Hackensack Meridian Health, Inc.

Consolidated Financial Statements and Consolidating Supplemental Schedules
December 31, 2022 and 2021

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Report of Independent Auditors

To the Board of Trustees of
Hackensack Meridian Health, Inc.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Network as of December 31, 2022 and 2021, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental consolidating information as of and for the year ended December 31, 2022 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information is not intended to present, and we do not express an opinion on, the financial position, results of operations and cash flows of the individual companies. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

New York, New York
April 20, 2023

Hackensack Meridian Health, Inc.
Consolidated Balance Sheets
December 31, 2022 and 2021

(in thousands)	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 221,189	$ 388,483
Patient accounts receivable, net	756,330	720,440
Pledges receivable, net	79,881	72,857
Current assets held for sale	16,609	20,761
Other current assets	586,322	511,141
Assets limited as to use and investments, current portion	1,309,005	1,369,088
Total current assets	2,969,336	3,082,770
Assets limited as to use and investments, noncurrent portion	2,813,344	3,770,142
Investment in joint ventures	185,814	170,506
Property and equipment, net	3,408,719	3,174,922
Operating lease right-of-use assets	266,545	218,323
Other assets held for sale	152,005	153,776
Other assets	158,230	172,727
Total assets	$ 9,953,993	$ 10,743,166
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt and finance lease obligations	$ 159,849	$ 80,507
Current portion of operating lease obligations	37,889	35,531
Accounts payable and accrued expenses	1,135,424	1,125,389
Current liabilities held for sale	593	5,383
Other current liabilities	196,437	520,081
Total current liabilities	1,530,192	1,766,891
Long-term debt and finance lease obligations, less current maturities	2,997,127	3,068,244
Long-term operating lease obligations	237,632	190,689
Accrued pension benefits	57,338	110,470
Other liabilities held for sale	30,696	40,970
Other liabilities	444,675	454,860
Total liabilities	5,297,660	5,632,124
Net assets		
Without donor restrictions controlled by the Network	4,272,065	4,731,239
Without donor restrictions attributable to noncontrolling interests	55,375	79,915
Net assets without donor restrictions	4,327,440	4,811,154
Net assets with donor restrictions	328,893	299,888
Total net assets	4,656,333	5,111,042
Total liabilities and net assets	$ 9,953,993	$ 10,743,166

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

Hackensack Meridian Health, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2022 and 2021

(in thousands)	2022	2021
Unrestricted revenues and other support		
Net patient service revenue	$ 6,319,095	$ 6,072,280
Other revenue	505,795	478,133
Net gain on equity investments	900	40,397
Net assets released from restriction used for operating activities	21,989	16,052
Total unrestricted revenues and other support	6,847,779	6,606,862
Expenses		
Salaries and contracted labor	2,746,695	2,495,018
Physician salaries and fees	531,840	495,302
Employee benefits	566,047	591,601
Supplies and other	2,551,932	2,484,920
Depreciation and amortization	269,234	266,780
Interest	84,541	90,394
Total expenses	6,750,289	6,424,015
Excess of revenues over expenses before other operating adjustments	97,490	182,847
Other operating adjustments		
Investment (loss) income, net	(603,355)	326,075
Net unrealized realized gain on derivative instruments	-	9,253
Other gains, net	45,033	49,762
(Deficit) excess of revenues over expenses	(460,832)	567,937
Other adjustments in net assets without donor restrictions		
Net assets released from restriction for capital acquisitions	49,835	21,318
Pension-related adjustments	6,887	161,524
Other changes	(29,448)	2,809
(Distributions to) contributions from noncontrolling interests	(10,691)	5,405
(Decrease) increase in net assets without donor restrictions before discontinued operations	(444,249)	758,993
Loss on discontinued operations	(39,465)	(52,513)
(Decrease) increase in net assets without donor restrictions	$ (483,714)	$ 706,480

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

Hackensack Meridian Health, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2022 and 2021

(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Balances at December 31, 2020	$ 4,104,674	$ 238,393	$ 4,343,067
Excess of revenues over expenses	567,937	-	567,937
Investment income	-	19,486	19,486
Contributions	-	68,972	68,972
Net assets released from restriction for capital acquisitions	21,318	(21,318)	-
Net assets released from restriction used for operating activities	-	(16,052)	(16,052)
Pension-related adjustments	161,524	-	161,524
Other changes	2,809	10,407	13,216
Contributions from noncontrolling interests	5,405	-	5,405
Increase in net assets before discontinued operations	758,993	61,495	820,488
Loss on discontinued operations	(52,513)	-	(52,513)
Increase in net assets	706,480	61,495	767,975
Balances at December 31, 2021	4,811,154	299,888	5,111,042
Deficit of revenues over expenses	(460,832)	-	(460,832)
Investment loss	-	(1,057)	(1,057)
Contributions	-	77,130	77,130
Net assets released from restriction for capital acquisitions	49,835	(49,835)	-
Net assets released from restriction used for operating activities	-	(21,989)	(21,989)
Pension-related adjustments	6,887	-	6,887
Other changes	(29,448)	24,756	(4,692)
Distributions to noncontrolling interests	(10,691)	-	(10,691)
(Decrease) increase in net assets before discontinued operations	(444,249)	29,005	(415,244)
Loss on discontinued operations	(39,465)	-	(39,465)
(Decrease) increase in net assets	(483,714)	29,005	(454,709)
Balances at December 31, 2022	$ 4,327,440	$ 328,893	$ 4,656,333

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

Hackensack Meridian Health, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

(in thousands)	2022	2021
Cash flows from operating activities		
(Decrease) increase in net assets	$ (454,709)	$ 767,975
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	269,234	270,510
Loss (gain) on disposal of property and equipment	271	(6,540)
(Gain) loss on assets held for sale	(25,000)	29,824
Amortization of deferred financing costs	765	1,015
Amortization of bond premium	(3,492)	(4,047)
Net unrealized/realized gain on derivative instruments	-	(9,253)
Net gain on equity investments	(900)	(40,397)
Distributions from joint ventures	30,642	-
Realized and unrealized loss (gain) on investments	669,996	(295,662)
Restricted contributions for capital acquisitions	(8,171)	(25,520)
Pension-related adjustments	(6,887)	(161,524)
Changes in assets and liabilities		
Patient accounts receivable and pledges receivable	(38,384)	(156,172)
Other assets	(120,702)	(25,287)
Accounts payable and accrued expenses	(18,337)	157,301
Accrued pension benefits	(46,245)	(45,360)
Other liabilities	(277,166)	(349,520)
Net cash (used in) provided by operating activities	(29,085)	107,343
Cash flows from investing activities		
Purchases of property and equipment	(527,502)	(474,454)
Proceeds from sales of property and equipment	57,040	58,884
Contributions to joint ventures	(48,047)	-
Sales of investment securities	3,339,423	2,950,437
Purchases of investment securities	(2,973,631)	(3,131,016)
Net cash used in investing activities	(152,717)	(596,149)
Cash flows from financing activities		
Repayment on long-term debt and finance lease obligations	(260,281)	(82,329)
Proceeds from borrowings	292,217	16,412
(Distributions to) contributions from noncontrolling interests	(10,691)	5,405
Restricted contributions for capital acquisitions	10,647	51,449
Net cash used in financing activities	31,892	(9,063)
Change in cash, cash equivalents and restricted cash	(149,910)	(497,869)
Cash, cash equivalents and restricted cash		
Beginning of year	566,659	1,064,528
End of year	$ 416,749	$ 566,659
Supplemental information		
Cash paid for interest expense	$ 93,672	$ 93,786
Change in noncash acquisitions of property and equipment	16,408	(15,160)
Right-of-use assets obtained in exchange for operating lease obligations	77,161	20,668

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

(in thousands)

1. Organization

Hackensack Meridian Health, Inc. (the "Parent") and its subsidiaries and controlled entities ("HMH" or the "Network") comprise an integrated health care delivery system. The Network is incorporated as a New Jersey non-profit, nonstock corporation established to promote and carry out charitable, scientific, academic and research activities and was created as a result of the merger of Hackensack University Health Network, Inc. ("HUHN") and Meridian Health System, Inc. ("MHS"). The surviving parent entity was renamed Hackensack Meridian Health, Inc. on July 1, 2016. The Parent is the sole corporate member of the following entities: HMH Hospitals Corporation ("HMHHC"); Hackensack Meridian Ambulatory Care, Inc ("HMAC"), formerly HMH Residential Care, Inc. ("HMHRC"); Hackensack Meridian Health Foundation, Inc. and its nine foundation subsidiaries ("HMHF"); Hackensack Meridian School of Medicine, a New Jersey Nonprofit Corporation, and Bergen Health Management System, Inc. ("BHMS"). Effective as of April 1, 2022, Hackensack Meridian Health Realty Corporation was merged into HMAC.

On January 4, 2022, Hackensack Meridian LTACH, LLC was formed with HMHHC as its sole member.

Effective February 3, 2021, Meridian Health Foundation, Inc. was renamed to Hackensack Meridian Health Foundation, Inc., and the membership of three foundations (Hackensack University Medical Center Foundation, Inc., Palisades Medical Center Foundation, Inc., and John F. Kennedy Medical Center Foundation, Inc.), were then transferred to HMHF so that HMHF became the parent company to all existing Foundations, with the exception of Muhlenberg Foundation, Inc, ("MRMCF") which remains a subsidiary of Muhlenberg Regional Medical Center, Inc. ("MRMC").

On January 1, 2019, the Parent became the sole corporate member of HMH Carrier Clinic, Inc. ("Carrier"). Carrier is a non-profit, tax-exempt, behavioral healthcare system treating patients with psychiatric, emotional, and addictive illnesses. Carrier's service area encompasses the entire state of New Jersey. On April 1, 2021, the membership in Carrier was transferred from HMH to HMHHC.

On January 1, 2018, the Parent became the sole corporate member of JFK Health System, Inc. ("JFK Health") and subsequently on January 1, 2019, JFK Health merged into the Parent. JFK Health was the parent company of the Community Hospital Group, Inc. d/b/a JFK Medical Center. On January 31, 2021, JFK Hartwyck at Edison Estates, a facility owned by Oak Tree, an affiliate of HMH, was sold in the amount of $20,000. On July 1, 2021, the Community Hospital Group, Inc. d/b/a JFK Medical Center merged into HMHHC.

The Parent was also the sole shareholder of Hackensack Meridian Health Ventures, Inc. and its subsidiaries ("HMHV"). On January 1, 2022, the shares in HMHV were transferred from the Parent to HMAC. The Parent is the sole member of Meridian Accountable Care Organization, LLC ("MACO"), Hackensack Physician-Hospital Alliance ACO, LLC ("ACO"), JFK Population Health Company, LLC ("JFKPH"), and Hackensack Meridian Health Partners, LLC ("HMHP"). On January 1, 2023, the memberships in MACO, ACO and JFKPH were transferred from the Parent to HMHP.

HMHHC is the sole corporate member of HMH Casualty Company Ltd. ("HMHCCL"), and 20 Prospect Holdings, LLC. HMHCCL is a wholly owned, off-shore insurance company domiciled in Bermuda.

(in thousands)

The HMH Physician Division includes seventeen professional corporations (four taxable and thirteen tax exempt) consolidated with the Network and provides other physician practice development strategies. During 2022, two of the tax-exempt professional corporations were dissolved.

The Network operates an extensive acute care hospital system which consists of three academic medical centers (which include two children's hospitals and a cancer center), seven community hospitals, a long-term acute care hospital, and a behavioral health hospital as follows:

- Hackensack University Medical Center ("HUMC"), located in Hackensack, New Jersey, is an academic medical center and the largest stand-alone medical center in the state with 803 beds. HUMC includes the Joseph M. Sanzari Children's Hospital, the Donna A. Sanzari Women's Hospital, the John Theurer Cancer Center, and the Heart and Vascular Hospital;

- Jersey Shore University Medical Center ("JSUMC"), located in Neptune, New Jersey, is a major academic medical center and regional trauma center with 618 beds that includes the K. Hovnanian Children's Hospital;

- JFK University Medical Center ("JFK"), located in Edison, New Jersey, is a 499-bed academic medical center;

- Riverview Medical Center ("RMC"), located in Red Bank, New Jersey, is a 460-bed community hospital;

- Raritan Bay Medical Center ("RBMC"), located in Perth Amboy, New Jersey, is a 377-bed community hospital and includes Hackensack Meridian Long Term Acute Care Hospital;

- Ocean University Medical Center, located in Brick, New Jersey, is a 357-bed academic medical center;

- Carrier, located in Belle Mead, New Jersey is a 297-bed behavioral health hospital that includes Blake Recovery Center;

- Bayshore Medical Center ("BMC"), located in Holmdel, New Jersey, is a 211-bed community hospital;

- Palisades Medical Center ("PMC"), located in North Bergen, New Jersey, is a 197-bed community hospital;

- Southern Ocean Medical Center ("SOMC"), located in Manahawkin, New Jersey, is a 176-bed community hospital; and

- Old Bridge Medical Center, located in Old Bridge, New Jersey, is a 113-bed community hospital.

The Hackensack Meridian School of Medicine ("SOM") was formed in 2015 as the first new private school of medicine in New Jersey in over fifty years. In conjunction with the formation of the SOM, the Network through its real estate holding company, Kingsland Street Urban Renewal, LLC, entered into a long-term lease for two buildings in the town of Nutley and the city of Clifton, New Jersey. On July 3, 2020, the SOM received accreditation to operate as a school of medicine.

(in thousands)

Over the past several years, HMH has continued to expand its network through acquisitions and partnerships with various unrelated entities as a means to continue to fulfill its mission to the surrounding communities that HMH serves.

Joint ventures in which the Network exerts significant influence in the operations of the unconsolidated entities, primarily through shared representation on the governing bodies of the investee and equal voting rights, and has an equity interest of more than 20% but equal to or less than 50%, are accounted for under the equity method of accounting. Income from joint ventures is reflected in the net gain on equity investments in the consolidated statements of operations.

During 2012, HUMC entered into two separate joint ventures with an unrelated entity. Under the first joint venture arrangement, entered into on March 23, 2012, HUMC contributed the existing property and equipment of the former Pascack Valley Hospital campus for a 35% interest in the joint venture which was valued at $51,100. The joint venture owns 100% of Pascack Valley Medical Center ("Pascack Valley"). The investment in the Pascack Valley joint venture recorded on the consolidated balance sheets was $38,421 and $38,064 as of December 31, 2022 and 2021, respectively.

Under the second joint venture, entered into on July 1, 2012, HUMC purchased a 20% ownership interest in the joint venture which owns 100% of Mountainside Medical Center ("Mountainside"). For its ownership interest, HUMC contributed $10,644 in cash and entered into a nonrecourse loan agreement with its joint venture partner. In July 2016, HUMC entered into a bank loan and used the proceeds to pay off the remaining outstanding balance on the nonrecourse loan and its accrued interest. The investment in the Mountainside joint venture recorded on the consolidated balance sheets was $42,666 and $38,844 as of December 31, 2022 and 2021, respectively.

During 2012, HUMC and a separate unrelated entity formed a joint venture limited liability company which purchased a 51% interest in two ambulatory surgical centers (the "Centers") located in Bergen County, New Jersey, with HUMC receiving 50.1% voting rights in the joint venture entity. As a result, HUMC consolidated the Centers and reflected a noncontrolling interest for the equity related to the previous owners and the unrelated party in accordance with ASC 810. Effective as of December 31, 2017, HUMC transferred all of its interest in the joint venture to Hackensack Meridian Ambulatory Ventures, Inc. The net assets acquired of the Centers were $34,950 (including net goodwill of $34,250). As of December 31, 2022 and 2021, the unamortized goodwill balance was $20,549 and $23,975, respectively.

During 2019, Hackensack Meridian Ambulatory Ventures, Inc. and a separate unrelated entity formed a joint venture limited liability company which acquired a 51% interest in three ambulatory surgical centers (the "ASC Centers") located in Barnegat, New Jersey, Edison, New Jersey, and Maywood, New Jersey, with Hackensack Meridian Ambulatory Ventures, Inc. receiving 51% voting rights in the joint venture entity.

During 2021, HMH contributed 100% of HMH's membership in a billing company in exchange for shares in a new billing company. HMH previously held 20% of the legacy billing company shares and now owns 12% of the new billing company shares. HMH recorded a gain of $20,519 as a result of this exchange in the consolidated statement of operations. The investment in the billing company joint venture recorded on the consolidated balance sheets was $20,892 and $20,540 as of December 31, 2022 and 2021, respectively.

(in thousands)

On January 1, 2022, Hackensack Meridian Ambulatory Ventures, Inc. merged into HMAC, transferring the interest in each of these joint ventures to HMAC.

The following schedule of changes in consolidated net assets without donor restriction attributable to the Network and the noncontrolling interests reconciles beginning and ending balances of the Network's controlling interest and the noncontrolling interests for the years ended December 31, 2022 and 2021:

	Total	The Network (Controlling Interest)	Noncontrolling Interests
Balances at December 31, 2020	$ 4,104,674	$ 4,021,365	$ 83,309
Excess of revenues over expenses	567,937	560,114	7,823
Contributions from noncontrolling interests	5,405	-	5,405
Other changes	185,651	185,651	-
Change in net assets without donor restrictions before discontinued operations	758,993	745,765	13,228
Loss on discontinued operations	(52,513)	(35,891)	(16,622)
Balances at December 31, 2021	4,811,154	4,731,239	79,915
(Deficit) excess of revenues over expenses	(460,832)	(474,047)	13,215
Distribution to noncontrolling interests	(10,691)	-	(10,691)
Other changes	27,274	50,480	(23,206)
Change in net assets without donor restrictions before discontinued operations	(444,249)	(423,567)	(20,682)
Loss on discontinued operations	(39,465)	(35,607)	(3,858)
Balances at December 31, 2022	$ 4,327,440	$ 4,272,065	$ 55,375

2. COVID-19 Government Funding

Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")
In response to the economic impact of COVID-19, the CARES Act was enacted by Congress and was subsequently signed into law on March 27, 2020. Through the end of 2020, additional legislation has been signed into law. Led by the CARES Act, these pieces of legislation included a variety of economic assistance provisions for businesses and individuals, including $178 billion in Provider Relief Fund government grants ("PRF") for hospitals, nursing homes, surgical centers, outpatient clinics, and physician practices. In accordance with ASC 958-605, funds received are deemed refundable advances until conditions are met.

As the conditions were met and restrictions were satisfied in the same period as the funding was received, in accordance with the simultaneous release policy, HMH recognized all funding received in the consolidated statements of operations as follows:

	2022	2021
Other revenue	$ 44,871	$ 5,466
Loss on discontinued operations	131	334
	$ 45,002	$ 5,800

(in thousands)

Federal Emergency Management Agency ("FEMA")

Due to the related operating and capital expense incurred by the Network in response to COVID-19, the Network has submitted claims to FEMA. During 2022 and 2021, the Network has recorded the following obligated FEMA funds within the consolidated statements of operations:

	2022	2021
Other revenue	$ 164,601	$ 151,507
Other changes	233	8,778
Loss on discontinued operations	5,532	14,500
	$ 170,366	$ 174,785

The Network has additional claims outstanding and under review with FEMA as of December 31, 2022 related to operating and capital expenses incurred related to COVID-19. In accordance with generally accepted accounting principles, the Network will recognize those claims in the year the related funds are obligated by FEMA.

Specific to PRF and FEMA funds received, HMH believes the amount of revenue recognized in the consolidated statements of operations is appropriate based on information contained in laws and regulations, as well as interpretations issued by the U.S. Department of Health and Human Services ("HHS") and FEMA policies governing the funding, which was publicly available at December 31, 2022. As this crisis has evolved, and through new legislation, HHS has made multiple modifications to its guidance since its passage. The potential financial impacts of future changes in guidance may impact the Network's ability to retain some or all of the distributions received.

Medicare Accelerated Payments

Under the CARES Act, the Network received $614,598 in advance payments from the Centers for Medicare and Medicaid Services ("CMS") in April 2020 for which repayment began in April 2021. Under ASC 606, the liability represents a contract liability. During the recoupment period HMH reduced the contract liability based upon Medicare claims recognized as revenue. As of December 31, 2022 and 2021, HMH has a remaining liability of $33 and $368,412, respectively, which is included in other current liabilities in the consolidated balance sheets.

Deferred Payment of Employer Payroll Taxes

As allowed under the CARES Act, beginning in May 2020 and through December 2020, the Network has deferred its payments of the employer portion of social security payroll tax. The CARES Act requires payment of 50% of these deferred taxes by December 31, 2021 and the remaining 50% of these deferred taxes by December 31, 2022. As of December 31, 2022 and 2021, HMH has a remaining liability of $6,421 and $51,038, respectively, which is included in accounts payable and accrued expenses on the consolidated balance sheets. The remaining liability was paid in January 2023.

(in thousands)

3. Significant Accounting Policies

The following is a summary of the Network's significant accounting policies:

Principles of Consolidation

The consolidated financial statements include the accounts of Hackensack Meridian Health, Inc. and all of its subsidiaries in which a controlling interest is maintained. Intercompany balances and transactions are eliminated. Controlling interest in for-profit subsidiaries is determined by majority ownership interest. For those consolidated subsidiaries where HMH's ownership is less than 100%, the outside parties' interests are shown as net assets without donor restrictions attributable to noncontrolling interests. Investments in joint ventures over which HMH has significant influence but not a controlling interest are recognized using the equity method of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include implicit price concessions, the contractual discounts on accounts receivable, valuation of alternative investments, estimated amounts due to and from third-party payors, professional liability reserves and accrued pension benefit liabilities. Actual results could differ from those estimates.

Income Taxes

All of the not-for-profit entities included in the consolidated financial statements are corporations as described in Section 501(c)(3) of the Internal Revenue Code ("Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. These entities, except for the physician practices, are also exempt from state income taxes. Per the requirement to assess for tax uncertainty, management has determined that it does not have any significant uncertain tax positions required to be accrued or reported.

The for-profit corporations are subject to federal and state income taxes.

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents and restricted cash include investments in highly-liquid instruments with original maturities of three months or less. The Network elected to treat highly-liquid short-term investments held within assets limited as to use and investments as cash equivalents. Cash is also held in the assets limited as to use and investments portfolio and in current assets held for sale. At December 31, 2022 and 2021, the Network had cash balances held at a financial institution that exceeded federal depository insurance limits. Management believes that the credit risk related to these deposits is minimal.

ASU 2016-18, *Restricted Cash*, addresses the presentation, disclosure, and cash flow classification of restricted cash and requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

(in thousands)

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

	2022	2021
Cash and cash equivalents	$ 221,189	$ 388,483
Cash and cash equivalents included in assets limited as to use and investments	195,560	176,653
Cash and cash equivalents included in assets held for sale	-	1,523
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 416,749	$ 566,659

Assets Limited as to Use and Investments
Investments and assets limited as to use are recorded at fair value, which are based on the assumptions and methods described in the “Fair Value Measurements” section of this note.

Assets limited as to use include cash and investments set aside by the Network Board of Trustees (the “Board”) for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held by trustees under indenture agreements, assets held in connection with the captive insurance program, assets held for deferred employee benefit plans, and donor-restricted assets.

Investment income or losses (including realized and unrealized gains and losses on investments, interest, and dividends) are included in the accompanying consolidated statements of operations as other operating adjustments, unless the income or loss is restricted by donor or law. In addition, certain investment income is reported within other revenue in the statements of operations as it is utilized as a direct offset for specific programmatic operating expenses. Gains and losses on sales of investment assets are determined using the first-in, first-out method. Investments classified as current assets are available to support current operations.

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 values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Financial Instruments
The Network has entered into interest rate swap agreements to manage its exposure to fluctuations in interest rates (interest rate risk) and lower cost of capital. These swap agreements involve the exchange of fixed and variable rate interest payments between the Network and counterparties based on common notional principal amounts and maturity dates that correspond to the Network’s outstanding long-term debt. During 2021, the Network terminated four interest rate swap agreements which were originally entered into to mitigate variable rate exposure and take advantage of low interest rates.

The Network recognizes all derivatives at fair value within other liabilities on the consolidated balance sheets. Changes in fair value of these instruments are reported in the consolidated statements of operations as discussed in Note 9.

(in thousands)

Fair Value Measurements
FASB ASC Topic 820, Fair Value Measurements and Disclosures ("ASC Topic 820"), establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the Network and unobservable inputs reflect the Network's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Network for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, or quoted prices in markets that are not active.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market Approach (M) – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- Cost Approach (C) – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

- Income Approach (I) – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions the market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. The Network utilizes the best available information in measuring fair value.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments held by the Network:

- Cash, Cash Equivalents, and Mutual Funds – Estimated fair values of cash equivalents and mutual funds are based on daily values (closing price on primary market) that are validated with a sufficient level of observable activity (i.e., purchases and sales).

(in thousands)

- Corporate Equity Securities – Securities listed on national stock exchanges are valued at the last published sales price on the last business day of the year; over-the-counter securities for which no sale was reported on the last business day of the year are valued at the latest reported bid price from a published source.

- U.S. Government, Municipal, Corporate Debt, and Commercial mortgage-backed securities/asset-backed securities – Valued on the basis of the quoted market prices at year-end. If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings.

- Futures – Valued on the basis of quoted market prices at year-end.

- Alternative Investments - Fair value of alternative investments are measured based on unobservable inputs that cannot be corroborated by observable market data. The Network accounts for these investments within its assets limited as to use and investments portfolios using the net asset value as a practical expedient and as such, these investments are excluded from the fair value hierarchy. The Network's alternative investments include holdings in common/collective trusts, limited partnerships and limited liability companies engaging in a variety of investment strategies. Alternative Investments are valued utilizing a net asset value ("NAV") provided by the respective fund manager in accordance with ASC Topic 820. Such estimates do not reflect redemption fees as the Network does not intend to sell such investments before the expiration of the early redemption periods. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

Inventories
Inventories are stated at lower of cost (determined on an average cost basis) or net realizable value and are included in other current assets on the consolidated balance sheets.

Property and Equipment
Property and equipment are recorded at cost. The Network determines depreciation using the straight-line method, over the estimated useful life of each class of depreciable asset. Estimated lives range from 3 to 20 years for equipment and up to 40 years for buildings.

Finance leases are recorded at their present value at the inception of the lease. Property and equipment under finance leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations. Gains and losses resulting from the retirement of property and equipment are included in the results of current operations.

Gifts of long-lived assets such as property and equipment are determined at their fair value at the date of the gift and reported as an increase to net assets without donor restrictions unless explicit

(in thousands)

donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Right-of-Use Assets and Lease Liabilities
Under ASU 2016-02, Leases (Topic 842) lessees are required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Leases are classified as either operating or finance. Operating leases result in straight-line expense in the statement of operations (similar to previous operating leases), while finance leases result in more expense being recognized in the earlier years of the lease term (similar to previous capital leases).

Long-Lived Assets and Goodwill
Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell.

The Network amortizes goodwill on a straight-line basis and tests for impairment when a triggering event occurs that indicates that the fair value of the reporting unit may be below its carrying amount. For the year ended December 31, 2022 and 2021, the Network recorded $12,006 and $11,283, respectively, in amortization of goodwill and intangibles within depreciation and amortization in the consolidated statements of operations.

Deferred Financing Costs
Deferred financing costs include legal, financing, and placement fees associated with the issuance of long-term debt and are presented net of the related long-term debt issuances. These costs are amortized using the effective interest method over the period the related obligations are outstanding.

Professional, General and Workers Compensation Liabilities
The Network's policy is to accrue an estimate of the ultimate cost of malpractice and workers compensation claims covered through either its wholly owned captive insurance companies or insurance policies with third party insurers. These accrued liabilities are included in other liabilities in the accompanying consolidated balance sheets. The Network also records an estimate for insurance recoveries associated with these claims, which is recorded in other assets in the consolidated balance sheets.

Net Assets
Net assets without donor restrictions are derived from gifts that are not subject to explicit donor-imposed restrictions. Resources arising from the results of operations or assets set aside by the

(in thousands)

Board of Trustees are classified as without donor restrictions for external reporting purposes. Included in net assets without donor restrictions are board-designated endowment funds of $86,305 and $84,699 at December 31, 2022 and 2021, respectively.

Net assets with donor restrictions are those funds whose use has been limited by donors to a specified time period and/or purpose. Net assets are available for the funding of healthcare services and capital acquisitions. Certain donor restrictions are perpetual in nature and the income from those funds is expendable to support various health care services.

Net assets with donor restrictions are available for the following purposes at December 31, 2022 and 2021:

	2022	2021
Healthcare services	$ 115,480	$ 106,917
Investments held in perpetuity	74,089	72,947
Equipment	51,564	39,582
Research	51,245	31,345
Scholarships	20,219	34,279
Other	16,296	14,818
Total net assets with donor restrictions	$ 328,893	$ 299,888

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as the cost basis. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Net assets released from restrictions for capital acquisitions are excluded from excess of revenues over expenses within the consolidated statements of operations. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as net assets without donor restrictions.

Consistent with regulatory requirements, the respective Boards of the Foundations described in Note 1, require the preservation of the fair value of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Foundations classify net assets with donor restrictions as (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the amount that reflects the consideration to which the Network expects to be entitled in exchange for providing patient care. These amounts are net of appropriate discounts to give recognition to differences between the Network's charges and reimbursement rates from third party payors. The Network is reimbursed from third party payors under various methodologies based on the level of care provided. Certain net revenues received are subject to audit and retroactive adjustment for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final

(in thousands)

settlements are determined. The Network bills patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

The Network determines performance obligations based on the nature of the services provided. The Network recognizes revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. Performance obligations satisfied relate to patients registered to receive either or both an inpatient or outpatient service. For inpatient services, the Network measures performance obligations from time of admission to the point when there are no further services required for the patient, which is generally the time of discharge. For outpatient services, performance obligations are satisfied at a point in time, generally when: (1) services are provided; and (2) we do not believe the patient requires additional services.

Because the Network's patient service performance obligations relate to contracts with a duration of less than one year, the Network has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) Revenue from Contracts with Customers 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 unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Network determines the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Network's policy, and implicit price concessions provided to uninsured patients. The Network determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Network determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

A summary of the payment arrangements with major third-party payors is as follows:

- Medicare - inpatient acute care services and most outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Select outpatient services are paid based on a Medicare fee-based schedule or cost-based reimbursement. The Network is reimbursed for cost reimbursable items, allowable bad debt, and graduate medical education at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Network. The Network's Medicare cost reports have been audited and finalized through December 31, 2018 except for 2010 for HUMC and RMC, 2011 for RMC, and 2018 for HUMC, PMC and JFK. SOMC has been audited and finalized through December 31, 2019.

(in thousands)

- Medicaid - inpatient acute care services rendered to Medicaid program beneficiaries are reimbursed under a prospective methodology in accordance with N.J.A.C. 10:52 sub-chapter 14. Outpatient services are paid based upon a cost reimbursement methodology and certain services are paid based on a Medicaid fee schedule. The Network's Medicaid cost reports have been audited and finalized by the Medicaid fiscal intermediary through December 31, 2019 except for 2007 through 2009 for HUMC.

- The Network has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per patient day, per case or procedure and discounts from established charges.

Generally, patients who are covered by third-party payors are responsible for related co-pays, co-insurance and deductibles, which vary in amount. The Network provides services to uninsured patients and offers uninsured patients a discount from standard charges. The Network 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 Network'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. For the years ended December 31, 2022 and 2021, the Network recorded $295,477 and $317,363 of implicit price concessions as a direct reduction of net patient service revenues.

The components of net patient service revenue for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Gross charges	$ 24,152,961	$ 23,503,463
Contractual discounts and implicit price concessions	(17,878,916)	(17,475,221)
Change in estimate of prior year's net patient service revenue	11,290	10,412
Charity care subsidy	11,408	8,366
Hospital relief subsidy	22,352	25,260
	$ 6,319,095	$ 6,072,280

(in thousands)

The mix of patient service revenue, net of contractual discounts and implicit price concessions from patients and third-party payors for the years ended December 31, 2022 and 2021 is as follows:

Net Patient Service Revenue %	**2022**	**2021**
Medicare, including Managed Medicare	31%	32%
Medicaid, including Managed Medicaid	9%	9%
NJ Blue Cross	26%	26%
Other third party payors	33%	31%
Self pay	1%	2%
	100%	100%

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation for which action for noncompliance includes fines, penalties and exclusion from the Medicare and Medicaid programs. The Network believes that they are currently in compliance with all applicable laws and regulations. The Network has established a Corporate Compliance Program to monitor compliance with various regulations.

Other Revenue
The Network recognizes other revenue, which is not related to patient medical care but is central to the day-to-day operations of the Network. Other revenue primarily includes grant revenue, including CARES Act and FEMA funding, tuition revenue and other support service revenue.

Performance Indicator
The consolidated statements of operations include (deficit) excess of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from (deficit) excess of revenues over expenses, consistent with industry practice, include loss on discontinued operations, noncontrolling interest attributable to acquisitions, contributions from and distributions to noncontrolling interests, non-service pension cost related adjustments, net assets released from restriction for capital acquisitions and other changes.

The Network differentiates its core operating activities through the use of excess of revenues over expenses before federal legislative relief and other operating adjustments as an intermediate measure of operations. For the purposes of display, investment income, contribution revenue without donor restrictions, loss on extinguishment of debt and certain other transactions, which management does not consider being components of the Network’s core operating activities, are reported as other operating adjustments in the consolidated statements of operations. Certain investment income is reported within other revenue in the statements of operations as it is utilized as a direct offset for specific programmatic expenses.

New Authoritative Pronouncements, Adopted
In March 2020, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848) which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform due to the discontinuation of the London Interbank Offered Rate (“LIBOR”). The amendments apply to contracts, hedges and other transactions affected by reference rate reform

(in thousands)

due to reference to LIBOR or another reference rate expected to be discontinued. The effective date of this standard was deferred from December 31, 2022, to December 31, 2024. HMH adopted this standard in 2022, and as of February 1, 2023, the remaining LIBOR debt arrangement was converted to a short-term bank yield interest rate.

Reclassifications
Certain previously reported amounts in the 2021 consolidated financial statements have been reclassified in order to conform to 2022 presentation.

4. Charity and Uncompensated Care

The Network provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services without charge or at amounts less than its established rates. The Network maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished. The Network receives partial reimbursement for the uncompensated care provided. Of the Network's total consolidated operating expenses reported, estimated costs of $107,360 and $109,894 for the years ended December 31, 2022 and 2021, respectively, are attributable to providing services to charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Network's total operating expenses, divided by gross patient service revenue.

(in thousands)

5. Assets Limited as to Use and Investments

The following tables provide a summary of the Network's assets limited as to use and investments that are measured at fair value on a recurring basis at December 31, 2022 and 2021:

	2022		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Total**
Under board of trustees designation			
Cash and cash equivalents	$ 165,936	$ -	$ 165,936
Mutual funds	1,049,702	-	1,049,702
Corporate equity securities	4,328	-	4,328
Exchange traded securities	804,851	-	804,851
Commercial mortgage-backed securities/asset-backed securities	-	31,911	31,911
Corporate debt securities	-	188,654	188,654
U.S. government obligations	-	156,855	156,855
	2,024,817	377,420	2,402,237
Accrued interest			895
Alternative investments: common/collective trusts			380,784
Alternative investments: hedge funds and limited partnerships			1,306,295
Total under Board of Trustees designation			4,090,211
Under donor designation			
Cash and cash equivalents	1,337	-	1,337
Mutual funds	2,514	-	2,514
Total under donor designation	3,851	-	3,851
Under bond indenture agreements held by trustee			
Cash and cash equivalents	28,287	-	28,287
Total under bond indenture agreements held by trustee	$ 28,287	$ -	28,287
Total assets limited as to use and investments			$ 4,122,349

(in thousands)

	2021		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Total**
Under board of trustees designation			
Cash and cash equivalents	$ 125,193	$ -	$ 125,193
Mutual funds	1,345,871	-	1,345,871
Corporate equity securities	22,159	-	22,159
Exchange traded securities	1,245,038	-	1,245,038
Commercial mortgage-backed securities/asset-backed securities	-	63,887	63,887
Corporate debt securities	-	282,982	282,982
U.S. government obligations	-	444,643	444,643
	2,738,261	791,512	3,529,773
Accrued interest			427
Alternative investments: common/collective trusts			1,127,632
Alternative investments: hedge funds and limited partnerships			426,953
Total under Board of Trustees designation			5,084,785
Under donor designation			
Cash and cash equivalents	1,151	-	1,151
Mutual funds	2,985	-	2,985
Total under donor designation	4,136	-	4,136
Under bond indenture agreements held by trustee			
Cash and cash equivalents	50,309	-	50,309
Total under bond indenture agreements held by trustee	$ 50,309	$ -	50,309
Total assets limited as to use and investments			$ 5,139,230

Alternative investments are excluded from the fair value hierarchy table as they are valued using NAV as a practical expedient.

(in thousands)

The following tables represent the Network's investments measured at NAV as a practical expedient and the respective liquidity terms as of December 31, 2022 and 2021:

	2022	
	Redeemable Alternative Investments	
Redemption Frequency	**Fair Value**	**Redemption Notice Period**
Less than One Month	$ 666,389	varies from 2 - 10 days
One to Three Months	331,095	varies from 3 - 10 days
Three to Six Months	139,789	varies from 5 - 90 days
Six to Twelve Months	204,464	varies from 5 - 90 days
One to Two Years	122,172	varies from 5 - 90 days
Two to Three Years	126,651	varies from 5 - 90 days
Three to Four Years	27,609	varies from 5 - 90 days
	$ 1,618,169	

	Non Redeemable Alternative Investments	
Remaining Life	**Fair Value**	**Unfunded Commitment**
Less than one year	$ 2,909	$ 3,467
One to five years	19,678	20,000
Five to ten years	46,323	162,869
	$ 68,910	$ 186,336

	2021	
	Redeemable Alternative Investments	
Redemption Frequency	**Fair Value**	**Redemption Notice Period**
Less than One Month	$ 1,138,464	varies from 2 - 10 days
One to Three Months	15,138	varies from 3 - 10 days
Three to Six Months	91,704	varies from 5 - 90 days
Six to Twelve Months	274,613	varies from 5 - 90 days
One to Two Years	10,194	varies from 5 - 90 days
Two to Three Years	-	varies from 5 - 90 days
Three to Four Years	-	varies from 5 - 90 days
	$ 1,530,113	

	Non Redeemable Alternative Investments	
Remaining Life	**Fair Value**	**Unfunded Commitment**
Less than one year	$ 7,773	$ 4,400
One to five years	2,155	40,071
Five to ten years	14,544	52,709
	$ 24,472	$ 97,180

(in thousands)

Assets limited as to use and investments are reported on the consolidated balance sheets at December 31, 2022 and 2021 as follows:

	2022	2021
Assets limited as to use and investments, current portion	$ 1,309,005	$ 1,369,088
Assets limited as to use and investments, noncurrent portion	2,813,344	3,770,142
	$ 4,122,349	$ 5,139,230

Assets under bond indenture agreements held by trustees are maintained in the following accounts at December 31, 2022 and 2021:

	2022	2021
Debt service fund, principal	$ 593	$ 15,316
Debt service fund, interest	26,280	28,682
Debt service reserve fund	1,414	6,311
Total assets under bond indenture agreements	$ 28,287	$ 50,309

Investment income consists of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividend income	$ 79,280	$ 65,153
Realized (loss) gain and net change in unrealized (loss) gain	(669,996)	295,662
Investment management fees and other	(6,773)	(12,652)
	$ (597,489)	$ 348,163

As of December 31, 2022 and 2021, $5,866 and $22,088, respectively, of investment income is recorded in other revenue within the consolidated statements of operations.

(in thousands)

6. Liquidity and Availability of Resources

The Network's financial assets and resources available to meet the cash needs for general expenditures within one year of the date of the consolidated statements of financial position were as follows:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 221,189	$ 388,483
Patient accounts receivable, net	756,330	720,440
Pledges receivable, net	38,680	31,847
Assets limited as to use and investments under board of trustees designation	3,747,778	5,057,892
Total financial assets available within one year	4,763,977	6,198,662
Liquidity resources		
Bank lines of credit (undrawn)	109,724	184,724
Total financial assets and resources available within one year	$ 4,873,701	$ 6,383,386

As part of the Network's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Assets limited as to use and investments in the table above are all under Board of Trustees designation. These assets could be used for general expenditures but would require approval from the Board of Trustees. These assets exclude alternative investments with lock-up provisions greater than one year of $342,433 and $26,893 as of December 31, 2022 and 2021, respectively (see Note 5 for disclosures about investments).

(in thousands)

7. Property and Equipment

Property and equipment, including assets held under finance lease obligations, consist of the following at December 31, 2022 and 2021:

	2022	2021
Land	$ 133,731	$ 135,293
Land improvements	35,692	35,114
Buildings and fixed equipment	3,216,014	3,270,877
Major movable equipment	1,985,467	1,720,920
	5,370,904	5,162,204
Accumulated depreciation and amortization	(2,622,401)	(2,432,106)
Construction-in-progress	660,216	444,824
Property and equipment, net	$ 3,408,719	$ 3,174,922

Depreciation expense for the years ended December 31, 2022 and 2021 was $252,579 and $250,422, respectively.

8. Long-Term Debt and Finance Lease Obligations

The Network has various bond issues outstanding, primarily issued through the New Jersey Health Care Facilities Financing Authority (the "Authority"), as well as various bank loans, mortgages and finance lease obligations. During 2017, the Network established one legally obligated group for certain borrowings with the Authority and other lenders. This obligated group is represented by Hackensack Meridian Health and HMHHC ("Obligated Group"). The Obligated Group is subject to the covenants of the Master Trust Indenture ("MTI") with the Authority.

(in thousands)

Long-term debt and finance lease obligations consist of the following at December 31, 2022 and 2021:

	2022	2021
Revenue Bonds		
Series 2020, 2.675%, due September 1, 2041	$ 500,000	$ 500,000
Series 2020, 2.875%, due September 1, 2050	500,000	500,000
Series 2018, 4.211%, due July 1, 2048	300,000	300,000
Series 2017, 4.5%, due July 1, 2057	300,000	300,000
Series 2016A, 3.97% and 0.75% at December 31, 2022 and 2021, respectively, due July 1, 2038	115,580	118,154
Series 2015A, 2.5%, due November 1, 2045	99,306	103,640
Series 2006, 0.09% at December 31, 2021, refinanced with Series 2022 A-1 loan*	-	13,360
Series 2006 A-3, 0.10% at December 31, 2021, refinanced with Series 2022 A-1 loan*	-	3,500
Series 2006 A-4, 0.09% at December 31, 2021, refinanced with Series 2022 A-1 loan*	-	8,830
Series 2006 A-5, 0.09% at December 31, 2021, refinanced with Series 2022 A-1 loan*	-	10,915
Series 2004 A-3, 0.10% at December 31, 2021, refinanced with Series 2022 A-1 loan*	-	8,450
Series 2003, 0.10% at December 31, 2021, refinanced with Series 2022 A-1 loan*	-	57,830
Series 1998A, 0.09% at December 31, 2021, refinanced with Series 2022 A-1 loan*	-	5,900
Refunding Bonds		
Series 2017A, 2.5% to 5.0%, which mature annually from July 1 ,2020 through July 1, 2040	443,490	459,640
Series 2017A, 4.0% to 5.25%, which mature annually from July 1, 2043 through July 1, 2057	98,920	98,920
Series 2013A, 2.0% and 5.0%, in varying maturities through July 1, 2032	19,220	20,290
Series 2011, 2.0% and 5.0%, refinanced with Series 2022 A-2 loan	-	79,205
Bank Loans		
Series 2020, 2.50%, a term of 180 months with a 15-year amortization and a fixed monthly payment of $794; commencing April 1, 2020 and ending April 1, 2035	187,720	192,425
Series 2016, 2.59%, a term of 300 months with a 25-year amortization and a fixed monthly payment of $92; commencing July 28, 2016 and ending July 28, 2041	16,346	17,013
Series 2015A (tax exempt), 2.38%, a term of 300 months with a 25-year amortization, and a fixed monthly payment of $372; commencing August 12, 2015 and ending July 12, 2040	64,252	67,142
Series 2015B, 3.31%, a term of 120 months with a 10-year amortization, and a fixed monthly payment of $177; commencing August 12, 2015 and ending August 1, 2025	28,346	29,503
Series 2022 A-1; a term of 12 years commencing April 1, 2022 and ending March 31, 2034; annual principal payments and monthly interest at a fixed floating rate of 4.52% at December 31, 2022	104,790	-
Series 2022 A-2; a term of 5 years commencing August 1, 2022 and ending July 1, 2027; annual prinicpal payments and monthly interest at a fixed floating rate of 4.46% at December 31, 2022	68,830	-
Other		
Township of Clifton Redevelopment Area Bonds	924	944
Township of Nutley Redevelopment Area Bonds	924	944
Series 2019 Capital Asset Loan, 3.44% and 1.89% at December 31, 2022 and 2021, respectively	13,500	17,357
New Jersey Economic Development Authority Series 1997 Revenue Bonds , 4.1% to 5.7%, due annually from January 1, 1998 through January 1, 2022	-	2,317
Accreted bond interest payable on the capital appreciation portion of the Series 1997 bonds due between January 1, 2012 and January 1, 2022	-	6,883
Various commercial mortgages with fixed interest rates ranging from 3.625% to 4.75%	13,060	24,731
Line of credit; with a floating interest rate of 4.95% at December 31, 2022, due March 29, 2023	100,000	-
Other long-term borrowings	15,118	32,606
Total long-term debt	2,990,326	2,980,499
Finance lease obligations		
Lease obligations and other obligations with interest rates ranging from 4.00% to 4.07%	140,225	144,047
Total finance lease obligations	140,225	144,047
Total long-term debt and finance lease obligations	3,130,551	3,124,546
Current portion of accreted interest, included in accrued interest payable	-	(6,883)
Original issue premium, net	40,407	46,284
Deferred financing costs, net of accumulated amortization	(13,982)	(15,196)
Current portion	(159,849)	(80,507)
Long-term debt and finance lease obligations, net of current portion	$ 2,997,127	$ 3,068,244

**Interest is payable monthly and determined weekly based upon market rates with a 12% per annum maximum*

On April 1, 2022 the Network closed on Series 2022 A-1 and Series 2022 A-2 taxable bank loans in the amounts of $108,785 and $68,830, respectively. These financings were used to refinance various revenue and refunding bonds. Interest is paid monthly at a floating rate with a fixed spread. The interest rate was 4.52% and 4.46%, respectively, as of December 31, 2022.

(in thousands)

There is no noncompliance with any required covenants related to the Network's outstanding debt at December 31, 2022 and 2021. The Obligated Group's most restrictive covenants are meeting minimum requirements for debt service coverage ratio, debt-to-capitalization ratio and cushion ratio.

The future principal payments on long-term debt and payments on finance lease obligations are as follows:

	Long-Term Debt	Finance Lease Obligations	Total
2023	$ 155,786	$ 7,464	$ 163,250
2024	59,933	7,650	67,583
2025	142,667	7,842	150,509
2026	58,346	8,038	66,384
2027	58,470	8,239	66,709
Thereafter	2,515,124	139,839	2,654,963
	2,990,326	179,072	3,169,398
Amounts representing interest on finance lease obligations	-	(38,847)	(38,847)
Total long-term debt and finance lease obligations	$ 2,990,326	$ 140,225	$ 3,130,551

9. Interest Rate Swap Agreements

During 2021, the Network terminated four interest rate swap agreements which were originally entered into to mitigate variable rate exposure and take advantage of low interest rates. Under the terms of the agreements, the Network was paying fixed interest rates of 3.33% to 3.65% in exchange for variable rate payments equal to either 67% or 68% of the one-month LIBOR rate. The notional amounts on these swap agreements were tied to estimated outstanding principal on the underlying loan.

Prior to the dates of termination, the Network had recognized an unrealized gain of $71,821 for 2021. Additionally in the consolidated statement of operations for the year ended December 31, 2021, the Network paid and recorded a loss on termination attributed to these interest rate swap agreements of $62,568.

10. Pension Plans, Postretirement Health Care and Postemployment

The Network sponsors a tax-qualified noncontributory defined benefit plan, the Consolidated Pension Plan of Hackensack Meridian Health ("Consolidated Plan"). The Consolidated Plan consists of seven legacy defined benefit plans that used to be maintained separately by BMC, Carrier, HUMC, JFK, MHC, PMC and RBMC. These plans have been merged into a single plan as of December 31, 2020.

As of December 31, 2021, the Consolidated Plan had become completely frozen to the remaining benefit accruals. This resulted in a curtailment gain that was offset by the Consolidated Plan's unrecognized loss, and since the Consolidated Plan had no prior service cost, there was no impact on the net benefit cost.

(in thousands)

Certain participants of the legacy HUMC plan have also accrued benefits under a 457(f) deferred compensation plan (“HUMC SERP”) where benefit accruals were frozen as of December 31, 2010.

Pursuant to ASU 2018-14, the Network has disclosed the weighted average interest crediting rate (for JFK and Meridian legacy plans) and additional information for plans with Accumulated Benefit Obligation (ABO) or Projected Benefit Obligation (PBO) in excess of plan assets.

The following table sets forth the funded status of the combined defined benefit pension plans for the years ended December 31, 2022 and 2021:

	2022	2021
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$ 2,079,096	$ 2,199,472
Service cost	-	11,930
Interest cost	60,272	57,493
Actuarial gain	(475,429)	(71,745)
Benefits paid	(88,626)	(102,780)
Curtailment gain	-	(11,328)
Settlements	(7,850)	(3,946)
Net projected benefit obligation at end of year	1,567,463	2,079,096
Change in plan assets		
Fair value of plan assets at beginning of year	1,961,612	1,875,761
Actual return on plan assets	(366,315)	183,620
Employer contributions	7,862	8,957
Benefits paid	(88,626)	(102,780)
Settlements	(7,850)	(3,946)
Fair value of plan assets at end of year	1,506,683	1,961,612
Funded status at end of year	$ (60,780)	$ (117,484)
Accumulated benefit obligation, end of year	$ 1,567,463	$ 2,079,096
Amounts recognized in the consolidated balance sheets consist of		
Current liability (included in accounts payable and accrued expenses)	$ 3,442	$ 7,014
Accrued pension benefits	57,338	110,470
Total accrued pension liability	$ 60,780	$ 117,484
Amounts recognized in net assets without donor restrictions not yet captured within net periodic benefit costs consist of		
Net loss	$ 403,622	$ 410,509
	$ 403,622	$ 410,509
Amounts in net assets without donor restrictions expected to be recognized in the following fiscal year's net periodic benefit cost		
Net loss	$ 9,804	$ 8,216
	$ 9,804	$ 8,216
Additional information for plans with projected benefit obligations in excess of plan assets		
Projected benefit obligation	$ 1,567,463	$ 2,079,096
Fair value of plan assets	1,506,683	1,961,612

(in thousands)

At December 31, 2022 and 2021, the respective plans utilized discount rates as described below for the determination of the benefit obligations and the net periodic benefit cost. The discount rate was derived using the bond matching method and determined with an analysis of bonds available with an "AA-" or better rating rated by S&P or Moody's. A hypothetical bond portfolio was constructed to match the expected monthly benefit payments under the plans.

	2022	2021
Weighted-average assumptions used to determine benefit obligations		
Discount rate	5.50 %	2.98 %
Interest crediting rate	4.00 %	3.80 %
Weighted average assumptions used to determine net periodic benefit cost		
Discount rate	2.98 %	2.68 %
Expected return on plan assets	5.96 %	6.58 %
Rate of compensation increase	N/A	3.00 %
Interest crediting rate	3.80 %	4.10 %

The net periodic pension cost and pension-related adjustments included the following components for the years ended December 31, 2022 and 2021:

	2022	2021
Net periodic benefit cost		
Service cost	$ -	$ 11,930
Interest cost	60,272	57,493
Expected return on assets	(113,737)	(120,337)
Settlement loss	3,292	1,758
Actuarial gain	8,216	13,411
Net periodic benefit cost	(41,957)	(35,745)
Pension-related adjustments		
Net actuarial gain	(6,887)	(161,524)
Total pension-related adjustments	(6,887)	(161,524)
Total net periodic benefit cost and pension-related adjustments	$ (48,844)	$ (197,269)

(in thousands)

Pursuant to ASU 2017-07, only the service cost of the net periodic pension cost is included in employee benefits in the consolidated statements of operations. The other components of net periodic benefit cost represent gains of $41,957 and $47,675 for the years ended December 31, 2022 and 2021, respectively, and are included in other gains, net in the consolidated statements of operations.

Funding Policy
The Network's funding policy for the defined benefit plan is to contribute annually an amount at least as much as the minimum amount required by the Employee Retirement Income Security Act of 1974 (ERISA), plus additional amounts, which may be approved by the Board or delegated committees and management from time to time.

Investment Policy
The pension investment portfolio is managed by a dedicated internal investment office with oversight from the Investment Committee of the Board of Trustees. As such, the investment policy and strategy with respect to all defined benefit plan portfolios is to provide for growth of capital with a moderate level of volatility by investing in assets based on the plan's target allocations. The expected long-term rate of return assumption is based on forward-looking return forecasts for specific modeled asset classes. The long-term forecasts are based on their analysis of long-cycle historical data as well as their longer-term global views. The target allocations are expected to achieve a long-term rate of return of 6.97% for all of the Plans.

The strategic asset allocations of the pension plan assets are as follows:

	2022	**2021**
Public equity	44 %	44 %
Credit (including private)	10	10
Real assets	4	4
Hedge funds	10	10
Treasury / investment grade credit	31	31
Cash	1	1
	100 %	100 %

(in thousands)

Fair Value Measurements
The following table sets forth by level, within the fair value hierarchy, the Plans' investments at fair value as of December 31, 2022 and 2021:

	2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Total**
Cash and cash equivalents	$ 43,646	$ -	$ 43,646
Exchange traded securities	197,665	-	197,665
Corporate debt securities	-	118,333	118,333
US Government and municipal securities	-	87,285	87,285
Mutual funds	348,842	-	348,842
Total assets at fair value	$ 590,153	$ 205,618	795,771
Common collective trusts			331,783
Alternative investments			379,129
			$ 1,506,683

	2021		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Total**
Cash and cash equivalents	$ 43,369	$ -	$ 43,369
Exchange traded securities	279,090	-	279,090
Corporate debt securities	-	202,346	202,346
US Government and municipal securities	-	18,732	18,732
Mutual funds	694,290	-	694,290
Total assets at fair value	$ 1,016,749	$ 221,078	1,237,827
Common collective trusts			460,022
Alternative investments			263,763
			$ 1,961,612

Refer to footnote 3 for further disclosure regarding the manner in which fair value of plan assets has been determined.

Common/collective trusts and alternative investments in the Plans' investments are excluded from the fair value hierarchy table as they are valued using NAV as a practical expedient.
At December 31, 2022 and 2021, the Network's remaining outstanding funding commitments to alternative investments were $21,180 and $22,015, respectively.

Contributions
Based on its current funded status, the Network is not required to make a contribution to its Plan in 2022.

(in thousands)

Estimated Future Benefit Payments

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

	Pension Benefits
2023	$ 110,106
2024	107,810
2025	111,998
2026	111,460
2027	115,052
2028–2032	575,662

Defined Contribution Plans

As of December 31, 2022, the Network sponsors four 401(k) savings plans where all eligible employees of HMH are contributing and receiving matching contributions. In addition, there are two legacy defined contribution plans. The Network also maintains frozen legacy 403(b) and 401(a)/401(k) plans. Total matching contributions to the defined contribution plans for the years ended December 31, 2022 and 2021 were $78,387 and $71,967, respectively.

Other Benefit Plans

Certain employees of the Network participate in various postemployment benefit plans. In connection with these plans, the Network funds the expenses as incurred.

Certain employees of the Network participate in various deferred compensation plans established pursuant to Sections 457(b) and 457(f) of the Code. For 457(b) plans, the Network deposits amounts with trustees on behalf of the participating employees. Under the terms of these plans, the Network is not responsible for investment gains or losses incurred. The assets set aside are designated for payments under the plans, but may revert to the Network under certain specified circumstances. The participating employees will receive the account balance at retirement. Therefore, at December 31, 2022 and 2021, amounts on deposit with the trustees (at fair value) were equal to the liability under the 457(b) plans. For 457(f) plans, the Network funds benefit payments and expenses as incurred.

The Network has recognized liabilities, in connection with a self-insured medical and dental plan for its employees of $18,491 and $21,863 at December 31, 2022 and 2021, respectively. This liability is included in accounts payable and accrued expenses in the consolidated balance sheets.

(in thousands)

11. Leases

The Network has operating leases primarily for real estate, including medical office buildings, corporate and other administrative offices, as well as medical and office equipment. Lease expense for operating lease payments is recognized on a straight-line basis over the term of the lease. Operating lease assets and liabilities are recognized based on the present value of lease payments over the lease term. Since the Network's leases do not have a readily determinable implicit discount rate, the Network uses its incremental borrowing rate to calculate the present value of lease payments. As a practical expedient, the Network has made an accounting policy election for all asset classes not to separate lease components from nonlease components in the event that the agreement contains both. The Network includes both the lease and nonlease components for purposes of calculating the right-of-use asset and related lease liability (if the nonlease components are fixed). For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the right-to-use asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The Network's policy for equipment leases with future minimum lease payments totaling less than $50 is to expense as paid as they are immaterial.

The table below presents certain information related to the lease costs for finance and operating leases:

	2022	2021
Lease cost		
Finance lease cost		
Amortization of leased assets	$ 4,818	$ 5,037
Interest on lease liabilities	3,499	3,595
Total finance lease cost	8,317	8,632
Operating lease cost	43,985	41,464
Short-term and variable lease costs, net of sublease income	24,496	26,156
Total operating lease cost	68,481	67,620
Total lease cost	$ 76,798	$ 76,252

(in thousands)

Supplemental consolidated balance sheet information related to operating and finance leases at December 31, 2022 and 2021 is as follows:

Classification on the Consolidated Balance Sheet		**2022**	**2021**
Assets			
Operating lease assets	Operating lease right-of-use assets	$ 266,545	$ 218,323
Finance lease assets	Property and equipment, net	90,742	96,401
Total lease assets		$ 357,287	$ 314,724
Liabilities			
Current			
Operating	Current portion of operating lease obligations	$ 37,889	$ 35,531
Finance	Current maturities of long-term debt and finance lease obligations	4,063	3,822
Noncurrent			
Operating	Long-term operating lease obligations	237,632	190,689
Finance	Long-term debt and finance lease obligations, less current maturities	136,162	140,225
Total lease liabilities		$ 415,746	$ 370,267
Weighted-average remaining lease term (in years)			
Operating leases		11	9
Finance leases		19	20
Weighted-average discount rate			
Operating leases		3.69 %	3.18 %
Finance leases		4.07	4.07

The table below presents supplemental cash flow information related to leases:

	2022	**2021**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 44,924	$ 43,107
Operating cash flows for finance leases	7,038	7,582

Future minimum lease payments under operating leases at December 31, 2022 is as follows:

2023	$ 45,744
2024	43,177
2025	39,838
2026	37,041
2027	32,765
Thereafter	141,111
Total minimum lease payments	339,676
Less: Imputed interest	(64,155)
Total lease liabilities	$ 275,521

12. Functional Expenses

The Network provides general health care services and programs. Expenses that can be identified with a specific program are charged directly. Other expenses that are common to program and management services are allocated by various statistical bases.

(in thousands)

Expenses related to providing these services consist of the following:

	2022			2021		
	Program Services	Management Services	Total	Program Services	Management Services	Total
Salaries and contracted labor	$ 2,140,645	$ 606,050	$ 2,746,695	$ 1,919,189	$ 575,829	$ 2,495,018
Physician salaries and fees	463,642	68,198	531,840	451,898	43,404	495,302
Employee benefits	463,961	102,086	566,047	458,340	133,261	591,601
Supplies and other	1,811,524	740,408	2,551,932	1,735,020	749,900	2,484,920
Depreciation and amortization	188,569	80,665	269,234	187,225	79,555	266,780
Interest	57,416	27,125	84,541	63,751	26,643	90,394
Total expenses	5,125,757	1,624,532	6,750,289	4,815,423	1,608,592	6,424,015
Other components of net periodic benefit cost	(41,957)	-	(41,957)	(47,675)	-	(47,675)
	$ 5,083,800	$ 1,624,532	$ 6,708,332	$ 4,767,748	$ 1,608,592	$ 6,376,340

13. Commitments and Contingencies

Lines of Credit

The Network had available lines of credit totaling $225,000 and $200,000 at December 31, 2022 and 2021, respectively. The Network had standby letters of credit totaling $15,276 at December 31, 2022 and 2021, ear-marked against these lines as collateral for certain insurance policies at HMHHC. In addition, as of December 31, 2022, the Network drew down an additional $100,000 on the line of credit which is included in current maturities of long-term debt and finance obligations in the consolidated balance sheet. As of December 31, 2022 and 2021 $109,724 and $184,724, respectively, were available for cash demands. As of March 17, 2023, the line of credit was repaid to the financial institutions with the proceeds from the sale of the long-term care portfolio (see Note 16).

Litigation

Various suits, investigations and claims arising in the normal course of operations are pending or are on appeal against the Network. Such suits and claims are either specifically covered by insurance or are not material. While the outcome of these suits cannot be determined with certainty at this time, management believes that any loss which may arise from those suits and claims will not have a material adverse effect on the consolidated financial position or consolidated results of operations of the Network.

14. Professional and General Liability Insurance

The Network maintains alternative risk finance programs for its facilities via wholly owned Bermuda domiciled captive insurance companies. Additionally, certain risks are covered through third party insurance policies.

(in thousands)

The Network's consolidated balance sheets include the following estimated liabilities included in other liabilities for hospital professional liability ("HPL"), employed (physician) provider professional liability ("EPPL") general liability ("GL") and workers compensation ("WC") at December 31, 2022 and 2021:

Type of Coverage	Nature of Claims	2022	2021
HMHCCL insurance liabilities	HPL, GL, EPPL and WC	$ 123,702	$ 117,970
Third party insured liabilities	WC	12,554	18,514
Incurred but not reported	HPL, GL and WC	81,446	75,074
		$ 217,702	$ 211,558

Additionally, the Network has recorded estimated insurance recoveries totaling $19,868 and $23,010 at December 31, 2022 and 2021, which is included in other assets on the consolidated balance sheets, respectively. The total represents estimated recoveries from the captives' reinsurance policies as well as third party insurance policies.

Captive Insurance Companies
As of January 1, 2021, HMHCCL provided funding for HPL and GL exposures of $4,000 for each incident for the Network. The HPL coverage on this program responds to claims and suits on a claims-made basis and the GL responds to claims and suits on an occurrence basis.

Reinsurance and Excess Coverage
For the years ended December 31, 2022 and 2021, HMHCCL purchased annual reinsurance policies in the amount of $100,000, per claim subject to an annual aggregate of $100,000, in excess of HMHCCL's primary and first excess layer.

Self-Insured Workers Compensation
HMH maintained a self-insured workers compensation program for the years ended December 31, 2022 and 2021. HMH has recorded an estimated liability for claims incurred but not yet reported on the consolidated balance sheets as of December 31, 2022 and 2021 of $40,634 and $35,420, respectively. Excess workers compensation coverage is purchased in the commercial market place in excess of $750 per claim. In addition, the captive excess coverage includes excess employers liability insurance over and above that provided under the excess workers compensation coverage.

(in thousands)

15. Concentration of Credit Risk

The Network grants credit without collateral to its patients, most of whom are local residents and are insured under third party payor agreements.

Concentrations of net accounts receivable from patients and third party payors were as follows:

	2022	2021
Medicare and Medicaid	41%	36%
Managed Care and Commercial	47	53
Other third party payors	12	11
	100%	100%

16. Discontinued Operations

During 2021, the Network entered into a Purchase and Sale agreement and letters of intent relating to the sale of its nursing homes and assisted living facilities included within HMAC. During 2022, the final buyer was determined, and the terms of sale were amended. The sale of the facilities is anticipated to be completed within two separate transactions during 2023. There is expected to be various forms of continuing involvement subsequent to the closure of these transactions for preferred provider relationships and pharmacy services. The sale of Prospect Heights Care Center and West Caldwell Care Center (“JV Facilities”), of which the Network has 51% ownership, represents one transaction for which a definitive agreement with an unrelated third party entity was entered into on December 31, 2022. The JV Facilities are expected to close later in 2023. A second transaction (“LTC Portfolio”), for which a definitive agreement with the same unrelated third party entity was entered into March 22, 2022, and amended on December 31, 2022, includes the following entities that are 100% wholly owned by the Network: Meridian Nursing and Rehabilitation at Brick, Meridian Nursing and Rehabilitation at Ocean Grove, Meridian Nursing and Rehabilitation at Shrewsbury, Meridian Subacute Rehabilitation, Bayshore Health Care Center, The Harborage, JFK at Cedar Brook, JFK Hartwyck at Oak Tree, Regent Care Center, The Willows at Holmdel, and JFK at Whispering Knoll. LTC Portfolio closed on March 16, 2023 with the exception of Oak Tree which closed on March 31, 2023. HMH received $216,350 related to the sale of the LTC portfolio. HMH paid the outstanding $100,000 balance on the line of credit with these proceeds on March 17, 2023.

(in thousands)

As of December 31, 2022 and 2021, assets and liabilities of the two disposal groups have been classified as held for sale within the consolidated balance sheets. The two disposal groups share incurred losses from operations for the years ended December 31, 2022 and 2021, respectively. These losses are included in loss on discontinued operations in the consolidated statements of operations of $39,465 and $52,513. Included in loss on discontinued operations for the year ended December 31, 2021 is an impairment loss of $29,800 attributed to the expected loss on sale of the JV Facilities. The impairment loss considers the quoted sale price agreed upon between the parties for the transactions and the carrying value of the net assets. The sales result in the elimination of substantially all ownership in nursing homes and assisted living facilities.

The following table sets forth the components of discontinued operations:

	2022	2021
Net patient service revenue	$ 161,787	$ 178,947
Other revenue	40,284	24,410
Total unrestricted revenues and other support	202,071	203,357
Salaries and contracted labor	146,612	123,174
Physician salaries and fees	-	33
Employee benefits	28,842	30,551
Supplies and other expenses	64,098	61,930
Depreciation and amortization	-	33,554
Interest	1,984	6,628
Total expenses	241,536	255,870
Loss on discontinued operations	$ (39,465)	(52,513)

(in thousands)

The following table provides the components of assets and liabilities held for sale:

	2022	2021
Cash and cash equivalents	$ -	$ 277
Assets limited as to use and short-term investments, current portion	-	379
Patient accounts receivable, net	16,609	18,995
Other current assets	-	1,110
Current assets held for sale	16,609	20,761
Assets limited as to use and investments, noncurrent portion	-	867
Property and equipment, net of accumulated depreciation and impairment loss of $0 in 2022 and $91,899 in 2021) [1]	145,294	145,071
Operating lease right-of-use assets	173	208
Other assets	6,538	7,630
Other assets held for sale	152,005	153,776
Total assets held for sale	$ 168,614	$ 174,537
Current maturities of long-term debt and finance lease obligations	$ 558	$ 776
Current portion of operating lease obligations	35	35
Accounts payable and accrued expenses	-	4,489
Other current liabilities	-	83
Current liabilities held for sale	593	5,383
Long-term debt and finance lease obligations	30,544	40,788
Long-term operating lease obligations	152	181
Other liabilities held for sale	30,696	40,969
Total liabilities held for sale	$ 31,289	$ 46,352

[1] Property and equipment is predominately comprised of building and fixed equipment.

[2] Long-term debt is comprised of four commercial mortgages with fixed interest rates between 3.625% and 4.75%.

Cash flow activities from discontinued operations include:

	2022	**2021**
Depreciation expense, including impairment loss of $29,824 in 2021	$ -	$ 33,649
Gain on sale of discontinued operations	25,000	-
Capital expenditures	223	2,353
Repayment on long-term debt	531	741

17. Subsequent Events

The Network performed an evaluation of subsequent events through April 20, 2023, which is the date the consolidated financial statements are issued. There are no subsequent events identified except for those previously disclosed.

Consolidating Supplemental Schedules

Hackensack Meridian Health, Inc.
Consolidating Balance Sheet
December 31, 2022

(in thousands)

							Hackensack Meridian Ambulatory Care, Inc.									
	Hackensack Meridian Health Inc.	HMH Hospitals Corporation Excluding Carrier Clinic	HMH & HMH Hospitals Corporation (Obligated Group) Subtotal	HMH Physician Division (HMH Hospitals Corporation)	Carrier Clinic (HMH Hospitals Corporation)	Hackensack Meridian Health Foundations	Realty Corporation & Subsidiaries	Home Care Division	Long-Term Care & Other Divisions	Health Ventures, Inc. & Subsidiary	Ambulatory Ventures Inc.	Hackensack Meridian School of Medicine	Other Affiliates	Total Before Eliminations	Eliminations	Total
Assets																
Current assets																
Cash and cash equivalents	$ 192,459	$ 2,296	$ 194,755	$ (173)	$ 625	$ 1,412	$ 525	$ 114	$ 970	$ 2,625	$ -	$ 14,664	$ 5,672	$ 221,189	$ -	$ 221,189
Patient accounts receivable, net	-	686,197	686,197	35,699	11,086	-	-	11,754	5,752	1,311	4,476	-	55	756,330	-	756,330
Pledges receivable, net	-	-	-	-	-	79,881	-	-	-	-	-	-	-	79,881	-	79,881
Due from affiliates	82,754	5,784	88,538	(36)	(16)	141,432	-	-	25,167	2,363	-	-	96	257,544	(257,544)	-
Current assets held for sale	-	-	-	-	-	-	-	-	16,609	-	-	-	-	16,609	-	16,609
Other current assets	112,264	365,925	478,189	4,729	696	965	3,992	896	14,395	6,267	18,043	55,219	2,990	586,381	(59)	586,322
Assets limited as to use and investments, current portion	1,151,137	-	1,151,137	-	-	3,092	-	-	1,010	-	-	43	153,723	1,309,005	-	1,309,005
Total current assets	1,538,614	1,060,202	2,598,816	40,219	12,391	226,782	4,517	12,764	63,903	12,566	22,519	69,926	162,536	3,226,939	(257,603)	2,969,336
Assets limited as to use and investments, noncurrent portion	1,948,828	629,809	2,578,637	(10)	30,073	94,092	-	69,140	40,498	-	-	-	914	2,813,344	-	2,813,344
Investment in joint ventures	25,893	83,577	109,470	20,892	-	-	1,812	6,079	(1,656)	4,276	44,769	-	172	185,814	-	185,814
Property and equipment, net	20,980	2,984,174	3,005,154	12,715	39,342	1,199	105,615	850	18,965	15,246	7,641	189,951	12,041	3,408,719	-	3,408,719
Operating lease right-of-use assets	-	34,404	34,404	904	38	-	193,808	-	-	343	36,852	-	196	266,545	-	266,545
Other assets held for sale	-	-	-	-	-	-	-	-	152,005	-	-	-	-	152,005	-	152,005
Other assets	38,074	321,976	360,050	63	712	32,637	3,183	5,867	1,775	2,161	40,473	12,031	21,710	480,662	(322,432)	158,230
Due from affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 3,572,389	$ 5,114,142	$ 8,686,531	$ 74,783	$ 82,556	$ 354,710	$ 308,935	$ 94,700	$ 275,490	$ 34,592	$ 152,254	$ 271,908	$ 197,569	$ 10,534,028	$ (580,035)	$ 9,953,993
Liabilities and Net Assets																
Current liabilities																
Current maturities of long-term debt and capital lease obligations	$ 154,380	$ -	$ 154,380	$ -	$ -	$ -	$ 138	$ -	$ 255	$ 417	$ 555	$ 4,104	$ -	$ 159,849	$ -	$ 159,849
Current portion of operating lease obligations	-	5,261	5,261	405	24	-	29,751	-	-	151	2,131	-	166	37,889	-	37,889
Accounts payable and accrued expenses	339,830	653,453	993,283	57,629	2,619	1,292	6,942	2,456	16,475	5,097	5,968	20,585	23,077	1,135,423	1	1,135,424
Current liabilities held for sale	-	-	-	-	-	-	-	-	593	-	-	-	-	593	-	593
Due to affiliates	169,831	65,842	235,673	9,555	247	1,168	1	-	(89)	4,013	7,033	3	-	257,604	(257,604)	-
Other current liabilities	173,094	15,447	188,541	953	-	-	-	556	5,941	(117)	-	563	-	196,437	-	196,437
Total current liabilities	837,135	740,003	1,577,138	68,542	2,890	2,460	36,832	3,012	23,175	9,561	15,687	25,255	23,243	1,787,795	(257,603)	1,530,192
Long-term debt and finance lease obligations, less current maturities	2,833,116	13,186	2,846,302	-	-	-	-	-	9,431	2,783	725	137,886	-	2,997,127	-	2,997,127
Long-term operating lease obligations	-	30,453	30,453	526	14	-	171,629	-	-	196	34,786	-	28	237,632	-	237,632
Due to affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued pension benefits	48,861	5,678	54,539	-	-	-	-	-	-	-	-	-	2,799	57,338	-	57,338
Other liabilities held for sale	-	-	-	-	-	-	-	-	30,696	-	-	-	-	30,696	-	30,696
Other liabilities	160,799	126,964	287,763	8,518	2,075	775	86	2,213	989	-	-	15,006	127,250	444,675	-	444,675
Total liabilities	3,879,911	916,284	4,796,195	77,586	4,979	3,235	208,547	5,225	64,291	12,540	51,198	178,147	153,320	5,555,263	(257,603)	5,297,660
Net assets																
Without donor restrictions controlled by the Network	(319,553)	3,891,954	3,572,401	(2,803)	77,577	41,074	97,285	89,475	206,132	19,088	58,284	81,678	31,874	4,272,065	-	4,272,065
Without donor restrictions attributable to noncontrolling interests	-	1,469	1,469	-	-	-	3,103	-	5,067	2,964	42,772	-	-	55,375	-	55,375
Net assets without donor restriction	(319,553)	3,893,423	3,573,870	(2,803)	77,577	41,074	100,388	89,475	211,199	22,052	101,056	81,678	31,874	4,327,440	-	4,327,440
Net assets with donor restrictions	12,031	304,435	316,466	-	-	310,401	-	-	-	-	-	12,083	12,375	651,325	(322,432)	328,893
Total net assets	(307,522)	4,197,858	3,890,336	(2,803)	77,577	351,475	100,388	89,475	211,199	22,052	101,056	93,761	44,249	4,978,765	(322,432)	4,656,333
Total liabilities and net assets	$ 3,572,389	$ 5,114,142	$ 8,686,531	$ 74,783	$ 82,556	$ 354,710	$ 308,935	$ 94,700	$ 275,490	$ 34,592	$ 152,254	$ 271,908	$ 197,569	$ 10,534,028	$ (580,035)	$ 9,953,993

The accompanying note is an integral part of these consolidating financial statements.

Hackensack Meridian Health, Inc.
Consolidating Statement of Operations
Year Ended December 31, 2022

(in thousands)

	Hackensack Meridian Health Inc.	HMH Hospitals Corporation Excluding Carrier Clinic	HMH & HMH Hospitals Corporation (Obligated Group) Subtotal	HMH Physician Division (HMH Hospitals Corporation)	Carrier Clinic (HMH Hospitals Corporation)	Hackensack Meridian Health Foundations	Hackensack Meridian Ambulatory Care, Inc.: Realty Corporation & Subsidiaries	Hackensack Meridian Ambulatory Care, Inc.: Home Care Division	Hackensack Meridian Ambulatory Care, Inc.: Long-Term Care & Other Divisions	Hackensack Meridian Ambulatory Care, Inc.: Health Ventures, Inc. & Subsidiary	Hackensack Meridian Ambulatory Care, Inc.: Ambulatory Ventures Inc.	Hackensack Meridian School of Medicine	Other Affiliates	Total Before Eliminations	Eliminations	Total
Unrestricted revenues and other support																
Net patient service revenue	$ 9,476	$ 5,614,179	$ 5,623,655	$ 464,555	$ 78,342	$ -	$ -	$ 89,549	$ 15,758	$ 17,654	$ 49,173	$ -	$ 2,455	$ 6,341,141	$ (22,046)	$ 6,319,095
Other revenue	41,504	319,300	360,804	13,512	2,848	2,974	10,925	1,003	35,864	8,761	11,046	38,376	50,583	536,696	(30,901)	505,795
Net gain on equity investments	(27,457)	20,764	(6,693)	453	-	-	140	130	(498)	276	7,455	-	(363)	900	-	900
Net assets released from restriction used for operating activities	-	19,072	19,072	1,212	1,290	-	-	1,805	(1,550)	-	-	160	-	21,989	-	21,989
Total unrestricted revenues and other support	23,523	5,973,315	5,996,838	479,732	82,480	2,974	11,065	92,487	49,574	26,691	67,674	38,536	52,675	6,900,726	(52,947)	6,847,779
Expenses																
Salaries and contracted labor	(3,000)	2,336,367	2,333,367	199,679	55,314	12,559	1,208	42,233	25,612	26,898	19,954	14,949	17,448	2,749,221	(2,526)	2,746,695
Physician salaries and fees	-	133,058	133,058	385,788	5,719	-	-	799	(4)	1,737	-	3,774	969	531,840	-	531,840
Employee benefits	(18,362)	498,065	479,703	81,550	10,010	2,246	253	10,141	5,549	(12,723)	2,191	4,547	2,882	586,349	(20,302)	566,047
Supplies and other expenses	9,298	2,266,744	2,276,042	128,753	14,587	8,954	8,269	13,325	37,184	10,211	15,194	12,845	56,687	2,582,051	(30,119)	2,551,932
Depreciation and amortization	3,123	233,997	237,120	3,571	3,455	107	2,838	1,156	2,795	1,059	6,931	10,070	132	269,234	-	269,234
Interest	-	80,393	80,393	-	-	-	447	4	(4)	166	(38)	3,573	-	84,541	-	84,541
Total expenses	(8,941)	5,548,624	5,539,683	799,341	89,085	23,866	13,015	67,658	71,132	27,348	44,232	49,758	78,118	6,803,236	(52,947)	6,750,289
Excess (deficit) of revenues over expenses before other operating adjustments	32,464	424,691	457,155	(319,609)	(6,605)	(20,892)	(1,950)	24,829	(21,558)	(657)	23,442	(11,222)	(25,443)	97,490	-	97,490
Other operating adjustments																
Investment (loss) income, net	(607,704)	(3,546)	(611,250)	712	-	12,257	116	(2)	125	225	111	(3)	(5,646)	(603,355)	-	(603,355)
Net unrealized/realized gain on derivative instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains (losses), net	45,249	-	45,249	-	-	-	-	-	17	(233)	-	-	-	45,033	-	45,033
(Deficit) excess of revenues over expenses	(529,991)	421,145	(108,846)	(318,897)	(6,605)	(8,635)	(1,834)	24,827	(21,416)	(665)	23,553	(11,225)	(31,089)	(460,832)	-	(460,832)
Other adjustments in net assets without donor restrictions																
Net assets released from restriction for capital acquisitions	-	49,565	49,565	-	141	35,702	-	-	129	-	-	-	-	85,537	(35,702)	49,835
Transfers (to) from affiliates	(838,383)	348,344	(490,039)	320,804	19,071	(24,416)	39,446	(2,861)	70,737	713	(9,647)	20,060	20,429	(35,703)	35,703	-
Pension-related adjustments	-	6,887	6,887	-	-	-	-	-	-	-	-	-	-	6,887	-	6,887
Other changes	(2,128)	(2,656)	(4,784)	-	(4)	(447)	7	6	(25,451)	3,678	(3,899)	-	(2,064)	(32,958)	3,510	(29,448)
(Distributions to) contributions from noncontrolling interests	-	-	-	-	-	-	2,183	-	3,186	(500)	(15,560)	-	-	(10,691)	-	(10,691)
(Decrease) increase in net assets without donor restrictions before discontinued operations	(1,370,502)	823,285	(547,217)	1,907	12,603	2,204	39,802	21,972	27,185	3,226	(5,553)	8,835	(12,724)	(447,760)	3,511	(444,249)
Loss on discontinued operations	-	-	-	-	-	-	-	-	(39,465)	-	-	-	-	(39,465)	-	(39,465)
Total (decrease) increase in net assets without donor restrictions	$ (1,370,502)	$ 823,285	$ (547,217)	$ 1,907	$ 12,603	$ 2,204	$ 39,802	$ 21,972	$ (12,280)	$ 3,226	$ (5,553)	$ 8,835	$ (12,724)	$ (487,225)	$ 3,511	$ (483,714)

The accompanying note is an integral part of these consolidating financial statements.

1. Basis of Presentation

The consolidating supplemental schedules (the “consolidating schedules”) presented above were derived from and relate directly to the underlying accounting and other records used to prepare the consolidating financial statements. The consolidating schedules are presented for purposes of additional analysis of the consolidating financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies within the Network and are not a required part of the consolidated financial statements. The individual companies within the Network as presented within the consolidating schedules are disclosed within Note 1 to the consolidated financial statements.