
	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Accumulated Impairment</b>	<b>Net</b>
Intellectual property	\$ 4,342	\$ (3,307)	\$ (797)	\$ 238
Contracts and agreements	1,860	(1,438)	-	422
Physician contracts	2,346	(2,238)	(108)	-
Other	<u>619</u>	<u>(619)</u>	<u>-</u>	<u>-</u>
Total amortizing intangibles	<u>\$ 9,167</u>	<u>\$ (7,602)</u>	<u>\$ (905)</u>	<u>\$ 660</u>

Aggregate amortization expense was \$199,000 and \$264,000 for the years ended June 30, 2024 and 2023, respectively. Future amortization expense is expected to be \$109,000 for the year ended 2025 and \$0 thereafter.

## 9. LONG-TERM DEBT AND LINE OF CREDIT

Long-term debt at June 30, 2024 and 2023, was as follows (in thousands):

	2024	2023
2022 TUHS Hospital Revenue Bonds issued by the Hospitals and Higher Education Facilities Authority of Philadelphia (the "Authority") at fixed interest rates of 4.0% to 5.0% due in installments through 2041		
Principal amount	\$ 165,890	\$ 165,890
Unamortized premium, debt issuance costs, and underwriter's discount	<u>15,787</u>	<u>16,945</u>
Long-term debt net of unamortized premium, debt issuance costs, and underwriter's discount	181,677	182,835
2017 TUHS Hospital Revenue Bonds issued by the Authority at a fixed interest rate of 5.0% due in installments through 2035		
Principal amount	193,830	204,520
Unamortized premium, debt issuance costs, and underwriter's discount	<u>9,943</u>	<u>11,764</u>
Long-term debt net of unamortized premium, debt issuance costs, and underwriter's discount	203,773	216,284
Various finance lease obligations due in installments through 2029 at varied fixed interest rates ranging from 2.45% to 5.23%	11,611	8,769
Equipment and software financing arrangements due in installments through 2033 at fixed interest rates of 0% to 2.86%	<u>2,320</u>	<u>2,623</u>
	399,381	410,511
Less current portion of long-term debt	<u>18,507</u>	<u>15,034</u>
	<u>\$ 380,874</u>	<u>\$ 395,477</u>

The bond issues and notes payable are generally collateralized by the assets and gross revenues of the TUHS Obligated Group and are subject to various financial covenants. The TUHS Obligated Group includes TUHS, TUH, TPI, T3, AOH, ICR, MGI and Network. The Health System is in compliance with its debt covenants at June 30, 2024 and 2023.

At June 30, 2024, total aggregate principal payments under long-term debt and finance lease obligations for the next five years and thereafter are (in thousands):

	<b>Long-Term Debt</b>	<b>Finance Leases</b>
2025	\$ 15,322	\$ 3,186
2026	15,063	3,041
2027	15,828	2,334
2028	15,528	1,877
2029	16,313	991
Thereafter	<u>283,986</u>	<u>182</u>
Total	<u>\$ 362,040</u>	<u>\$ 11,611</u>

The Health System has a revolving line of credit arrangement with a financial institution allowing for outstanding borrowings not to exceed \$100,000,000 and expiring in November 2024. Interest is calculated at term Secured Overnight Financing Rate (SOFR) plus 0.95%. There were outstanding borrowings of \$12,000,000 and \$0 at June 30, 2024 and 2023, respectively.

## 10. LEASES

Leases are presented in accordance with FASB ASC Topic 842 *Leases*. The Health System has operating leases primarily for real estate, including medical office buildings, corporate and other administrative offices, as well as medical equipment, with terms expiring through 2046. Finance leases are primarily for medical equipment, with terms expiring through 2029.

Total lease costs for the years ended June 30, 2024 and 2023 consist of the following (in thousands):

	<b>2024</b>	<b>2023</b>
Lease expense:		
Operating lease cost	\$ 5,441	\$ 5,645
Variable lease cost	3,282	3,538
Short-term lease cost	<u>3,780</u>	<u>4,777</u>
Total lease expense	<u>12,503</u>	<u>13,960</u>
Finance lease cost:		
Amortization of lease assets	3,240	2,381
Interest on lease liabilities	<u>484</u>	<u>233</u>
Total finance lease cost	<u>3,724</u>	<u>2,614</u>
Total lease cost	<u>\$ 16,227</u>	<u>\$ 16,574</u>

Supplemental consolidated balance sheet information related to leases as of June 30, 2024 and 2023 is as follows (in thousands):

	<b>2024</b>	<b>2023</b>
Operating leases:		
Operating lease right-of-use assets	\$ 20,331	\$ 23,928
Current portion of operating lease liabilities	4,142	4,420
Operating lease liabilities	<u>17,501</u>	<u>20,837</u>
Total operating lease liabilities	<u>\$ 21,643</u>	<u>\$ 25,257</u>
Finance leases:		
Property, plant and equipment, net	\$ 11,640	\$ 8,839
Current portion of long-term debt	3,186	2,608
Long-term debt	<u>8,425</u>	<u>6,161</u>
Total finance lease liabilities	<u>\$ 11,611</u>	<u>\$ 8,769</u>

Supplemental consolidated cash flow information related to leases for the years ended June 30, 2024 and 2023 is as follows (in thousands):

	<b>2024</b>	<b>2023</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 5,448	\$ 5,396
Operating cash flows for finance leases	484	233
Financing cash flows for finance leases	3,510	2,795
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 962	\$ 4,557
Finance leases	6,353	4,674

The weighted-average remaining lease terms and discount rates for operating and finance leases as of June 30, 2024 and 2023 are as follows:

	<b>2024</b>	<b>2023</b>
Weighted-average remaining lease term (in years):		
Operating leases	6.61	7.11
Finance leases	4.22	4.05
Weighted-average discount rate:		
Operating leases	3.82%	3.66%
Finance leases	4.24%	3.83%

A maturity analysis of future lease payments under operating and finance leases as of June 30, 2024 is as follows (in thousands):

	<b>Operating</b>	<b>Finance</b>
2025	\$ 4,877	\$ 3,612
2026	4,279	3,341
2027	3,792	2,517
2028	3,760	1,969
2029	2,287	1,019
Thereafter	<u>5,720</u>	<u>182</u>
Total lease payments	24,715	12,640
Less: Amount representing interest	<u>3,072</u>	<u>1,029</u>
Total lease liabilities	<u>\$ 21,643</u>	<u>\$ 11,611</u>

The Health System also has certain consumable agreements in which a vendor provides a piece of equipment at no additional cost in exchange for the Health System's commitment to purchase a minimum quantity of consumable products. These agreements are considered embedded finance leases. Therefore, the Health System recognizes right-of-use assets and lease liabilities on the consolidated balance sheets related to these agreements. There are \$220,000 and \$1,529,000 of such assets included within net property, plant, and equipment at June 30, 2024 and 2023, respectively. There are \$231,000 and \$1,354,000 included within other current liabilities and \$0 and \$231,000 included within other long-term liabilities at June 30, 2024 and 2023, respectively. For the years ended June 30, 2024 and 2023, amortization of the lease assets was \$1,309,000 and \$1,998,000, respectively, and interest on the lease liabilities was \$20,000 and \$66,000, respectively. For the years ended June 30, 2024 and 2023, operating cash flows were \$20,000 and \$66,000 and financing cash flows were \$1,354,000 and \$2,029,000, respectively. Future lease payments under these agreements are expected to be \$232,000 for the year ended June 30, 2025, with \$1,000 representing interest and \$231,000 representing principal, and \$0 thereafter.

## 11. RELATED PARTY TRANSACTIONS

**Temple University**—The Health System has made various transfers of net assets without donor restrictions to the University to be used for health-related programs and initiatives. In fiscal years 2024 and 2023, \$25,080,000 and \$11,259,000, respectively, in net asset transfers to the University were recognized. In addition, the University has made transfers of unrestricted net assets to the Health System to be used for capital projects. In fiscal years 2024 and 2023, \$10,759,000 and \$6,122,000, respectively, in net asset transfers from the University were recognized.

The Health System and University allocate certain costs for services provided to each other. Costs billed to the Health System by the University in 2024 and 2023 include (in thousands):

	<b>Health System Expense</b>	
	<b>2024</b>	<b>2023</b>
TFPP salaries and employee benefits	\$ 216,857	\$ 211,235
Strategic support assessment	101,787	87,444
Maintenance	14,506	17,525
Telecommunications	3,297	4,710
Institutional support	4,443	4,560
Security	2,083	2,259
Employee tuition	2,328	2,407
Other administrative support	<u>8,271</u>	<u>6,467</u>
Total expenses billed	<u>\$ 353,572</u>	<u>\$ 336,607</u>

The University also billed the Health System for capital projects in the amount of \$22,140,000 and \$9,499,000 for the years ended June 30, 2024 and 2023, respectively.

TUH is the teaching hospital for Temple University’s Lewis Katz School of Medicine (“LKSOM”). The University administers payroll and benefits for dually-employed LKSOM faculty physicians. The Health System reimburses the University for the clinical effort of these physicians.

The Health System charges the University for the cost of services provided to the University. Amounts billed to the University in 2024 and 2023 include (in thousands):

	<b>2024</b>	<b>2023</b>
Salaries and fringe benefits	\$ 1,424	\$ 2,170
Rent	115	75
Other	<u>1,010</u>	<u>1,928</u>
Total expenses billed to the University	<u>\$ 2,549</u>	<u>\$ 4,173</u>

Such amounts are included as other revenue or a reduction of expenses reported in the consolidated statements of operations and changes in net assets.

At June 30, 2024 and 2023, \$55,315,000 and \$13,616,000, respectively, are due to the University for transactions during those years and are included in accounts payable. At June 30, 2024 and 2023, \$2,209,000 and \$2,806,000, respectively, are due from the University for transactions during those years and are included in other receivables.

**Chestnut Hill Hospital** — On August 8, 2022, the Health System formed an alliance with Redeemer Health (“Redeemer”) and Philadelphia College of Osteopathic Medicine (“PCOM”), and collectively signed a definitive agreement to acquire Chestnut Hill Hospital and its associated physician practice plan, Chestnut Hill Clinic Company, LLC (“CHC”) from Tower Health. The alliance completed the acquisition on January 1, 2023 for a purchase price of \$28,000,000. CHH Community Health, Inc. (“CHH”) is a newly-formed Pennsylvania nonprofit corporation which owns and operates Chestnut Hill Hospital. CHC is a Pennsylvania limited liability company which employs the physicians and operates the physician practices that support Chestnut Hill Hospital, with CHH as its sole member.

TUHS is the majority equity-holder of CHH, with 60% ownership, and manages the 148-bed hospital, operating under the name Temple Health – Chestnut Hill Hospital. Redeemer and PCOM each have 20% ownership in CHH and have substantive participating rights. As such, the Health System accounts for its investment in CHH under the equity method. The Health System’s initial investment in CHH was \$16,800,000. For the years ended June 30, 2024 and 2023, the Health System’s share of CHH’s net loss was \$17,005,000 and \$7,430,000, respectively, which is included within other revenue in the consolidated statements of operations. At June 30, 2024 and 2023, the value of the Health System’s investment in CHH was \$0 and \$9,370,000, respectively, which is included within other assets in the consolidated balance sheet. At June 30, 2024 and 2023, the Health System also had \$35,512,000 and \$4,861,000 of current receivables and \$9,200,000 and \$19,000,000 of long-term receivables due from CHH, and \$4,680,000 and \$996,000 of payables owed to CHH, respectively. These amounts are reflected within other receivables, other assets, and accounts payable, respectively, in the consolidated balance sheets.

## **12. MEDICAL PROFESSIONAL LIABILITY AND WORKERS’ COMPENSATION INSURANCE**

The Health System members participate in the Health System’s insurance programs for medical professional liability claims. Primary coverage is provided by an insurance company and reinsured to TUHIC.

Because primary losses are reinsured through TUHIC, primary losses are essentially self-insured up to certain limits, which are coordinated with statutory excess coverage provided through the Pennsylvania Medical Care Availability and Reduction of Error Fund (“MCare Fund”). Also, additional excess liability coverage has been obtained through a commercial insurance carrier.

The Health System accrues liabilities for the estimated losses on asserted and unasserted claims. The discount rate used in determining the liability at June 30, 2024 and 2023 was 4.75%. The liabilities are comprised of asserted claims for self-insured components of the program and accruals for unasserted claims. Asserted claims are specifically identified, with actuarial determination of the ultimate liability on asserted and unasserted claims based on claims settlement history. The estimated discounted liability accrued for asserted and unasserted claims for the Health System was \$309,409,000 and \$349,703,000 at June 30, 2024 and 2023, respectively. The estimated liability accrued for asserted and unasserted claims for TUHIC was \$49,567,000 and \$53,181,000 at June 30, 2024 and 2023, respectively. The Health System incurred net medical professional liability insurance expense of \$75,447,000 and \$31,648,000 in 2024 and 2023, respectively. These costs are recorded in the consolidated statements of operations and changes in net assets as insurance expense.



The activity in the liability for claims reported and claims incurred but not reported for TUHIC for the years ended June 30, 2024 and 2023, is summarized as follows (in thousands):

	<b>2024</b>	<b>2023</b>
Outstanding	\$ 21,784	\$ 29,337
Incurred but not reported	<u>27,783</u>	<u>23,844</u>
	<u><u>\$ 49,567</u></u>	<u><u>\$ 53,181</u></u>
Balance—July 1	\$ 53,181	\$ 58,262
Incurred related to current year	14,757	14,216
Incurred related to prior year	<u>13,916</u>	<u>(4,463)</u>
	<u>28,673</u>	<u>9,753</u>
Paid related to current year	860	528
Paid related to prior year	<u>31,427</u>	<u>14,306</u>
	<u>32,287</u>	<u>14,834</u>
Net balance—June 30	<u><u>\$ 49,567</u></u>	<u><u>\$ 53,181</u></u>

As a result of changes in estimates of insured events in prior years, loss and loss adjustment expenses relating to prior years increased by \$13,916,000 for the year ended June 30, 2024 and decreased by \$4,463,000 for the years ended June 30, 2023.

TUHIC is registered under the Bermuda Insurance Act of 1978, amendments thereto and the Related Regulations (the “Insurance Act”) and is obliged to comply with various provisions of the Insurance Act regarding solvency and liquidity. The minimum required statutory capital and surplus at June 30, 2024 and 2023, was \$5,214,000 and \$5,508,000, respectively, and the actual statutory capital and surplus was \$25,422,000 and \$33,849,000, respectively. The minimum required level of liquid assets was \$42,302,000 and \$45,594,000 and actual liquid assets were \$81,824,000 and \$94,642,000 at June 30, 2024 and 2023, respectively.

The Health System is primarily self-insured for workers’ compensation. Program assets at June 30, 2024 and 2023 were \$9,669,000 and \$9,166,000, respectively. Program liabilities were determined using a discount rate of 4.5% for fiscal years 2024 and 2023. The estimated discounted liability accrued at June 30, 2024 and 2023, was \$16,324,000 and \$16,596,000, respectively. Workers’ compensation expense was \$7,236,000 and \$4,541,000 for fiscal years 2024 and 2023, respectively. These costs are recorded in the consolidated statements of operations and changes in net assets as employee benefits expense.

The Health System follows ASU 2010-24, which clarifies that a health care entity should not net insurance recoveries against a related claim liability. The ASU requires that the ultimate costs of claims or similar contingent liabilities shall be accrued when the incidents that give rise to the claims occur. This guidance also requires recognition of additional offsetting assets and liabilities on the balance sheet relating to workers' compensation and medical professional liability recoveries and claims. The current and long-term asset balances recorded due to this guidance are reflected on the consolidated balance sheets as current portion of self-insurance program receivables and self-insurance program receivables, while the offsetting liabilities are reflected within current portion of self-insurance liabilities and self-insurance liabilities. The amounts below are also included in the disclosure of liabilities within this footnote above. The balances recorded for the years ended June 30, 2024 and 2023 are summarized as follows (in thousands):

	2024			2023		
	Current	Long-Term	Total	Current	Long-Term	Total
Workers' compensation:						
Open reserves in excess of retention	\$ -	\$ 284	\$ 284	\$ -	\$ 284	\$ 284
Incurred but not recorded reserves in excess of retention	-	176	176	-	229	229
Professional liability:						
Claims settled within the MCare Layer	10,894	-	10,894	3,750	-	3,750
Open reserves within the MCare Layer	-	9,450	9,450	-	15,050	15,050
Incurred but not recorded reserves in excess of the MCare Layer	-	11,550	11,550	-	10,133	10,133
Open reserves in excess of the Buffer Layer	-	28,900	28,900	-	50,500	50,500
Incurred but not recorded reserves in excess of the Buffer Layer	-	9,584	9,584	-	13,172	13,172
	<u>\$ 10,894</u>	<u>\$ 59,944</u>	<u>\$ 70,838</u>	<u>\$ 3,750</u>	<u>\$ 89,368</u>	<u>\$ 93,118</u>

### 13. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Health System has sponsored various defined benefit plans at the individual affiliate level based on prescribed eligibility requirements. Effective June 30, 2022, those plans were merged into a single defined benefit plan. Effective June 30, 2023, this plan was terminated. The pension plan termination is subject to approval by the Pension Benefit Guaranty Corporation and the Internal Revenue Service, and the Health System expects that all remaining plan assets and liabilities will be transferred to an insurance company by February 28, 2025.

Certain Health System employees also participate in the University's defined benefit plan. In addition, certain Health System members participate in the defined contribution retirement plans for eligible employees that provide benefits through contributions made by the Health System and its employees. In 2007, the last of the TUHS defined benefit retirement plans was closed to new participants; only certain grandfathered employees are eligible to participate in the defined benefit pension plans. These employees are not eligible to participate in the Health System's defined contribution plans.

The Health System makes contributions to participants' accounts under the Health System's defined contribution plans based on a defined percentage of the employee's base wages and length of service. The Health System contributions to the defined contribution plans for fiscal years 2024 and 2023 were \$43,516,000 and \$42,403,000, respectively. Contributions to the defined contribution plans for fiscal year 2025 are expected to be \$51,223,000.

**Multiemployer Plans**—Also, certain Health System employees participate in multiemployer pension plans based on collective-bargaining agreements. The Health System contributes to two multiemployer pension plans under the terms of collective-bargaining agreements that cover these union-represented employees. The risks of participating in these multiemployer plans are different from a single-employer plan in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Health System chooses to stop participating in one or both of its multiemployer plans, the Company may be required to pay that plan(s) an amount based on the underfunded status of the plan(s), referred to as a withdrawal liability.

The Health System’s participation in these plans for the annual period ended June 30, 2024, is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2024 and 2023 is also noted below. The zone status is based on information that the Health System received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of TUHS		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2024	2023		2024	2023		
The Pension Fund for Hospital and Health Care Employees Philadelphia and Vicinity (1)	23-2627428/001	Red	Red	Yes	\$ 10,177,000	\$ 9,877,000	Yes	2024-2030
Central Pension Fund of the International Union of Operating Engineers and Participating Employers (2)	36-6052390/001	Green	Green	No	97,000	106,000	No	November 2028
Total contributions					<u>\$ 10,274,000</u>	<u>\$ 9,983,000</u>		

(1) Plan years began 1/1/24 and 1/1/23

(2) Plan years began 2/1/24 and 2/1/23

The Health System was listed in its plan’s Form 5500 as providing more than 5% of the total contributions for the following plan and plan year:

Pension Fund	Year Contributions to the Plan Exceeded More Than 5% of Total Contributions (as of December 31 of the Plan’s Year End)
The Pension Fund for Hospital and Health Care Employees — Philadelphia and Vicinity	2024

At the date these consolidated financial statements were issued, Forms 5500 were not available for the plan year ending in 2024.

Certain Health System employees participate in the University's postretirement health and life insurance plan. Benefits begin for eligible employees at age 62, and upon the accumulation of 10 years' service.

**Postretirement Health Care Plan Trends**—For measurement purposes, 8.4% and 7.2% annual rates of increase in the per-capita cost of postretirement benefits were assumed for 2024 for the shared plan of the Health System and University and the AOH and Affiliates plan, respectively, compared to the rates of 7.9% and 6.9% for 2023. For 2024, these rates are assumed to decrease gradually to 4.5% in 2033 and 4.5% in 2034, respectively, and to remain at those levels thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit plan.

**Defined Benefit Pension, Defined Contribution and Postretirement Benefit Plans**—Total defined benefit pension, defined contribution, and other postretirement benefit plans expense under all Health System programs amounted to \$56,503,000 and \$53,402,000 for the years ended June 30, 2024 and 2023, respectively.

The following table sets forth the activity of the pension and other postretirement benefit plans (which includes the joint Health System and University plans) as of and for the years ended June 30, 2024 and 2023 (in thousands). A measurement date of June 30th is used for the plans.

	Pensions		Other Postretirement Benefit Plan	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation—beginning of year	\$ 156,503	\$ 164,515	\$ 294,136	\$ 302,722
Service cost	3,127	2,615	8,877	8,716
Interest cost	7,825	6,974	15,806	13,496
Plan participant contributions	173	255	1,114	1,258
Actuarial loss (gain)	(2,559)	(4,978)	6,046	(15,536)
Benefits paid	(10,328)	(10,483)	(18,163)	(16,520)
Administrative expenses paid	(3,195)	(2,395)	-	-
Benefit obligation—end of year	151,546	156,503	307,816	294,136
Change in plan assets:				
Fair value of plan assets—beginning of year	139,714	151,039	366,913	361,398
Actual return on plan assets	3,606	1,298	31,029	17,225
Employer contributions	-	-	3,900	3,552
Plan participant contributions	173	255	1,114	1,258
Plan expenses	(3,195)	(2,395)	-	-
Benefits paid	(10,328)	(10,483)	(18,163)	(16,520)
Fair value of plan assets—end of year	129,970	139,714	384,793	366,913
Funded status	(21,576)	(16,789)	76,977	72,777
Less University (accrued) prepaid cost	(4,469)	(3,992)	52,253	49,013
Net amount recognized—TUHS Only	\$ (17,107)	\$ (12,797)	\$ 24,724	\$ 23,764
Amounts recognized in the balance sheets include:				
Other noncurrent assets	\$ -	\$ -	\$ 26,600	\$ 25,866
Other current liabilities	(16,664)	-	(320)	(338)
Accrued postretirement benefits—noncurrent	(443)	(12,797)	(1,556)	(1,764)
Net amount recognized—TUHS Only	\$ (17,107)	\$ (12,797)	\$ 24,724	\$ 23,764

	<b>Pensions</b>		<b>Other Postretirement Benefit Plan</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Amounts recognized in unrestricted net assets:				
Net actuarial loss (gain)	\$ 56,802	\$ 57,041	\$ (22,424)	\$ (24,423)
Net amount recognized in unrestricted net assets	\$ 56,802	\$ 57,041	\$ (22,424)	\$ (24,423)
Weighted-average assumptions to determine benefit obligation:				
Discount rate	5.41%-5.47%	5.14%-5.15%	5.20%-5.44%	5.01%-5.14%
Rate of compensation increase	2.50%	0.025	N/A	N/A
Weighted-average assumptions to determine net periodic cost:				
Discount rate	5.15%-5.16%	4.72%-4.80%	5.03%-5.14%	3.94%-4.76%
Rate of compensation increase	2.50%	0.025	N/A	N/A
Expected return on plan assets	4.50%-5.40%	3.60%-3.75%	6.90%	6.25%
Components of net periodic cost (benefit):				
Service cost	\$ 3,127	\$ 2,615	\$ 8,877	\$ 8,716
Interest cost	7,825	6,974	15,806	13,496
Expected return on plan assets	(7,041)	(5,816)	(24,673)	(22,061)
Recognized net actuarial loss	1,492	1,390	(6,304)	(10,083)
Settlement	-	-	-	(9)
Net periodic cost	5,403	5,163	(6,294)	(9,941)
Less: University net periodic cost	(855)	(1,174)	4,459	6,967
TUHS net periodic cost	\$ 4,548	\$ 3,989	\$ (1,835)	\$ (2,974)

The service cost component of net periodic pension and postretirement benefit cost is included within employee benefits expenses in the consolidated statements of operations and changes in net assets. All other components of net periodic benefit cost are included within other-net income from non-operating activities.

**Assets Allocations**—The following details the Health System’s defined benefit plans asset allocations:

<b>Pension Plans Assets</b>	<b>Target Allocation Fiscal Year Ending</b>	<b>Percentage of Plan Assets at</b>	
	<b>June 30, 2024</b>	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Cash and fixed income	100 %	<u>100 %</u>	<u>100 %</u>

The following details the University-sponsored pension and other postretirement defined benefit plan asset allocations:

<b>Pension and Other Postretirement Benefit Plan Assets</b>	<b>Target Allocation Fiscal Year Ending</b>	<b>Percentage of Plan Assets at</b>	
	<b>June 30, 2024</b>	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Equity funds and alternative funds	15 - 51%	50 %	61 %
Cash and fixed income	49 - 85%	<u>50</u>	<u>39</u>
Total		<u>100 %</u>	<u>100 %</u>

**Investment Strategy**—The long-term investment strategy for pension and other postretirement benefit plans assets is to: meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits; and provide a total return that maximizes the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk.

The pension plan assets of the joint Health System and Temple University plans were \$129,970,000 and \$139,714,000 at June 30, 2024 and 2023, respectively. The fair values of the pension plan assets at June 30, 2024, by asset category are as follows (in thousands):

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments Measured at NAV</b>	<b>Total</b>
Cash and cash equivalents	\$ 5,567	\$ -	\$ -	\$ -	\$ 5,567
U.S. government securities	21,502	823	-	-	22,325
Corporate bonds, notes, and other debt securities	-	91,125	-	-	91,125
Equity funds and securities	121	-	-	9,050	9,171
Fixed income funds	-	-	-	1,782	1,782
Total market value	<u>\$ 27,190</u>	<u>\$ 91,948</u>	<u>\$ -</u>	<u>\$ 10,832</u>	<u>\$ 129,970</u>

The fair values of the pension plan assets at June 30, 2023, by asset category are as follows (in thousands):

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments Measured at NAV</b>	<b>Total</b>
Cash and cash equivalents	\$ 30,115	\$ -	\$ -	\$ -	\$ 30,115
U.S. government securities	14,645	368	-	-	15,013
Corporate bonds, notes, and other debt securities	-	14,688	-	-	14,688
Equity funds and securities	109	-	-	9,663	9,772
Fixed income funds	-	-	-	70,126	70,126
Total market value	<u>\$ 44,869</u>	<u>\$ 15,056</u>	<u>\$ -</u>	<u>\$ 79,789</u>	<u>\$ 139,714</u>

During the years ended June 30, 2024 and 2023, there were no transfers into or out of Level 3, nor were there any purchases or sales of Level 3 assets.

The fair values of the following investments have been estimated using an NAV equivalent (e.g. ownership interest in partners' capital to which a proportionate share of net assets is attributable) as of June 30, 2024 and 2023.

	<b>Fair Value</b> <b>(In Thousands)</b>	<b>Unfunded</b> <b>Commitments</b> <b>(In Thousands)</b>	<b>Redemption</b> <b>Frequency</b> <b>(If Currently</b> <b>Eligible)</b>	<b>Redemption</b> <b>Notice</b> <b>Period</b> <b>(If Applicable)</b>
As of June 30, 2024:				
Multi-Strategy Hedge Funds (a)	\$ 4,487	\$ -	Quarterly	90 days
Fixed Income Funds (b)	1,782	-	Monthly	45 days
Equity Funds (c)	<u>4,563</u>	<u>-</u>	Monthly	30 days
	<u>\$ 10,832</u>	<u>\$ -</u>		
	<b>Fair Value</b> <b>(In Thousands)</b>	<b>Unfunded</b> <b>Commitments</b> <b>(In Thousands)</b>	<b>Redemption</b> <b>Frequency</b> <b>(If Currently</b> <b>Eligible)</b>	<b>Redemption</b> <b>Notice</b> <b>Period</b> <b>(If Applicable)</b>
As of June 30, 2023:				
Multi-Strategy Hedge Funds (a)	\$ 4,551	\$ -	Quarterly	90 days
Fixed Income Funds (b)	70,126	-	Daily, Quarterly	2–90 days
Equity Funds (c)	<u>5,112</u>	<u>-</u>	Monthly	30 days
	<u>\$ 79,789</u>	<u>\$ -</u>		

- (a) This category includes investments that seek to earn above-average, risk adjusted, long-term returns that have a low correlation to traditional equity and fixed income markets. The investments include futures contracts, call options, warrants and structured products all of which are referenced as derivative instruments.
- (b) This category includes investments in intermediate and long term U.S. government securities and credit securities and U.S. fixed income index funds and commingled funds.
- (c) This category includes investments in U.S., International Developed Markets and Emerging Markets equities via commingled funds and index funds. The funds seek to balance the long term growth of capital with income and high total return.

The postretirement plan assets of the joint Health System and Temple University were \$384,793,000 and \$366,913,000 at June 30, 2024 and 2023, respectively, of which only a portion of this pool of assets belongs to the Health System. The fair values of the postretirement plan assets at June 30, 2024, by asset category are as follows (in thousands):

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments Measured at NAV</b>	<b>Total</b>
Cash and cash equivalents	\$ 13,252	\$ -	\$ -	\$ -	\$ 13,252
U.S. government securities	116,368	-	-	-	116,368
Fixed income funds	-	-	-	51,680	51,680
Equity funds and securities	-	-	-	62,776	62,776
Commodity funds	-	-	-	-	-
Private equity funds	-	-	-	35,951	35,951
Real estate funds	-	-	-	11,141	11,141
Multi-strategy hedge funds	-	-	-	75,671	75,671
Opportunistic funds	-	-	-	17,954	17,954
Total market value	<u>\$ 129,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,173</u>	<u>\$ 384,793</u>

The fair values of the postretirement plan assets at June 30, 2023, by asset category are as follows (in thousands):

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments Measured at NAV</b>	<b>Total</b>
Cash and cash equivalents	\$ 14,395	\$ -	\$ -	\$ -	\$ 14,395
U.S. government securities	75,767	-	-	-	75,767
Fixed income funds	-	-	-	37,004	37,004
Equity funds and securities	-	-	-	98,814	98,814
Commodity funds	-	-	-	7,322	7,322
Private equity funds	-	-	-	30,832	30,832
Real estate funds	-	-	-	13,979	13,979
Multi-strategy hedge funds	-	-	-	73,544	73,544
Opportunistic funds	-	-	-	15,256	15,256
Total market value	<u>\$ 90,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,751</u>	<u>\$ 366,913</u>



The fair values of the following investments have been estimated using an NAV equivalent (e.g. ownership interest in partners' capital to which a proportionate share of net assets is attributable) as of June 30, 2024 and 2023.

	<b>Fair Value</b> <b>(In Thousands)</b>	<b>Unfunded</b> <b>Commitments</b> <b>(In Thousands)</b>	<b>Redemption</b> <b>Frequency</b> <b>(If Currently</b> <b>Eligible)</b>	<b>Redemption</b> <b>Notice</b> <b>Period</b> <b>(If Applicable)</b>
As of June 30, 2024:				
Multi-Strategy Hedge Funds (b)	\$ 75,671	-	Quarterly	90 days
Private Equity Funds (c)	35,951	32,999	Illiquid	N/A
Real Estate Funds (d)	11,141	-	Quarterly	45–90 days
Fixed Income Funds (e)	51,680	-	Monthly, Quarterly	15–90 days
Equity Funds (f)	62,776	-	Daily, Quarterly	1–90 days
Opportunistic Funds (g)	<u>17,954</u>	<u>4,248</u>	Quarterly, Illiquid	60 days, N/A
	<u>\$ 255,173</u>	<u>\$ 37,247</u>		

	<b>Fair Value</b> <b>(In Thousands)</b>	<b>Unfunded</b> <b>Commitments</b> <b>(In Thousands)</b>	<b>Redemption</b> <b>Frequency</b> <b>(If Currently</b> <b>Eligible)</b>	<b>Redemption</b> <b>Notice</b> <b>Period</b> <b>(If Applicable)</b>
As of June 30, 2023:				
Commodity funds (a)	\$ 7,322	\$ -	Daily	2 days
Multi-Strategy Hedge Funds (b)	73,544	-	Quarterly	90 days
Private Equity Funds (c)	30,832	31,863	Illiquid	N/A
Real Estate Funds (d)	13,979	2,648	Quarterly	45–90 days
Fixed Income Funds (e)	37,004	-	Monthly, Quarterly	15–90 days
Equity Funds (f)	98,814	-	Daily, Monthly	1–90 days
Opportunistic Funds (g)	<u>15,256</u>	<u>5,014</u>	Quarterly, Illiquid	60 days, N/A
	<u>\$ 276,751</u>	<u>\$ 39,525</u>		

- (a) This category includes investments in both long and short commodities derivatives in a unitized fund structure.
- (b) This category includes investments that seek to earn above-average, risk adjusted, long-term returns that have a low correlation to traditional equity and fixed income markets. The investments include futures contracts, call options, warrants and structured products all of which are referenced as derivative instruments.
- (c) This category includes real estate loans and non-public company equity and debt securities.
- (d) This category includes investments that maintain exposure to real estate through public and private investments whose value is strongly controlled by real estate and may act as a hedge against unanticipated inflation.
- (e) This category includes investments in intermediate and long term U.S. government securities and credit securities and U.S. fixed income index funds and commingled funds.
- (f) This category includes investments in U.S., International Developed Markets and Emerging Markets equities via commingled funds and index funds. The funds seek to balance the long term growth of capital with income and high total return.
- (g) This category includes investments with attractive risk/return characteristics based on a particular market environment. These investments include strategies such as private credit, distressed debt, and direct lending.

**Expected Return on Plan Assets**—The expected long-term rate of return of 4.7% for the plans' total assets is based on the expected return of each of the above investment categories, weighted based on the median of the target allocation for each class.

**Expected Cash Flows**—The following table shows expected cash flows related to the defined benefit pension and other postretirement benefit plans (in thousands):

	<b>Pension Plans TU/ Health System</b>	<b>Postretirement Benefit Plan TU/ Health System</b>
Expected Health System contributions for fiscal year ending June 30, 2025:		
Expected employer contributions	\$ -	\$ 320
Expected employee contributions	-	1,100
Estimated future benefit payments from plan assets reflecting expected future service for the fiscal year ending June 30:		
2025	8,520	18,666
2026	2,894	19,323
2027	2,999	19,983
2028	3,122	20,551
2029	3,311	21,197
2030-2034	17,688	108,774

In fiscal year 2025, the additional estimated cash outflows associated with the termination of the Health System's defined benefit pension plan are \$100,230,000.

#### 14. ENDOWMENT

The Health System's endowment consists of several funds established for a variety of purposes. As required by FASB ASC Topic 958, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**—The Health System classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present, and (b) the original value of the subsequent gifts to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present. The remaining portion of the donor-restricted endowment fund comprised of accumulated investment earnings not required to be maintained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Health System in a manner consistent with the donor's stipulations. The Health System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, purposes of the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Health System, and the investment policies of the Health System.

Changes in endowment net assets for the years ended June 30, 2024 and 2023 (in thousands):

	<b>With Donor Restrictions</b>
Endowment net assets—July 1, 2022	\$ 23,348
Contributions	488
Investment return—investment income	6,780
Appropriations of endowment assets for expenditure	<u>(4,582)</u>
Endowment net assets—June 30, 2023	<u>\$ 26,034</u>
Contributions	70
Investment return—investment income	4,909
Appropriations of endowment assets for expenditure	<u>(3,792)</u>
Endowment net assets—June 30, 2024	<u>\$ 27,221</u>

**Underwater Endowments**—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Health System to retain as a fund of perpetual duration. The Health System’s policy allows spending from funds with such deficiencies unless otherwise precluded by donor intent or relevant laws and regulations. There were no material deficiencies of this nature at June 30, 2024 and 2023.

**Investment Return Objectives and Spending Policy**—The Health System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner to generate returns at least equal to and preferably greater than the consumer price index plus 4.0%. To satisfy its long-term rate-of-return objectives, the Health System targets a diversified asset allocation that places a greater emphasis on equity based investments within prudent risk constraints.

The Health System has a policy of appropriating for distribution each year 2% to 7% of its endowment fund’s average fair value over the prior three years. The Board of Directors approved an appropriation of 4.0% and 4.5% for the years ended June 30, 2024 and 2023, respectively.

## 15. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were held for the following purposes at June 30, 2024 and 2023 (in thousands):

	2024	2023
Subject to expenditure for specified purpose:		
Property and equipment additions	\$ 2,467	\$ 3,061
Research	23,707	23,119
Specific health care programs	<u>16,823</u>	<u>14,830</u>
	42,997	41,010
Beneficial interest in perpetual trusts, income from which is expendable for:		
Research	14,897	14,386
Specific health care programs	<u>30,885</u>	<u>28,714</u>
	45,782	43,100
Beneficial interest in assets held by Episcopal Foundation	31,500	29,621
Beneficial interest in assets held by Fox Chase Cancer Center Foundation	58,185	52,729
Perpetual endowment funds, income from which is expendable for:		
Research	15,240	14,510
Specific health care programs	<u>8,400</u>	<u>7,912</u>
	23,640	22,422
Total net assets with donor restrictions	<u>\$ 202,104</u>	<u>\$ 188,882</u>

The Episcopal Healthcare Foundation (the “EH Foundation”) controls certain investments that, according to its organizational structure, are held for the benefit of TUH’s Episcopal campus operations. TUH has recognized the fair market value of investments held by the EH Foundation as an asset (beneficial interest in the assets held by others) and net assets with donor restrictions of \$31,500,000 and \$29,621,000 at June 30, 2024 and 2023, respectively.

The Fox Chase Cancer Center Foundation (the “FCCC Foundation”) controls certain investments that, according to its organizational structure, are held for the benefit of ICR’s research operations and AOH’s clinical operations. ICR and AOH have recognized the fair market value of investments held by the FCCC Foundation as an asset (beneficial interest in the assets held by others) and net assets with donor restrictions of \$58,185,000 and \$52,729,000 at June 30, 2024 and 2023, respectively.

As reported by the respective trustees, the composition of the above funds in which the Health System has a beneficial interest is approximately 77% marketable equity securities and 23% fixed income securities at June 30, 2024 and 78% marketable equity securities and 22% fixed income securities at June 30, 2023.

## 16. COMMITMENTS AND CONTINGENCIES

The Commonwealth of Pennsylvania owns the land on which certain TUH facilities are located. The land is leased to the University for a term ending December 31, 2043, for a nominal rent. The University subleases these facilities to TUH.

The Friends Fiduciary Corporation owns the land upon which the TUH Jeanes campus facilities are located. The land is leased to TUH for a term ending June 30, 2046, for a nominal rent.

There are reversionary rights held by the land grantor, Friends Fiduciary Corporation, in certain deeds to the properties that make up the main campus of Fox Chase Cancer Center. The grantor may exercise its reversionary rights if ICR or AOH, respectively, no longer manage, operate and control the premises or if the premises are no longer used for permitted purposes.

Under its hospital affiliation agreement with CHH, the Health System has committed to making additional capital contributions any time a capital call is approved by the CHH board of directors. See Note 11 for further discussion of the CHH affiliation.

TUHC holds cash and investments in debt securities in the amount of \$65,855,000 and \$74,470,000 as of June 30, 2024 and 2023, respectively, which are being held in trust in order to secure TUHC's liabilities under certain reinsurance contracts.

The Health System is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health System's financial position, results of operations, or cash flows.

The health care industry is subject to numerous and complex laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, privacy, government health care program participation, government reimbursement for patient services, and fraud and abuse requirements. The CARES Act Terms and Conditions require attestation to accept related funding. Requirements to earn the funds are numerous and guidance has been continually updated, and continues to be updated, by the Department of Health and Human Services ("HHS"). Laws and regulations concerning government programs, including Medicare, Medicaid and the CARES Act, are subject to varying interpretations. Compliance with such laws and regulations is complex and can be subject to future government review and interpretation as well as significant regulatory enforcement actions, including fines, penalties, and potential exclusion from government health care programs, such as Medicare and Medicaid. There can be no assurance that regulatory authorities will not challenge the Health System's compliance with these laws and regulations. In addition, the contracts the Health System has with commercial payers also provide for retroactive audit and review of claims. The health care industry in general is experiencing an increase in these activities as federal and state governments increase their enforcement activities and institute new programs designed to identify potential irregularities in reimbursement or quality of patient care. Based on the information received to date, management is not aware of any undisclosed matters that will have a material adverse effect on the Health System's future consolidated financial position, results of operations, or cash flows.

## 17. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, which defines fair value, provides a framework for measuring fair value, and expands disclosures required for fair value measurements.

FASB ASC Topic 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC Topic 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

FASB ASC Topic 820 classifies the inputs used to measure fair value into the following hierarchy:

**Level 1**—Level 1 inputs are quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2**—Level 2 inputs include the following:

- Quoted prices in active markets for similar assets or liabilities.
- Quoted prices in markets that are not active for identical or similar assets or liabilities.
- Inputs other than quoted prices, that are observable for the asset or liability.
- Inputs that are derived primarily from or corroborated by observable market data by correlation or other means.

**Level 3**—Level 3 inputs are unobservable inputs for the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of June 30, 2024 (in thousands):

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments Measured at NAV</b>	<b>Total</b>
Assets limited as to use:					
U.S. government securities	\$ 56,473	\$ 8,954	\$ -	\$ -	\$ 65,427
Fixed income mutual funds	13,777	-	-	-	13,777
Corporate bonds, notes, and other debt securities	-	19,965	-	-	19,965
Cash, money market funds, and certificates of deposit	52,686	962	-	-	53,648
Equity securities and mutual funds	16,206	-	-	-	16,206
Limited partnerships	-	-	-	1,357	1,357
	<u>139,142</u>	<u>29,881</u>	<u>-</u>	<u>1,357</u>	<u>170,380</u>
Workers' Compensation Fund:					
U.S. government securities	8,116	-	-	-	8,116
Cash, money market funds, and certificates of deposit	<u>1,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,553</u>
	<u>9,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,669</u>
Investments:					
U.S. government securities	23,755	30,166	-	-	53,921
Fixed income mutual funds	65,970	-	-	-	65,970
Corporate bonds, notes, and other debt securities	-	45,634	-	-	45,634
Equity securities and mutual funds	497,001	-	-	-	497,001
Real estate	-	324	-	-	324
Alternative funds	-	-	-	65,008	65,008
Limited partnerships	-	-	-	70,816	70,816
	<u>586,726</u>	<u>76,124</u>	<u>-</u>	<u>135,824</u>	<u>798,674</u>
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>45,782</u>	<u>-</u>	<u>45,782</u>
Beneficial interest in the assets held by Episcopal Foundation	<u>-</u>	<u>-</u>	<u>31,500</u>	<u>-</u>	<u>31,500</u>
Beneficial interest in the Fox Chase Cancer Center Foundation	<u>-</u>	<u>-</u>	<u>58,185</u>	<u>-</u>	<u>58,185</u>
Total	<u>\$ 735,537</u>	<u>\$ 106,005</u>	<u>\$ 135,467</u>	<u>\$ 137,181</u>	<u>\$ 1,114,190</u>

The investment amounts shown above do not include investments accounted for under the equity method.

The following table sets forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of June 30, 2023 (in thousands):

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments Measured at NAV</b>	<b>Total</b>
Assets limited as to use:					
U.S. government securities	\$ 61,468	\$ 13,757	\$ -	\$ -	\$ 75,225
Fixed income mutual funds	13,113	-	-	-	13,113
Corporate bonds, notes, and other debt securities	-	17,480	-	-	17,480
Cash, money market funds, and certificates of deposit	45,571	951	-	-	46,522
Equity securities and mutual funds	15,387	-	-	-	15,387
Limited partnerships	-	-	-	1,582	1,582
	<u>135,539</u>	<u>32,188</u>	<u>-</u>	<u>1,582</u>	<u>169,309</u>
Workers' Compensation Fund:					
U.S. government securities	7,776	-	-	-	7,776
Cash, money market funds, and certificates of deposit	<u>1,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,390</u>
	<u>9,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,166</u>
Investments:					
U.S. government securities	16,790	21,525	-	-	38,315
Fixed income mutual funds	61,398	-	-	-	61,398
Corporate bonds, notes, and other debt securities	-	57,126	-	-	57,126
Equity securities and mutual funds	431,845	-	-	-	431,845
Real estate	-	320	-	-	320
Alternative funds	-	-	-	60,070	60,070
Limited partnerships	-	-	-	79,023	79,023
	<u>510,033</u>	<u>78,971</u>	<u>-</u>	<u>139,093</u>	<u>728,097</u>
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>43,100</u>	<u>-</u>	<u>43,100</u>
Beneficial interest in the assets held by Episcopal Foundation	<u>-</u>	<u>-</u>	<u>29,621</u>	<u>-</u>	<u>29,621</u>
Beneficial interest in the Fox Chase Cancer Center Foundation	<u>-</u>	<u>-</u>	<u>52,729</u>	<u>-</u>	<u>52,729</u>
Total	<u>\$ 654,738</u>	<u>\$ 111,159</u>	<u>\$ 125,450</u>	<u>\$ 140,675</u>	<u>\$ 1,032,022</u>

The investment amounts shown above do not include investments accounted for under the equity method.

U.S. government securities, fixed income mutual funds, money market funds, and equity securities and mutual funds classified as Level 1 are measured using quoted market prices.

Marketable debt securities classified as Level 2 were classified as such due to the usage of observable market prices for similar securities that are traded in less active markets or when observable market prices for identical securities are not available, marketable debt instruments are priced using: non-binding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. These debt securities primarily include government bonds, corporate bonds, notes and other debt securities. Certificates of deposit and certain real estate investments were also classified as Level 2.



The estimated fair values of the Health System's beneficial interest in perpetual trusts, in the assets held by Episcopal Foundation, and in the assets held by Fox Chase Cancer Center Foundation are classified as Level 3 due to lack of observable market data. Currently there is no market in which beneficial interest in trusts are traded and as such, no observable exit price exists for these assets. The fair values are determined based on information provided by the trustees.

During the years ended June 30, 2024 and 2023, there were no transfers into or out of Level 3, nor were there any purchases or sales of Level 3 assets.

The fair values of the following investments have been estimated using an NAV equivalent (e.g. ownership interest in partners' capital to which a proportionate share of net assets is attributable) as of June 30, 2024 and 2023.

	Fair Value (In thousands)	Unfunded Commitments (In thousands)	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (if Applicable)
As of June 30, 2024:				
Multi-Strategy Hedge Funds (a)	\$ 65,042	\$ -	Quarterly, Annual	45–60 days
Real Estate Funds (b)	<u>72,139</u>	<u>-</u>	Quarterly	90 days
	<u>\$ 137,181</u>	<u>\$ -</u>		
As of June 30, 2023:				
Multi-Strategy Hedge Funds (a)	\$ 60,114	\$ -	Quarterly, Annual	45–60 days
Real Estate Funds (b)	<u>80,561</u>	<u>51</u>	Quarterly	90 days
	<u>\$ 140,675</u>	<u>\$ 51</u>		

(a) This category includes investments in hedge funds that use a variety of strategies. These strategies may include long/short equity, long/short credit, event-driven, capital structure arbitrage, fixed income arbitrage, credit of distressed companies, and restructuring and underpriced companies. The remaining restriction period for these investments ranged from three to twelve months.

(b) This category includes investments that maintain exposure to real estate and natural resources through public and private investments whose value is strongly controlled by commodities and real estate and may act as a hedge against unanticipated inflation.

The fair value of the Health System's pension assets is disclosed in Note 13.

The following methods and assumptions were used by the Health System in estimating fair value for disclosures in the consolidated financial statements:

**Long-Term Debt**—The fair value of long-term debt is based on quoted market prices or is estimated using discounted cash flow analyses for similar types of borrowing arrangements based on incremental borrowing rates. The carrying and fair values of long-term debt, excluding finance lease liabilities and equipment financing arrangements at June 30, 2024, are \$385,450,000 and \$369,344,000 respectively. The carrying and fair values of long-term debt, excluding finance lease liabilities and equipment and software financing arrangements at June 30, 2023 are \$399,119,000 and \$377,848,000, respectively.

**Other**—Cash and cash equivalents, patient and other accounts receivable, and all other current assets and liabilities are reported at amounts that approximate fair value due to the relatively short period to maturity.

## 18. FUNCTIONAL EXPENSES

The Health System provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2024 and 2023 are as follows (in thousands):

	2024				
	Health Care Services	Research	General and Administrative	Institutional Support	Total Expenses
Salaries	\$ 1,025,236	\$ 30,868	\$ 177,885	\$ 1,501	\$ 1,235,490
Employee benefits	244,605	9,218	47,137	448	301,408
Professional fees	147,837	348	47,424	183	195,792
Supplies and pharmaceuticals	624,832	6,856	40,102	210	672,000
Purchased services and other	108,434	6,427	113,978	2,726	231,565
Maintenance and utilities	20,857	2,561	28,581	114	52,113
Leases	3,917	1	8,585	-	12,503
Insurance	77,429	-	3,086	-	80,515
Depreciation and amortization	31,932	2,529	24,119	-	58,580
Interest	13,508	459	4,092	-	18,059
Asset impairment	-	-	352	-	352
Loss on disposal of fixed assets	-	-	28	-	28
Gain on lease modification	-	-	(20)	-	(20)
Total expenses	<u>\$ 2,298,587</u>	<u>\$ 59,267</u>	<u>\$ 495,349</u>	<u>\$ 5,182</u>	<u>\$ 2,858,385</u>

  

	2023				
	Health Care Services	Research	General and Administrative	Institutional Support	Total Expenses
Salaries	\$ 979,343	\$ 29,088	\$ 161,278	\$ 1,448	\$ 1,171,157
Employee benefits	232,570	9,411	43,325	468	285,774
Professional fees	120,352	423	57,517	62	178,354
Supplies and pharmaceuticals	561,926	6,429	29,328	641	598,324
Purchased services and other	124,387	6,345	91,960	3,510	226,202
Maintenance and utilities	19,665	3,415	28,510	162	51,752
Leases	4,897	-	9,063	-	13,960
Insurance	33,649	-	3,021	-	36,670
Depreciation and amortization	31,007	2,180	19,183	-	52,370
Interest	14,137	461	2,531	-	17,129
Gain on disposal of fixed assets	-	-	194	-	194
Total expenses	<u>\$ 2,121,933</u>	<u>\$ 57,752</u>	<u>\$ 445,910</u>	<u>\$ 6,291</u>	<u>\$ 2,631,886</u>

The financial statements report certain expense categories that are attributable to more than one program or supporting function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, and other occupancy costs, are allocated on a square-footage basis. Other expenses are directly assigned to the related programs or supporting functions according to the functional department for which they are incurred. Departmental expenses may include allocations of costs based on direct assignment or other methods.

## 19. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Health System's financial assets available to meet cash needs for general expenditures within one year, as of June 30, 2024 and 2023, were as follows (in thousands):

	2024	2023
Cash and cash equivalents	\$ 156,992	\$ 179,227
Patient accounts receivable—net	312,831	332,097
Other receivables—net	210,652	102,155
Short-term investments	662,411	588,630
Expenditures reimbursable by research grants and awards	<u>13,991</u>	<u>11,862</u>
	<u>\$ 1,356,877</u>	<u>\$ 1,213,971</u>

Current financial assets not available for general use as of June 30, 2024 and 2023 were \$45,472,000 and \$33,098,000, respectively. Amounts not available for general use include debt service funds held by trustee, workers' compensation funds, and self-insurance assets.

As part of its liquidity management plan, the Health System invests cash in excess of planned requirements in short-term investments. The Health System also has long-term investments which could be liquidated in the event of an unanticipated cash need. Long-term investments as of June 30, 2024 and 2023 were \$140,437,000 and \$142,557,000, respectively.

The Health System maintains a revolving line of credit arrangement with a financial institution, as described in Note 9. As of June 30, 2024 and 2023, unused borrowings of \$88,000,000 and \$100,000,000, respectively, remained available on this line of credit.

## 20. SUBSEQUENT EVENTS

The Health System has evaluated subsequent events through October 28, 2024, the date the financial statements were issued. There were no subsequent events requiring recording or disclosure in the consolidated financial statements, except as noted below.

On August 22, 2024, CHH entered into a revolving line of credit arrangement with a financial institution allowing for outstanding borrowings not to exceed \$40,000,000 and expiring on August 21, 2025. Interest is calculated at term Secured Overnight Financing Rate (SOFR) plus the applicable margin. The TUHS Obligated Group is a guarantor of this line of credit.

\* \* \* \* \*

## **SUPPLEMENTAL SCHEDULES**

## TEMPLE UNIVERSITY HEALTH SYSTEM

### SUPPLEMENTAL SCHEDULE OF CONSOLIDATING BALANCE SHEET INFORMATION

AS OF JUNE 30, 2024

(In thousands)

	Temple University Hospital, Inc.	Institute for Cancer Research	American Oncologic Hospital	FCCC Medical Group, Inc.	Fox Chase Network, Inc.	Temple Physicians Inc.	Temple Health System Transport Team, Inc.	TUHS Parent Company (1)	Obligated Group Eliminations	Obligated Group Consolidated
<b>ASSETS</b>										
CURRENT ASSETS:										
Cash and cash equivalents	\$ 54,254	\$ 2,461	\$ 9,014	\$ 6,845	\$ 1,056	\$ 3,846	\$ 469	\$ 19,815	\$ -	\$ 97,760
Patient accounts receivable—net	250,893	(65)	30,336	229	-	4,132	-	(908)	-	284,617
Other receivables—net	151,368	3,480	2,411	865	-	1,410	302	29,850	-	189,686
Inventories and other current assets	39,787	1,556	6,169	-	-	249	-	8,566	-	56,327
Current portion of assets limited as to use	-	799	676	-	-	-	-	22,802	-	24,277
Investments	548,420	7,371	51,992	-	-	-	-	17,375	-	625,158
Current portion of workers' compensation fund	5,982	453	676	7	-	20	1	-	(159)	6,980
Current portion of self-insurance program receivables	-	-	-	-	-	-	-	10,894	-	10,894
Expenditures reimbursable by research grants and awards	-	13,080	911	-	-	-	-	-	-	13,991
Due from affiliates—current portion	65,995	13,635	59,961	33,443	65	13,143	452	69,815	(134,830)	121,679
Total current assets	1,116,699	42,770	162,146	41,389	1,121	22,800	1,224	178,209	(134,989)	1,431,369
PROPERTY, PLANT AND EQUIPMENT:										
Land and land improvements	8,889	1,221	3,394	-	-	-	-	9	-	13,513
Buildings	439,036	28,005	35,781	-	-	4,724	-	8,055	-	515,601
Fixed and movable equipment	416,624	33,417	67,130	514	-	4,645	1,949	99,375	-	623,654
Construction-in-progress	52,339	1,635	6,009	-	-	-	-	-	-	59,983
	916,888	64,278	112,314	514	-	9,369	1,949	107,439	-	1,212,751
Less accumulated depreciation	659,566	32,688	56,744	189	-	8,951	1,424	77,082	-	836,644
Net property, plant and equipment	257,322	31,590	55,570	325	-	418	525	30,357	-	376,107
OPERATING LEASE RIGHT-OF USE ASSETS	2,643	-	2,197	-	-	943	6	14,404	-	20,193
ASSETS LIMITED AS TO USE	13,658	25,363	16,157	56	-	47	-	24,902	-	80,183
INVESTMENTS	119,512	325	7,713	-	-	-	-	5,186	-	132,736
WORKERS' COMPENSATION FUND	1,277	145	1,142	79	-	-	177	-	-	2,820
SELF-INSURANCE PROGRAM RECEIVABLES	7,349	-	-	3,177	-	10,312	-	59,944	(20,838)	59,944
INVESTMENT IN TUHIC	-	-	-	-	-	-	-	25,706	-	25,706
INTANGIBLE ASSETS	-	109	-	-	-	-	-	-	-	109
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	62,385	66,494	6,588	-	-	-	-	-	-	135,467
DUE FROM AFFILIATES	-	-	-	-	-	-	-	299,348	(299,348)	-
OTHER ASSETS	28,493	15,857	228	38	-	78	-	14,645	-	59,339
TOTAL ASSETS	\$ 1,609,338	\$ 182,653	\$ 251,741	\$ 45,064	\$ 1,121	\$ 34,598	\$ 1,932	\$ 652,701	\$ (455,175)	\$ 2,323,973

(1) TUHS Parent Company accounts for its investment in TUHIC under the equity method. The remaining entities are accounted for at cost.

(Continued)

# TEMPLE UNIVERSITY HEALTH SYSTEM

## SUPPLEMENTAL SCHEDULE OF CONSOLIDATING BALANCE SHEET INFORMATION

AS OF JUNE 30, 2024

(In thousands)

	Episcopal Hospital	TUHS Insurance Company, Ltd.	TUHS Foundation	Fox Chase Limited	Temple Center for Population Health	Temple Faculty Practice Plan, Inc.	Non-Obligated Group Eliminations	Non-Obligated Group Consolidated	Remaining Eliminations	Temple University Health System Consolidated
<b>ASSETS</b>										
CURRENT ASSETS:										
Cash and cash equivalents	\$ 12,057	\$ 15,651	\$ 11,994	\$ -	\$ 8,616	\$ 10,914	\$ -	\$ 59,232	\$ -	\$ 156,992
Patient accounts receivable—net	-	-	-	-	-	28,214	-	28,214	-	312,831
Other receivables —net	226	588	265	-	3,838	16,049	-	20,966	-	210,652
Inventories and other current assets	-	16	-	-	150	1,044	-	1,210	-	57,537
Current portion of assets limited as to use	-	3,452	-	-	-	-	-	3,452	-	27,729
Investments	3,585	-	33,668	-	-	-	-	37,253	-	662,411
Current portion of workers' compensation fund	-	-	-	-	-	-	-	-	(131)	6,849
Current portion of self-insurance program receivables	-	-	-	-	-	-	-	-	-	10,894
Expenditures reimbursable by research grants and awards	-	-	-	-	-	-	-	-	-	13,991
Due from affiliates—current portion	272	-	140	4	9,997	30,501	(2,748)	38,166	(159,845)	-
Total current assets	16,140	19,707	46,067	4	22,601	86,722	(2,748)	188,493	(159,976)	1,459,886
PROPERTY, PLANT AND EQUIPMENT:										
Land and land improvements	230	-	-	-	-	-	-	230	-	13,743
Buildings	12,868	-	-	-	-	1,911	-	14,779	-	530,380
Fixed and movable equipment	533	-	-	-	-	14,863	-	15,396	-	639,050
Construction-in-progress	-	-	-	-	-	-	-	-	-	59,983
	13,631	-	-	-	-	16,774	-	30,405	-	1,243,156
Less accumulated depreciation	12,554	-	-	-	-	15,481	-	28,035	-	864,679
Net property, plant and equipment	1,077	-	-	-	-	1,293	-	2,370	-	378,477
OPERATING LEASE RIGHT-OF-USE ASSETS	-	-	-	-	-	138	-	138	-	20,331
ASSETS LIMITED AS TO USE	-	62,403	-	-	-	65	-	62,468	-	142,651
INVESTMENTS	854	-	6,787	60	-	-	-	7,701	-	140,437
WORKERS' COMPENSATION FUND	-	-	-	-	-	-	-	-	-	2,820
SELF-INSURANCE PROGRAM RECEIVABLES	-	-	-	-	-	14,535	-	14,535	(14,535)	59,944
INVESTMENT IN TUHIC	-	-	-	-	-	-	-	-	(25,706)	-
INTANGIBLE ASSETS	-	-	-	-	-	-	-	-	-	109
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	31,500	-	-	-	-	-	-	31,500	(31,500)	135,467
DUE FROM AFFILIATES	-	-	-	-	-	-	-	-	-	-
OTHER ASSETS	-	-	3,400	-	-	1,419	-	4,819	-	64,158
TOTAL ASSETS	\$ 49,571	\$ 82,110	\$ 56,254	\$ 64	\$ 22,601	\$ 104,172	\$ (2,748)	\$ 312,024	\$ (231,717)	\$ 2,404,280

(Continued)

# TEMPLE UNIVERSITY HEALTH SYSTEM

## SUPPLEMENTAL SCHEDULE OF CONSOLIDATING BALANCE SHEET INFORMATION

AS OF JUNE 30, 2024

(In thousands)

	Temple University Hospital, Inc.	Institute for Cancer Research	American Oncologic Hospital	FCCC Medical Group, Inc.	Fox Chase Network, Inc.	Temple Physicians Inc.	Temple Health System Transport Team, Inc.	TUHS Parent Company (1)	Obligated Group Eliminations	Obligated Group Consolidated
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES:</b>										
Current portion of long-term debt	\$ 3,472	\$ 72	\$ 612	\$ -	\$ -	\$ 11	\$ -	\$ 14,339	\$ -	\$ 18,506
Line of credit	-	-	-	-	-	-	-	12,000	-	12,000
Current portion of operating lease liabilities	350	-	816	-	-	550	6	2,319	-	4,041
Accounts payable	129,509	4,158	9,872	446	33	244	11	15,954	-	160,227
Accrued expenses	61,316	6,059	12,754	11,428	32	4,628	248	62,476	(20,997)	137,944
Current portion of estimated settlements										
with third-party payers	14,083	-	15,218	-	-	-	-	-	-	29,301
Current portion of self-insurance program liabilities	42,305	453	2,289	3,028	-	1,350	1	10,906	-	60,332
Unexpended research grants and awards	-	7,027	779	-	-	-	-	-	-	7,806
Due to affiliates—current portion	124,089	27,350	36,665	15,746	165	11,002	2,717	22,300	(134,830)	105,204
Other current liabilities	55,901	97	3,181	52	-	340	-	22,760	-	82,331
Total current liabilities	431,025	45,216	82,186	30,700	230	18,125	2,983	163,054	(155,827)	617,692
LONG-TERM DEBT	8,080	-	1,533	-	-	6	-	371,255	-	380,874
OPERATING LEASE LIABILITIES	2,341	-	1,431	-	-	401	-	13,290	-	17,463
SELF-INSURANCE PROGRAM LIABILITIES	72,208	36	8,360	12,505	-	9,396	49	60,046	-	162,600
ACCRUED POSTRETIREMENT BENEFITS	443	463	795	298	-	-	-	-	-	1,999
DUE TO AFFILIATES	216,264	19,468	63,616	-	-	-	-	-	(299,348)	-
OTHER LONG-TERM LIABILITIES	74,316	1,875	1,419	145	-	243	-	1,075	-	79,073
Total liabilities	804,677	67,058	159,340	43,648	230	28,171	3,032	608,720	(455,175)	1,259,701
<b>NET ASSETS (DEFICIT):</b>										
Without donor restrictions	728,342	10,154	72,068	1,416	891	6,427	(1,100)	43,981	-	862,179
With donor restrictions	76,319	105,441	20,333	-	-	-	-	-	-	202,093
Total net assets (deficit)	804,661	115,595	92,401	1,416	891	6,427	(1,100)	43,981	-	1,064,272
TOTAL LIABILITIES AND NET ASSETS	\$ 1,609,338	\$ 182,653	\$ 251,741	\$ 45,064	\$ 1,121	\$ 34,598	\$ 1,932	\$ 652,701	\$ (455,175)	\$ 2,323,973

(1) TUHS Parent Company accounts for its investment in TUHIC under the equity method. The remaining entities are accounted for at cost.

(Continued)

# TEMPLE UNIVERSITY HEALTH SYSTEM

## SUPPLEMENTAL SCHEDULE OF CONSOLIDATING BALANCE SHEET INFORMATION

AS OF JUNE 30, 2024

(In thousands)

	Episcopal Hospital	TUHS Insurance Company, Ltd.	TUHS Foundation	Fox Chase Limited	Temple Center for Population Health	Temple Faculty Practice Plan, Inc.	Non-Obligated Group Eliminations	Non-Obligated Group Consolidated	Remaining Eliminations	Temple University Health System Consolidated
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES:</b>										
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ -	\$ 18,507
Line of credit	-	-	-	-	-	-	-	-	-	12,000
Current portion of operating lease liabilities	-	-	-	-	-	101	-	101	-	4,142
Accounts payable	69	156	-	-	-	4,882	-	5,107	-	165,334
Accrued expenses	-	104	-	-	119	16,912	-	17,135	(11,463)	143,616
Current portion of estimated settlements with third-party payers	-	-	-	-	-	-	-	-	-	29,301
Current portion of self-insurance program liabilities	-	18,463	-	-	-	12,317	-	30,780	-	91,112
Unexpended research grants and awards	-	-	-	-	-	-	-	-	-	7,806
Due to affiliates—current portion	191	4,007	190	70	10,954	41,977	(2,748)	54,641	(159,845)	-
Other current liabilities	6,391	-	-	-	10,007	1,691	-	18,089	-	100,420
Total current liabilities	6,651	22,730	190	70	21,080	77,881	(2,748)	125,854	(171,308)	572,238
<b>LONG-TERM DEBT</b>										
	-	-	-	-	-	-	-	-	-	380,874
<b>OPERATING LEASE LIABILITIES</b>										
	-	-	-	-	-	38	-	38	-	17,501
<b>SELF-INSURANCE PROGRAM LIABILITIES</b>										
	2,416	33,674	-	-	-	41,703	-	77,793	(3,203)	237,190
<b>ACCRUED POSTRETIREMENT BENEFITS</b>										
	-	-	-	-	-	-	-	-	-	1,999
<b>DUE TO AFFILIATES</b>										
	-	-	-	-	-	-	-	-	-	-
<b>OTHER LONG-TERM LIABILITIES</b>										
	34,503	-	-	-	-	470	-	34,973	(31,500)	82,546
Total liabilities	43,570	56,404	190	70	21,080	120,092	(2,748)	238,658	(206,011)	1,292,348
<b>NET ASSETS (DEFICIT):</b>										
Without donor restrictions	6,001	25,706	56,064	(6)	1,510	(15,920)	-	73,355	(25,706)	909,828
With donor restrictions	-	-	-	-	11	-	-	11	-	202,104
Total net assets (deficit)	6,001	25,706	56,064	(6)	1,521	(15,920)	-	73,366	(25,706)	1,111,932
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 49,571</b>	<b>\$ 82,110</b>	<b>\$ 56,254</b>	<b>\$ 64</b>	<b>\$ 22,601</b>	<b>\$ 104,172</b>	<b>\$ (2,748)</b>	<b>\$ 312,024</b>	<b>\$ (231,717)</b>	<b>\$ 2,404,280</b>

(Concluded)



# TEMPLE UNIVERSITY HEALTH SYSTEM

## SUPPLEMENTAL SCHEDULE OF CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION

FOR YEAR ENDED JUNE 30, 2024

(In thousands)

	Temple University Hospital, Inc.	Institute for Cancer Research	American Oncologic Hospital	FCCC Medical Group, Inc.	Fox Chase Network, Inc.	Temple Physicians Inc.	Temple Health System Transport Team, Inc.	TUHS Parent Company (1)	TUHS Obligated Group Eliminations	Obligated Group Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS:										
Revenues and other support without donor restrictions:										
Total net patient service revenue	\$ 2,218,415	\$ -	\$ 245,596	\$ 45,350.00	\$ -	\$ 46,897	\$ -	\$ (21)	\$ -	\$ 2,556,237
Research revenue	-	47,725	-	-	-	-	-	-	(2,135)	45,590
Contribution revenue	1,102	3,069	664	-	-	-	-	-	-	4,835
Other revenue	22,814	332	48,187	42,321	153	12,906	3,425	242,967	(326,362)	46,743
Investment income	-	-	-	-	-	-	-	646	-	646
Net assets released from restrictions used for operations	595	6,482	449	-	-	-	-	-	-	7,526
Revenues and other support without donor restrictions	2,242,926	57,608	294,896	87,671	153	59,803	3,425	243,592	(328,497)	2,661,577
Expenses:										
Salaries	612,105	51,406	101,584	75,978	164	32,275	4,333	99,835	-	977,680
Employee benefits	169,489	15,351	26,376	10,971	50	6,802	1,173	24,081	-	254,293
Professional fees	288,809	2,016	24,878	812	122	10,425	103	32,475	(93,703)	265,937
Supplies and pharmaceuticals	575,320	9,253	50,494	738	1	2,302	186	23,948	-	662,242
Purchased services and other	399,579	7,054	45,679	(5,712)	6	8,315	464	41,626	(216,890)	280,121
Maintenance and utilities	33,206	5,857	5,365	71	-	789	92	4,944	-	50,324
Leases	7,152	137	3,328	4	1	2,498	142	3,152	(2,777)	13,637
Insurance	41,292	484	9,262	12,236	-	6,252	30	70	-	69,626
Depreciation and amortization	34,046	3,891	6,683	21	70	185	75	12,970	-	57,941
Interest	14,188	610	2,072	-	-	18	2	16,287	(15,127)	18,050
Asset impairment	-	-	-	-	352	-	-	-	-	352
(Gain) loss on disposal of fixed assets	(26)	-	14	-	-	-	-	40	-	28
Gain on lease modification	-	-	-	-	-	(20)	-	-	-	(20)
Expenses	2,175,160	96,059	275,735	95,119	766	69,841	6,600	259,428	(328,497)	2,650,211
Operating income (loss)	67,766	(38,451)	19,161	(7,448)	(613)	(10,038)	(3,175)	(15,836)	-	11,366
Other income—net:										
Investment income (loss)	59,979	1,594	3,675	280	41	342	10	1,168	-	67,089
Other income (loss)	2,708	(39)	(77)	(15)	-	-	-	-	-	2,577
Other income—net	62,687	1,555	3,598	265	41	342	10	1,168	-	69,666
Excess (deficiency) of revenues and other support over expenses from continuing operations	130,453	(36,896)	22,759	(7,183)	(572)	(9,696)	(3,165)	(14,668)	-	81,032

(1) TUHS Parent Company accounts for its investment in TUHIC under the equity method. The remaining entities are accounted for at cost.

(Continued)

# TEMPLE UNIVERSITY HEALTH SYSTEM

## SUPPLEMENTAL SCHEDULE OF CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION

FOR THE YEAR ENDED JUNE 30, 2024

(In thousands)

	Episcopal Hospital	TUHS Insurance Company, Ltd.	TUHS Foundation	Fox Chase Limited	Temple Center for Population Health	Temple Faculty Practice Plan, Inc.	Non-Obligated Group Eliminations	Non-Obligated Group Consolidated	Remaining Eliminations	Temple University Health System Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS:										
Revenues and other support without donor restrictions:										
Total net patient service revenue	\$ -	\$ -	\$ -	\$ -	\$ 5,441	\$ 263,883	\$ (1,011)	\$ 268,313	\$ (49,192)	\$ 2,775,358
Research revenue	-	-	-	-	-	-	-	-	-	45,590
Contribution revenue	-	-	-	-	-	-	-	-	-	4,835
Other revenue	2,797	19,083	-	-	25	149,653	(17)	171,541	(192,920)	25,364
Investment income	-	-	-	-	-	-	-	-	-	646
Net assets released from restrictions used for operations	-	-	-	-	39	-	-	39	-	7,565
Revenues and other support without donor restrictions	2,797	19,083	-	-	5,505	413,536	(1,028)	439,893	(242,112)	2,859,358
Expenses:										
Salaries	960	-	-	-	3,616	253,234	-	257,810	-	1,235,490
Employee benefits	1,151	670	-	-	1,240	44,724	-	47,785	(670)	301,408
Professional fees	-	-	-	1	288	61,624	(1)	61,912	(132,057)	195,792
Supplies and pharmaceuticals	190	-	-	-	599	8,969	-	9,758	-	672,000
Purchased services and other	331	189	-	-	36	37,197	(1,011)	36,742	(85,298)	231,565
Maintenance and utilities	527	-	-	-	17	1,245	-	1,789	-	52,113
Leases	-	-	-	-	1	4,743	(16)	4,728	(5,862)	12,503
Insurance	251	28,924	-	-	37	10,601	-	39,813	(28,924)	80,515
Depreciation and amortization	324	-	-	-	-	315	-	639	-	58,580
Interest	-	-	-	-	10	-	-	10	(1)	18,059
Asset impairment	-	-	-	-	-	-	-	-	-	352
(Gain) loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	28
Gain on lease modification	-	-	-	-	-	-	-	-	-	(20)
Expenses	3,734	29,783	-	1	5,844	422,652	(1,028)	460,986	(252,812)	2,858,385
Operating income (loss)	(937)	(10,700)	-	(1)	(339)	(9,116)	-	(21,093)	10,700	973
Other income—net:										
Investment income (loss)	926	1,419	4,959	-	378	1,605	-	9,287	(1,419)	74,957
Other income (loss)	(919)	-	-	-	-	1,413	-	494	-	3,071
Other income—net	7	1,419	4,959	-	378	3,018	-	9,781	(1,419)	78,028
Excess (deficiency) of revenues and other support over expenses from continuing operations	(930)	(9,281)	4,959	(1)	39	(6,098)	-	(11,312)	9,281	79,001

(Continued)

# TEMPLE UNIVERSITY HEALTH SYSTEM

## SUPPLEMENTAL SCHEDULE OF CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION

FOR THE YEAR ENDED JUNE 30, 2024

(In thousands)

	Temple University Hospital, Inc.	Institute for Cancer Research	American Oncologic Hospital	FCCC Medical Group, Inc.	Fox Chase Network, Inc.	Temple Physicians, Inc.	Temple Health System Transport Team, Inc.	TUHS Parent Company (1)	Obligated Group Eliminations	Obligated Group Consolidated
Excess (deficiency) of revenues and other support over expenses from continuing operations	\$ 130,453	\$ (36,896)	\$ 22,759	\$ (7,183)	\$ (572)	\$ (9,696)	\$ (3,165)	\$ (14,668)	\$ -	\$ 81,032
Other changes in net assets without donor restrictions:										
Transfers (to) from affiliates/the University	(90,992)	36,537	9,499	741	178	10,125	855	21,266	-	(11,791)
Net assets released from restrictions used for purchase of property and equipment	3,376	368	760	-	-	-	-	-	-	4,504
Net change in fair value of investments	2,603	448	1,195	1	-	-	3	1,586	-	5,836
Adjustment to funded status of pension and postretirement liabilities	(1,780)	6	10	3	-	-	-	-	-	(1,761)
Other change in net assets	447	46	86	22	-	31	-	74	-	706
Increase (decrease) in net assets without donor restrictions	44,107	509	34,309	(6,416)	(394)	460	(2,307)	8,258	-	78,526
NET ASSETS WITH DONOR RESTRICTIONS:										
Contribution income	4,840	4,591	885	-	-	-	-	-	-	10,316
Net assets released from restrictions	(3,971)	(6,850)	(1,209)	-	-	-	-	-	-	(12,030)
Net change in fair value of investments	334	489	492	-	-	-	-	-	-	1,315
Investment income (loss)	74	3,085	434	-	-	-	-	-	-	3,593
Change in beneficial interest in assets held by others	4,050	5,349	618	-	-	-	-	-	-	10,017
Increase (decrease) in net assets with donor restrictions	5,327	6,664	1,220	-	-	-	-	-	-	13,211
INCREASE (DECREASE) IN NET ASSETS	49,434	7,173	35,529	(6,416)	(394)	460	(2,307)	8,258	-	91,737
NET ASSETS (DEFICIT)—Beginning of year	755,227	108,422	56,872	7,832	1,285	5,967	1,207	35,723	-	972,535
NET ASSETS (DEFICIT)—End of year	\$ 804,661	\$ 115,595	\$ 92,401	\$ 1,416	\$ 891	\$ 6,427	\$ (1,100)	\$ 43,981	\$ -	\$ 1,064,272

(1) TUHS Parent Company accounts for its investment in TUHIC under the equity method. The remaining entities are accounted for at cost.

(Continued)

## TEMPLE UNIVERSITY HEALTH SYSTEM

### SUPPLEMENTAL SCHEDULE OF CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION

FOR THE YEAR ENDED JUNE 30, 2024

(In thousands)

	Episcopal Hospital	TUHS Insurance Company, Ltd.	TUHS Foundation	Fox Chase Limited	Temple Center for Population Health	Temple Faculty Practice Plan, Inc.	Non-Obligated Group Eliminations	Non-Obligated Group Consolidated	Remaining Eliminations	Temple University Health System Consolidated
Excess (deficiency) of revenues and other support over expenses from continuing operations	\$ (930)	\$ (9,281)	\$ 4,959	\$ (1)	\$ 39	\$ (6,098)	\$ -	\$ (11,312)	\$ 9,281	\$ 79,001
Other changes in net assets without donor restrictions:										
Transfers (to) from affiliates/the University	-	-	-	-	-	(2,530)	-	(2,530)	-	(14,321)
Net assets released from restrictions used for purchase of property and equipment	-	-	-	-	-	-	-	-	-	4,504
Net change in fair value of investments	-	853	-	-	-	-	-	853	(853)	5,836
Adjustment to funded status of pension and postretirement liabilities	-	-	-	-	-	-	-	-	-	(1,761)
Other change in net assets	-	-	-	-	-	43	-	43	-	749
Increase (decrease) in net assets without donor restrictions	(930)	(8,428)	4,959	(1)	39	(8,585)	-	(12,946)	8,428	74,008
NET ASSETS WITH DONOR RESTRICTIONS:										
Contribution income	-	-	-	-	50	-	-	50	-	10,366
Net assets released from restrictions	-	-	-	-	(39)	-	-	(39)	-	(12,069)
Net change in fair value of investments	-	-	-	-	-	-	-	-	-	1,315
Investment income (loss)	-	-	-	-	-	-	-	-	-	3,593
Change in beneficial interest in assets held by others	-	-	-	-	-	-	-	-	-	10,017
Increase (decrease) in net assets with donor restrictions	-	-	-	-	11	-	-	11	-	13,222
INCREASE (DECREASE) IN NET ASSETS	(930)	(8,428)	4,959	(1)	50	(8,585)	-	(12,935)	8,428	87,230
NET ASSETS (DEFICIT)—Beginning of year	6,931	34,134	51,105	(5)	1,471	(7,335)	-	86,301	(34,134)	1,024,702
NET ASSETS (DEFICIT)—End of year	\$ 6,001	\$ 25,706	\$ 56,064	\$ (6)	\$ 1,521	\$ (15,920)	\$ -	\$ 73,366	\$ (25,706)	\$ 1,111,932

(Concluded)