

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

The Cooper Health System
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP



The Cooper Health System
Consolidated Financial Statements
and Supplementary Information
Years Ended December 31, 2023 and 2022

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Report of Independent Auditors

Board of Trustees
The Cooper Health System

Opinion

We have audited the consolidated financial statements of The Cooper Health System (the Health System), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health System at December 31, 2023 and 2022, and the results of its operations and changes in 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 (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2023 and consolidating statement of operations and changes in net assets for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

April 30, 2024

The Cooper Health System

Consolidated Balance Sheets (In Thousands)

	December 31	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 846,608	\$ 657,542
Current portion of assets limited as to use	7,386	28,758
Patient accounts receivable, net	189,224	188,739
Prepaid expenses and other current assets	125,948	87,365
Total current assets	1,169,166	962,404
Assets limited as to use:		
Internally designated by Board of Trustees	372,881	363,060
Externally designated for donor purposes	72,543	62,446
Externally designated – escrow agreement	–	15,003
Externally designated – capital grant purposes	44,859	42,710
Designated under self-insurance programs, net of current portion	4,039	2,406
Assets limited as to use, net of current portion	494,322	485,625
Property, plant, and equipment, net	818,153	709,210
Operating lease assets, net	71,056	81,666
Other assets, net	28,696	26,918
 Total assets	 \$ 2,581,393	 \$ 2,265,823

	December 31	
	2023	2022
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 40,907	\$ 68,583
Accrued expenses	263,999	204,595
Current portion of estimated settlements due to third-party payors	9,675	7,066
Current portion of self-insured reserves	33,092	33,529
Current portion of long-term debt	10,538	9,495
Current portion of operating lease liability	12,698	16,276
Line of credit advances	41,000	41,000
Total current liabilities	411,909	380,544
Estimated settlements due to third-party payors, net of current portion	55,134	39,334
Accrued retirement benefits	–	1,532
Self-insured reserves, net of current portion	103,935	104,255
Long-term debt, net of current portion	242,291	256,670
Operating lease liability, net of current portion	59,462	66,345
Deferred revenue and other liabilities	84,079	75,570
Total liabilities	956,810	924,250
Net assets:		
Without donor restrictions	1,570,184	1,290,453
With donor restrictions	54,399	51,120
Total net assets	1,624,583	1,341,573
Total liabilities and net assets	\$ 2,581,393	\$ 2,265,823

See accompanying notes.

The Cooper Health System

Consolidated Statements of Operations and Changes in Net Assets (In Thousands)

	Year Ended December 31	
	2023	2022
Net assets without donor restrictions		
Revenue:		
Net patient service revenue	\$ 2,079,945	\$ 1,843,537
Other revenue	143,331	133,732
Total revenue	2,223,276	1,977,269
Expenses:		
Salaries, wages, and fringe benefits	1,276,377	1,131,377
Supplies and other	671,359	606,769
Malpractice	37,005	35,503
Depreciation and amortization	65,750	61,249
Interest	10,248	12,780
Total expenses	2,060,739	1,847,678
Operating income	162,537	129,591
Nonoperating gains (losses):		
Investment income	41,443	14,666
Net change in unrealized gains and losses	59,798	(49,198)
Change in value of equity method investments	713	(238)
Gain on sale of interest in joint venture	-	20,000
Net periodic pension cost and settlement charge	(29,006)	(1,727)
Change in fair value of interest rate swap agreements	(350)	17,226
Other gains and losses, net	(352)	(8,256)
Excess of revenue over expenses	234,783	122,064
Other changes in net assets without donor restrictions:		
Change in pension benefit obligation	519	1,921
Contributions for capital acquisitions	43,524	50,364
Net change in unrealized gains and losses on fixed-income other-than-trading securities	905	(4,581)
Increase in net assets without donor restrictions	279,731	169,768
Net assets with donor restrictions		
Contributions, gifts, and special events, net of fundraising expenses	5,285	4,408
Income from investments	530	497
Net realized and unrealized gains on investments	(155)	48
Net assets released from restrictions for operating purposes	(2,381)	(2,972)
Increase in net assets with donor restrictions	3,279	1,981
Increase in net assets	283,010	171,749
Net assets, at beginning of year	1,341,573	1,169,824
Net assets, at end of year	\$ 1,624,583	\$ 1,341,573

See accompanying notes.

The Cooper Health System

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended December 31	
	2023	2022
Operating activities		
Increase in net assets	\$ 283,010	\$ 171,749
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in pension benefit obligation	(519)	(1,921)
Change in fair value of interest rate swap agreements	350	(17,226)
Depreciation and amortization	65,750	61,249
Net realized and unrealized gains and losses on investments	(56,964)	54,269
Change in value of equity method investments	(713)	238
Gain on sale of interest in joint venture	–	(20,000)
Contributions for capital acquisitions	(43,524)	(50,364)
Gain on extinguishment of debt	(5,004)	
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(485)	(20,674)
Prepaid expenses and other assets	(38,836)	(46,156)
Accounts payable and accrued expenses	31,728	25,192
Self-insured reserves and accrued retirement benefits	(1,770)	9,199
Estimated settlements with third-party payors	18,409	(55,461)
Deferred revenue and other liabilities	8,159	58,534
Net cash provided by operating activities	259,591	168,628
Investing activities		
Sales (purchases) of assets limited as to use, net	53,849	(91,410)
Proceeds from sale of interest in joint venture	–	20,000
Capital expenditures, net	(175,177)	(120,333)
Net cash used in investing activities	(121,328)	(191,743)
Financing activities		
Repayments of long-term debt	(154,997)	(8,964)
Issuance of long-term debt	148,047	–
Payment of financing costs	(1,560)	–
Contributions for capital acquisitions	43,524	50,364
Net cash provided by financing activities	35,014	41,400
Net increase in cash and cash equivalents and restricted cash and restricted cash equivalents	173,277	18,285
Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of year	724,730	706,445
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of year	\$ 898,007	\$ 724,730
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 8,523	\$ 12,895

See accompanying notes.

The Cooper Health System

Notes to Consolidated Financial Statements *(Dollars in Thousands)*

December 31, 2023

1. Organization

The Cooper Health System (Health System) is a New Jersey not-for-profit organization. The Health System is comprised of three operating divisions: The Cooper University Hospital (CUH), Cooper University Physicians (UP) and Cooper Care Alliance (CCA). The CUH division includes the operations of Cooper Hospital/University Medical Center and The Children's Regional Hospital at Cooper, as well as programs focusing on ambulatory diagnostic and treatment services, wellness and prevention, and many other health services. The UP division consists primarily of the services provided by the employed medical staff and related physician practices. The CCA division consists primarily of the services provided by employed community-based medical professionals who do not have academic faculty appointments.

The Health System also controls certain other entities which are included in the accompanying consolidated financial statements. Such entities include The Cooper Cancer Center (CCC); Cooper HealthCare Services, Inc. (CHCS); Cooper Medical Services, Inc. (CMS); The Cooper Foundation (the Foundation); and Benson Investments, LLC (Benson). CCC owns and operates the cancer building which is leased to CUH. CHCS is a holding company, which is the sole shareholder of Cooper HealthCare Properties, Inc. (CHCP) and C&H Collection Services, Inc. (C&H). CHCP holds an interest in an entity that owns a radiotherapy device. C&H provides collection services primarily to the Health System. Benson owns several properties which are adjacent to the Health System campus. CMS owns and manages a medical office building and an education and research building on the campus of the Health System. The Health System appoints all of the members of the Foundation's Board of Trustees and exercises certain control over the Foundation, which promotes the charitable, scientific, and educational programs and policies of the Health System.

In July 2016, the Health System entered into a service agreement with All Care Health Alliance, LLC (ACO), a New Jersey limited liability company participating in the Medicare Shared Saving Program, coordinated care, shared savings, bundled payment, and other similar programs or initiatives with or implemented by government payors. The Health System is the sole member of ACO.

In March 2021, the Health System incorporated Cooper Apex Care PC (APEX). APEX was formed to provide "concierge medicine," continual personalized services provided to members based on a monthly fee that is not reimbursable by insurance carriers (governmental and non-governmental). Members will have access to a physician for questions and receive communications such as wellness bulletins and COVID-related news. There was insignificant activity for APEX during 2023 and 2022.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization (continued)

In April 2023, the Health System and Cape Regional Health System (Cape Regional) executed a member substitution agreement wherein the Health System would become the sole member of Cape Regional. The transaction is subject to approvals by both entities' governing bodies and various regulatory agencies. Management of the Health System anticipates that the process to finalize the transaction could be completed during the second quarter of 2024.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Health System and its controlled affiliates and subsidiaries as described in Note 1. All intercompany balances and transactions have been eliminated in consolidation. Although these entities have been consolidated for financial statement reporting purposes, there may be limitations on the use of an entity's funds by another member of the group resulting from the charitable nature of some of the entities or other factors.

The entities comprising the Health System provide various inter-entity services to their affiliated entities and the Health System parent company. The services consist of certain financial planning, general accounting, and other management services. Charges for such services are based on the approximate cost to provide the services and are allocated between the entities based on an agreed-upon method which reflects the approximate level of usage by each entity.

Coronavirus Disease 2019 Pandemic and Related Funding

In relation to the Coronavirus Disease 2019 (COVID-19) pandemic, the Health System has applied for reimbursement for qualifying expenditures under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. For the years ended December 31, 2023 and 2022, the Health System received approximately \$29,569 and \$41,695, respectively, in FEMA reimbursement payments and recognized approximately \$15,000 and \$25,635, respectively, as other revenue for reimbursement of operating costs. FEMA reimbursement payments in excess of amounts recognized as other revenue of \$14,569 and \$16,060 in 2023 and 2022, respectively, have been recorded within settlements due to third-party payors in the accompanying consolidated balance sheets, as such amounts are subject to finalization of certain FEMA grant requirements prior to

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

recognition. The Health System is finalizing project worksheets and will continue to pursue funding of eligible costs due to COVID-19. The ultimate amount of incurred costs that the Health System may be reimbursed is uncertain.

Use of Estimates

The preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) has required management to make estimates and assumptions that affect the reported amounts of assets, such as estimates affecting patient accounts receivable, and liabilities, such as estimated settlements due to third-party payors, self-insured reserves, and accrued retirement benefits, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and savings accounts and all short-term funds with initial maturity dates of three months or less held on deposit with various lending institutions, excluding cash equivalents classified as assets limited as to use designated by the Board of Trustees, donors and for self-insurance programs as such holdings are within investment portfolios. The Health System does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents.

The following is a reconciliation of amounts reported on the consolidated balance sheets to the statements of cash flows as of and for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 846,608	\$ 657,542
Assets limited as to use: cash and cash equivalents	<u>51,399</u>	<u>67,188</u>
Total cash and cash equivalents and restricted cash and restricted cash equivalents	<u>\$ 898,007</u>	<u>\$ 724,730</u>

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Patient Accounts Receivable

Patient accounts receivable for which the Health System receives payment under prospective payment formulae, negotiated rates, or cost reimbursement, which cover the majority of patient services, are stated at the estimated net amount receivable from such payors, which are generally less than the established billing rates of the Health System, inclusive of provisions for variable consideration such as contractual adjustments, discounts, implicit price concessions and other reductions to the Health System's standard charges. An allowance for doubtful accounts is recorded only from a delinquency of patient accounts that were considered collectible at the time patient care was provided.

Supplies

Supplies, used in the provision of patient care, are stated at the lower of cost or net realizable value, determined by the average cost valuation method and are included in prepaid expenses and other current assets on the consolidated balance sheets.

Derivative Financial Instruments

The Health System has entered into interest rate swap agreements with the intent of mitigating cash flow risk relating to changes in the variable interest rates for certain outstanding debt and prospective transactions. The swap agreements are recorded at fair value on the accompanying consolidated balance sheets within other assets, net at December 31, 2023 and 2022. The net changes in the fair value of these swap agreements are recorded in nonoperating gains (losses) on the accompanying consolidated statements of operations and changes in net assets, and the net monthly cash exchanged under the contracts is reflected within interest expense.

Assets Limited as to Use and Investment Return

Assets limited as to use include internally designated assets set aside by the Board of Trustees (the Board), externally designated assets held in escrow or held by trustees under debt agreements (including debt service interest, principal, and reserve funds), assets for self-insurance programs (workers' compensation and for medical professional and general liability), and funds related to donor restrictions and capital grant purposes. Amounts set aside by the Board are designated for

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

operations, future capital improvements, and other contingencies, as needed. The Board retains control over the internally designated assets and may, at its discretion, subsequently use such assets for other purposes.

Amounts internally designated by the Board and externally designated by donors are classified as trading securities and all other assets limited as to use are deemed to be other than trading. Amounts required to meet current liabilities of the Health System have been classified as current assets in the consolidated financial statements.

Assets limited as to use consist of marketable securities and alternative investments. Marketable securities are carried at fair value based on quoted market prices. Alternative investments consist of interests in funds of funds, structured as limited partnerships. Investment return, net of amounts capitalized, from assets limited as to use, consisting of interest and dividend income, realized gains and losses, and the change in unrealized gains and losses on equities and trading securities, including equity in income on alternative investments, is presented within nonoperating gains (losses). Investment return is reported net of external and direct internal investment expenses, such as trustee fees and investment fund manager fees. The net change in unrealized gains and losses on investments which are classified as other-than-trading fixed income securities is reported as a separate component of the change in net assets without donor restrictions.

Alternative investments (nontraditional, not readily marketable asset classes), which are structured such that the Health System holds limited partnership interests, are reported on the accompanying consolidated balance sheets based upon net asset values derived from the application of the equity method of accounting. Generally, net asset value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. Individual investment holdings in alternative investments of the Health System may, in turn, include investments in both marketable and nonmarketable securities. During 2023, the Health System liquidated substantially all of its holdings in alternative investments.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Property, Plant, and Equipment

Property, plant, and equipment that were purchased are recorded at cost. Contributed assets are recorded at fair value at the date of donation. Depreciation is provided over the estimated useful lives of the assets of each class of depreciable asset and is computed using the straight-line method. Equipment under finance lease obligations is amortized using the straight-line method over the lesser 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 and changes in net assets. Interest costs incurred on borrowed funds, net of related interest income during the period of construction of capital assets, is capitalized as a component of acquiring the assets.

Gifts or grants for the purchase of long-lived assets such as land, buildings, or equipment are excluded from the excess of revenue over expenses. 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.

The Health System continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, the Health System uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset, or determines the fair value of the long-lived asset in measuring whether the long-lived asset is recoverable. Management believes that no revision to the remaining useful lives or write-down of long-lived assets was required as of December 31, 2023 or 2022.

Self-Insured Reserves

The Health System is self-insured for the majority of its risks resulting from medical malpractice, employee health, general liability, and the first layer of workers' compensation. A portion of the losses are covered with high-deductible commercial insurance policies and through trust funds. The Health System accrues liabilities which include estimates of the ultimate costs for both reported claims and claims incurred but not reported for each of the risks.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Charity Care

The Health System has a policy of providing charity care to patients who are unable to pay based on federal poverty income guidelines. All charity care patients are separately identified and related charges are reduced based on financial information obtained from the patient. Since management does not expect payment for charity care, the charges are excluded from net patient service revenue.

Advertising Costs

The Health System expenses advertising cost as incurred. In 2023 and 2022, the Health System incurred advertising expenses of \$10,765 and \$8,225, respectively, which are included in supplies and other expense on the consolidated statements of operations and changes in net assets.

Excess of Revenue Over Expenses

The accompanying consolidated statements of operations and changes in net assets include the excess of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the excess of revenue over expenses include net change in unrealized gains and losses on fixed income other-than-trading securities to the extent such losses are not related to credit losses, changes in the pension benefit obligation, and contributions received and expended for capital acquisitions (including assets acquired using donor-restricted contributions or grant funds that were to be used for the purposes of acquiring such assets). Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses and included within operating income.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Health System separately accounts for and reports net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are not externally restricted for identified purposes by donors or grantors. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Health System and an outside party other than a donor or grantor.

Net assets with donor restrictions are those whose use by the Health System has been limited by donors to a specific time period or purpose, or have been restricted by donors as permanent endowments to be maintained in perpetuity. When the donors' intentions are met or a time restriction expires for net assets limited by donors to a specific time period or purpose, the net assets are reclassified to net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions.

The Health System recognizes government grants where commensurate value is not exchanged as contributions when conditions and restrictions are satisfied and reports such amounts within other revenue.

Income Taxes

The Health System, CCC, CMS, and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code and the laws of the state of New Jersey. Certain consolidated entities are subject to federal and state income taxes; however, the provision for income taxes is not material to the Health System's consolidated results of operations.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of ASU 2016-13 and related ASU updates is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments affect loans, available for sale investments in debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For available for sale debt securities, entities will be required to recognize an allowance for credit losses rather than a reduction to the carrying value of the asset. If expected cash flows improve, an entity will reduce the allowance and reverse the expense through income. The amendments in ASU 2016-13 are effective for the Health System for fiscal years beginning after December 15, 2022. The Health System adopted ASU 2016-13 effective January 1, 2023. The adoption did not have a material impact on the Health System's consolidated financial statements.

Reclassifications

Reclassifications have been made to certain 2022 disclosures in order to conform to the current year presentation.

3. Net Patient Service Revenue

Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include provisions for variable consideration (reductions to revenue) for retroactive revenue adjustments including adjustments due to the settlement of ongoing and future audits, reviews, and investigations.

The Cooper Health System

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Net Patient Service Revenue (continued)

The Health System uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue as well as high-balanced accounts regardless of payor class. Based on historical collection trends and other analyses, the Health System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Health System's initial estimate of the transaction price for services provided to patients is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Health System's standard charges. The Health System determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the Health System's discount policies and historical experience. For uninsured and underinsured patients who do not qualify for charity care, the Health System determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Health System's historical collection experience for applicable patient portfolios. Under the Health System's charity care policy, a patient who has no insurance or is underinsured and is ineligible for any government assistance program has his or her bill reduced to (1) the lesser of charges or the Medicaid diagnostic-related group for inpatient and (2) a discount from Medicaid fee-for-service rates for outpatient. Patients who meet the Health System's criteria for charity care are provided care without charge; such amounts are not reported as revenue.

Generally, the Health System bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Health System. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Health System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients

The Cooper Health System

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Net Patient Service Revenue (continued)

receiving inpatient acute care services or patients receiving services in the Health System's outpatient and ambulatory care centers. The Health System measures the performance obligation from admission into the hospital or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

Substantially all of its performance obligations relate to contracts with a duration of less than one year. Unsatisfied or partially unsatisfied performance obligations primarily relate to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the Health System's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2023 and 2022, changes in the Health System's estimates of implicit price concessions, discounts, contractual adjustments, or other reductions to expected payments for performance obligations satisfied in prior periods were not significant. Portfolio collection estimates are updated quarterly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay based on current or future estimated credit losses (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2023 and 2022 was not significant.

The Health System has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and lines of business. Tables providing details of these factors are presented below.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

Net patient service revenue recognized in the period from these major payor sources, based on primary insurance designation, is as follows:

	Year Ended December 31	
	2023	2022
Medicare	\$ 323,764	\$ 299,982
Managed Medicare	273,234	218,626
Medicaid	35,789	27,643
Managed Medicaid	428,171	384,992
Commercial carriers and health maintenance organizations	884,106	770,039
State subsidies (<i>Note 4</i>)	31,265	26,605
Self-pay	24,970	37,975
Medicaid supplement: County Option Program	78,646	77,675
	\$ 2,079,945	\$ 1,843,537

The Health System receives additional Medicaid funding under the New Jersey County Option Hospital Fee Program. This program is administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health Services. The program requires that participating hospitals pay quarterly assessed fees based on estimated Medicaid utilization data within the county, and such payments are then pooled with federal Medicaid matching funds and redistributed to the participating hospitals as State Directed Payments. The State Directed Payments are subject to annual settlement based actual Medicaid utilization data and other factors. The program resulted in fees paid by the Health System of \$20,923 in each of 2023 and 2022 (included within supplies and other expense) and Medicaid State Directed Payments revenue of \$78,646 and \$77,675, respectively, (included within net patient service revenue) for the years ended December 31, 2023 and 2022.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

Net patient service revenue by line of business is as follows:

	Year Ended December 31	
	2023	2022
Hospital	\$ 1,608,952	\$ 1,434,807
Physician services	444,706	390,222
Cooper Care Alliance	26,287	18,508
	\$ 2,079,945	\$ 1,843,537

Accounts receivable is comprised of the following components:

	December 31	
	2023	2022
Patient receivables	\$ 171,672	\$ 169,687
Contract assets	17,552	19,052
	\$ 189,224	\$ 188,739

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

Third-Party Payment Programs

The Health System has agreements with third-party payors that provide for payments at amounts different from established charges. The CUH's inpatient acute care services and the UP's professional services for Medicare and Medicaid program beneficiaries and the CUH's outpatient services for Medicare program beneficiaries are primarily paid at prospectively determined rates per discharge or visit or based upon fee schedules. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Health System is reimbursed for CUH cost reimbursable and other pass-through items, such as bad debts and paramedical education, from Medicare and CUH outpatient services for Medicaid at tentative rates with final settlements determined after submission of annual cost reports by the Health System

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

and audits thereof by the programs' fiscal intermediaries. Provisions for estimated adjustments resulting from audit and final settlements have been recorded. The Health System's cost report years 2019 and prior have been settled by Medicare and the cost report for fiscal year 2022 has been submitted. In the opinion of management, adequate provision has been made for any adjustment which may result from the final settlement of these reports, appeal items, or other retroactive changes.

Settlements with third-party payors for cost report filings and retroactive adjustments due to ongoing and future audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Health System's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

During 2023 and 2022, the Health System revised estimates made in prior years to reflect the passage of time and the availability of more recent information, such as cost report settlement activity, associated with the related revenue estimates. The net effect of the Health System's revisions to prior year estimates resulted in net patient service revenue increasing by approximately \$24,801 and \$1,809 for the years ended December 31, 2023 and 2022, respectively. The amount for 2023 includes approximately \$28,249 related to the Health System's allocation of a national settlement of Medicare payment rates for drug pricing under the federal 340B program. This settlement is recorded in prepaid expenses and other current assets on the accompanying consolidated balance sheet as of December 31, 2023.

The Cooper Health System

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Net Patient Service Revenue (continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation, and noncompliance could subject the Health System to significant regulatory action, including fines and penalties. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Health System believes that it is in compliance with applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential noncompliance that could have a material adverse effect on the accompanying consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretations as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Health System has a corporate compliance program to monitor compliance with Medicare and Medicaid laws and regulations.

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Health System. Additionally, certain payors' payment rates for various years have been appealed by the Health System. If the appeals are successful, additional income applicable to those years might be realized.

The Health System has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Health System under these agreements includes prospectively determined rates per discharge or visit, discounts from established charges, and prospectively determined daily rates. These agreements have retrospective audit clauses allowing the payor to review and adjust claims subsequent to initial payment.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

The Health System's primary service area is southern New Jersey. The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net accounts receivable from patients and third-party payors was as follows:

	December 31	
	2023	2022
Commercial	15%	20%
Health maintenance organizations	21	18
Medicare	9	9
Managed Medicare	13	13
Blue Cross	19	19
Self-pay (including accounts which may ultimately be charity care)	1	1
Medicaid	3	3
Managed Medicaid	19	17
	100%	100%

4. Charity Care and State Subsidies

The Health System provides care to those who meet the State of New Jersey Public Law 1992 (Chapter 160) charity care criteria. Charity care is provided without charge or at amounts less than its established charges. The Health System maintains records to identify and monitor the level of charity care it provides. The cost of services provided and supplies furnished under its charity care policy is estimated using internal cost data and is calculated based on the Health System's cost accounting system. The total direct and indirect amount of charity care provided, determined on the basis of cost, was \$25,067 and \$21,894 for the years ended December 31, 2023 and 2022, respectively.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Charity Care and State Subsidies (continued)

The Health System's patient acceptance policy is based upon its mission statement and its charitable purposes. Accordingly, the Health System accepts all patients regardless of their ability to pay. This policy results in the Health System's assumption of significant patient receivable credit risks. For patients who were determined by the Health System to have the ability to pay but did not, the expected uncollected amounts are classified as an implicit price concession which directly reduces net patient service revenue. Distinguishing between charity care and implicit price concessions is difficult, in part because services are often rendered prior to the Health System's full evaluation of the patient's ability to pay.

Chapter 160 established the Charity Care Subsidy Fund to provide a mechanism and funding source to compensate certain hospitals for charity care and other services. These amounts are subject to change from year to year based on available state budget amounts and allocation methodologies.

Effective July 1, 2021, the State implemented the Quality Improvement Program-New Jersey (QIP-NJ). QIP-NJ is available to certain participating hospitals to establish performance improvement activities of certain metrics until individual targets align with statewide goals.

The Health System recorded the following amounts from these sources as net patient service revenue:

	Year Ended December 31	
	2023	2022
Charity Care Subsidy Fund	\$ 19,533	\$ 19,533
Quality Improvement Program	11,732	7,072
	<u>\$ 31,265</u>	<u>\$ 26,605</u>

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity

The composition of assets limited as to use, primarily at fair value, is as follows:

	December 31	
	2023	2022
Internally designated by Board of Trustees:		
Cash and cash equivalents	\$ 17,386	\$ 15,106
U.S. equity securities	103,043	43,686
U.S. Treasury securities	124,494	124,188
Mutual funds	7,722	46,822
Governmental asset-backed securities	–	1,034
Alternative investments, at equity method value	300	23,229
Corporate bonds	119,936	108,995
	\$ 372,881	\$ 363,060
Externally designated for donor purposes:		
Cash and cash equivalents	\$ 2,736	\$ 2,339
U.S. equity securities	22,908	18,954
U.S. Treasury securities	10,137	10,076
Mutual funds	23,162	18,189
Governmental asset-backed securities	1,695	960
Corporate bonds	11,905	11,928
	\$ 72,543	\$ 62,446

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

	December 31	
	2023	2022
Externally designated under debt agreements:		
Cash and cash equivalents	\$ 6,540	\$ 9,475
Less current portion	6,540	9,475
	\$ —	\$ —
Assets held under debt agreements are maintained for the following purposes:		
Debt service interest funds	\$ 152	\$ 3,506
Debt service principal funds	6,373	5,969
Debt service reserve funds	15	—
	\$ 6,540	\$ 9,475
Externally designated – escrow agreement:		
Cash equivalents	\$ —	\$ 15,003
Externally designated – capital grant purposes:		
Cash equivalents	879	42,170
U.S. Treasury securities	43,980	—
	\$ 44,859	\$ 42,170
Designated under self-insurance programs:		
Cash and cash equivalents	\$ 298	\$ 358
U.S. equity securities	93	—
U.S. Treasury securities	683	6,010
Governmental asset-backed securities	—	25
Mutual funds	1,333	7,530
Corporate bonds	2,478	7,766
	4,885	21,689
Less current portion	846	19,283
	\$ 4,039	\$ 2,406

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

Investment return, net of amounts capitalized, and net change in unrealized gains and losses are comprised of the following:

	Year Ended December 31	
	2023	2022
Nonoperating gains and (losses):		
Interest and dividend income	\$ 45,027	\$ 15,204
Net realized losses on sales of securities	(3,584)	(538)
Investment income	41,443	14,666
Net change in unrealized gains and losses on equities and trading securities	59,798	(49,198)
Investment return included in non-operating gains and (losses)	101,241	(34,532)
Net change in unrealized gains and losses on other-than-trading fixed income securities	905	(4,581)
Total investment return	\$ 102,146	\$ (39,113)

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

Liquidity Resources

The table below presents financial assets and liquidity resources available for general expenditures within one year:

	December 31	
	2023	2022
Financial assets available as reported on the accompanying balance sheets:		
Cash and cash equivalents	\$ 846,608	\$ 657,542
Net patient accounts receivable	189,224	188,739
Other current assets	28,249	
Current portion of assets limited to use	7,386	28,758
Assets limited as to use, net of current portion	494,322	485,625
Total financial assets available	1,565,789	1,360,664
Less amounts not available to be used within one year for general expenditures:		
Assets limited as to use:		
Externally designated for donor purposes	72,543	62,446
Externally designated under debt agreements	6,540	9,475
Externally designated – escrow agreement	–	15,003
Externally designated – capital grant purposes	44,859	42,710
Designated under self-insurance programs	4,885	21,689
Financial assets available and liquid to meet general expenditures within one year	\$ 1,436,962	\$ 1,209,341

The Health System has certain Board designated assets limited to use which are available for general expenditure. The Health System has other assets limited to use for donor-restricted purposes, debt agreements, self-insurance programs, escrow agreements and capital grants. As part of the Health System’s liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Assets which are not available for general expenditure within one year in the normal course of operations are excluded from the total liquidity balance in the table above.

The Cooper Health System

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

Additionally, the Health System maintains lines of credit totaling \$130,000, as described in Note 8. As of December 31, 2023 and 2022, there was \$41,000 outstanding on a line of credit.

Fair Value

The fair value framework establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include Level 1 – defined as observable inputs such as quoted prices in active markets; Level 2 – defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 – defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

In determining fair value, the Health System uses the market approach. This approach utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Health System records its alternative investments held within assets limited as to use based upon the equity method of accounting and, accordingly, such assets are excluded from the fair value table below.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

The following table presents the fair value hierarchy for the Health System's financial assets measured at fair value on a recurring basis which include cash and cash equivalents, assets limited as to use (excluding alternative investments of \$300 and \$23,229 at December 31, 2023 and 2022, respectively), and the mark-to-market position of interest rate swap arrangements:

	Total	Level 1	Level 2	Level 3
December 31, 2023				
Cash and cash equivalents	\$ 874,447	\$ 874,447	\$ –	\$ –
U.S. equity securities	126,044	126,044	–	–
Mutual funds	32,217	32,217	–	–
U.S. Treasury securities	179,294	179,294	–	–
Governmental asset-backed securities	1,695	–	1,695	–
Corporate bonds	134,319	–	134,319	–
Interest rate swaps	11,522	–	11,522	–
Total assets measured at fair value	<u>\$ 1,359,538</u>	<u>\$ 1,212,102</u>	<u>\$ 147,536</u>	<u>\$ –</u>

	Total	Level 1	Level 2	Level 3
December 31, 2022				
Cash and cash equivalents	\$ 742,533	\$ 742,533	\$ –	\$ –
U.S. equity securities	62,640	62,640	–	–
Mutual funds	72,541	72,541	–	–
U.S. Treasury securities	140,274	140,274	–	–
Governmental asset-backed securities	2,019	–	2,019	–
Corporate bonds	128,689	–	128,689	–
Interest rate swaps	11,872	–	11,872	–
Total assets measured at fair value	<u>\$ 1,160,568</u>	<u>\$ 1,017,988</u>	<u>\$ 142,580</u>	<u>\$ –</u>

The Health System determines the estimated fair value for its Level 1 securities using quoted (unadjusted) prices for identical assets in active markets.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

The Health System determines the estimated fair value for its Level 2 securities using the following methods: quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets in non-active markets (few transactions, limited information, noncurrent prices, high variability over time), inputs other than quoted prices that are observable for the asset/liability (e.g., interest rates, yield curves, default rates), and inputs that are derived principally from or corroborated by other observable market data.

6. Property, Plant, and Equipment

	December 31	December 31	Depreciable
	2023	2022	Life
Land	\$ 12,253	\$ 12,253	
Land improvements	1,478	1,327	5–25 years
Buildings and building improvements	873,862	737,221	10–40 years
Fixed equipment	100,832	84,590	10–20 years
Major movable equipment	631,094	559,830	5–20 years
	1,619,519	1,395,221	
Less accumulated depreciation	(897,167)	(830,933)	
	722,352	564,288	
Construction-in-progress	95,801	144,922	
	\$ 818,153	\$ 709,210	

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$66,234 and \$62,183, respectively. Property, plant, and equipment, net included \$885 and \$1,770 of assets held under finance leases at December 31, 2023 and 2022, respectively.

The Cooper Health System

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Leases

The Health System leases certain property and equipment under finance and operating leases. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than a year the Health System records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The Health System's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the Health System is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Health System has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The Health System does not account for the nonlease components together with the related lease components when determining the right-of-use assets and liabilities, except for medical equipment. The Health System does not record leases with an initial term of less than a year as right-of-use assets and liabilities.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Leases (continued)

The following schedules summarize information related to the lease assets and liabilities as of and for the year ended December 31, 2023 and 2022:

	2023	2022
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	\$ 885	\$ 811
Interest on lease liabilities	1,125	1,316
Operating lease cost	20,617	20,832
Short-term lease cost	15,703	16,659
Total lease cost	\$ 38,330	\$ 39,618
Right-of-use assets and liabilities:		
Right-of-use assets – finance leases	\$ 885	\$ 1,770
Lease liability – finance leases	4,569	5,545
Right-of-use assets – operating leases	71,056	81,666
Lease liability – operating leases	72,160	82,621
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 1,125	\$ 1,316
Operating cash flows from operating leases	20,353	20,708
Financing cash flows from finance leases	976	784
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ –	\$ –
Right-of-use assets obtained in exchange for new operating lease liabilities	9,501	25,334
Weighted average remaining lease term – finance leases	6.00	7.00
Weighted average remaining lease term – operating leases	14.05	13.68
Weighted average discount rate – finance leases	1.53%	1.53%
Weighted average discount rate – operating leases	2.14%	2.10%

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Leases (continued)

For finance leases, right-of-use assets are recorded in property, buildings and equipment and lease liabilities are recorded in long-term debt in the accompanying consolidated balance sheets. For operating leases, right-of-use assets are recorded in operating lease assets, net and lease liabilities are recorded in operating lease liability, current and noncurrent in the accompanying consolidated balance sheets.

The following table reconciles the undiscounted lease payments to the lease liabilities recorded on the accompanying consolidated balance sheet at December 31, 2023:

	Finance Leases	Operating Leases
2024	\$ 2,101	\$ 20,074
2025	1,112	16,985
2026	1,112	15,154
2027	1,112	7,173
2028	1,112	6,000
Thereafter	1,112	39,521
Total lease payments	7,661	104,907
Less imputed interest	(3,092)	(32,747)
Total lease obligation	4,569	72,160
Less current portion	(1,191)	(12,698)
Long-term portion	\$ 3,378	\$ 59,462

On April 12, 2006, the Health System executed an agreement to lease ground owned by the Health System to the Camden County Improvement Authority (CCIA), upon which a parking facility was constructed. The parking facility was financed and constructed and is operated by the CCIA. Upon completion of construction in 2007, the Health System leased from the CCIA approximately 57% of the total parking spaces in the facility pursuant to a parking license agreement that was also executed on April 12, 2006 (the right-of-use asset and liability are reflected in the amounts above). Under the ground lease, the Health System receives base rent of \$100 annually over the term of the lease and may receive additional variable rent based upon the operations of the garage. During the initial term of 15 years, the Health System's parking license fee agreement increases annually 3% during the first 5 years and 1.5% annually thereafter.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt and Lines of Credit

	December 31	
	2023	2022
2008A New Jersey Economic Development Authority (NJEDA) Variable Rate Demand Revenue Bonds, with principal payments ranging from \$1,800 to \$13,500 due annually beginning on November 1, 2033 through 2038, with monthly interest payments adjusted to a weekly rate determined by the remarketing agent, not to exceed 12% (3.25% and 3.66% at December 31, 2023 and 2022, respectively)	\$ 50,000	\$ 50,000
2013A Camden County Improvement Authority (CCIA) Revenue Bonds, including unamortized original issue discount of \$1,252 at December 31, 2022. The bonds were refinanced in 2023 as further described below.	–	53,663
2014A CCIA Revenue Bonds, including unamortized original issue premium of \$7,641 at December 31, 2022. The bonds were refinanced in 2023 as further described below, with the final outstanding balance paid in February 2024.	6,830	111,546
2023A CCIA Variable Rate Direct Purchase Bonds with principal payments ranging from \$1,560 to \$15,204 due annually from 2034 to 2042, with an interest rate of 1-Month Adjusted SOFR plus 0.73% due February 1 and August 1 of each year	55,730	–
2023B CCIA Fixed Rate Direct Purchase Bonds with 5.42% interest and 4.28% after November 17, 2023, with principal payments ranging from \$2,905 to \$10,930 due February 1 and August 1 of each year beginning in 2025 to 2035	90,480	–
Equipment loan, due in 2028	1,837	–
\$8,849 finance lease, with principal and interest payments due monthly through 2029. Remaining principal payments ranging from \$507 to \$990	4,569	5,545
NJEDA 20-year loan, with 2% interest	8,023	8,386

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt and Lines of Credit (continued)

	December 31	
	2023	2022
Equipment loan, due in 2030	\$ 1,350	\$ 1,517
Mortgage loan due in monthly installments of \$220, including interest at 3.04%, through October 1, 2041	36,202	37,703
	255,021	268,360
Less current portion	10,538	9,495
Less deferred financing costs	2,192	2,195
Long-term debt, net of current portion	\$ 242,291	\$ 256,670

In August 2023, the Health System borrowed \$55,730 under a loan agreement from the sale of Healthcare Redevelopment Project Revenue Refunding Bonds (The Cooper Health System Obligated Group) Series 2023A, issued by the CCIA. The net proceeds were used to refund the outstanding Series 2013A Bonds and pay bond issuance costs. For purposes of long-term debt issuances, the “Obligated Group” represents the Health System parent entity only, exclusive of its controlled affiliates and subsidiaries.

Additionally, in August 2023, the Health System borrowed \$90,480 under a loan agreement from the sale of Healthcare Redevelopment Project Revenue Refunding Bonds (The Cooper Health System Obligated Group) Series 2023B, issued by the CCIA. The net proceeds were used to refund substantially all of the outstanding Series 2014A Bonds and pay bond issuance costs. The balance remaining on the Series 2014A Bonds was fully repaid in February 2024.

The Health System paid financing costs of approximately \$1,560 in connection with issuance of the Series 2023A and 2023B Bonds. Unamortized deferred financing costs totaling \$1,385 related to the refinanced 2013A and 2014A CCIA Revenue Bonds were written off in 2023. A net gain on extinguishment of debt of approximately \$5,004 was recognized in 2023 resulting from the write-off of unamortized financing costs and original issue premium and discount.

As part of 2023 refinancing, the Health System’s master trust indenture (MTI) was amended and restated. Under the MTI, related obligations are secured by a pledge of gross receipts of the Obligated Group. Additionally, the Health System must comply with certain covenants applicable to its outstanding debt, including requirements as to the permitted level of indebtedness,

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt and Lines of Credit (continued)

restrictions on the sale of certain assets, mergers, and other significant transactions, and a requirement that the Health System maintain a debt service coverage ratio (as defined in the MTI). As of December 31, 2023 and 2022, the Health System has complied with the applicable financial covenants. The Series 2008A Bonds are credit-enhanced by a letter of credit agreement from a bank, which expires on January 29, 2025, with renewal options as defined in the agreement. In addition, the 2008A Revenue Bonds letter of credit agreement requires the Health System to maintain minimum days cash on-hand, as defined. As of December 31, 2023 and 2022, the Health System has complied with the applicable financial covenants.

Interest Rate Swap Agreements

Under the swap agreements for the Series 2008A Bonds, the Health System pays interest at fixed rates and receives interest at variable rates. The swap agreement for the Series 2023A Bonds consists of a forward-starting SIFMA-based floating to fixed interest rate swap; the Health System pays interest at fixed rates and receives interest at variable rates. The following schedule outlines the terms and fair values of the interest rate swap agreements that are included on the accompanying consolidated balance sheets:

Notional amount at December 31, 2023	\$ 25,000	\$ 25,000	\$ 55,755
Effective date	March 23, 2009	March 9, 2009	November 27, 2019
Termination date	November 1, 2029	November 1, 2029	February 15, 2042
Fixed rate	2.577%	2.428%	1.627%
Variable rate basis	3-month USD-LIBOR- BBA	3-month USD-LIBOR- BBA	SIFMA
Fair value at December 31, 2023	\$ 1,363	\$ 1,551	\$ 8,608
Fair value at December 31, 2022	\$ 249	\$ 440	\$ 11,183
Change in fair value for the year ended December 31, 2023	\$ 1,114	\$ 1,111	\$ (2,575)

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt and Lines of Credit (continued)

Future Payments

Scheduled payments on long-term debt for the next five years and thereafter are as follows:

	Revenue Bonds and Mortgage Loan	Finance Leases and Other	Total
2024	\$ 8,375	\$ 2,163	\$ 10,538
2025	8,591	1,379	9,970
2026	8,951	1,488	10,439
2027	9,327	1,621	10,948
2028	9,703	1,657	11,360
Thereafter	194,295	7,471	201,766
	\$ 239,242	\$ 15,779	\$ 255,021

Lines of Credit

The Health System has a revolving line of credit for \$5,000 with a bank at December 31, 2023 and 2022. The agreement provides for interest at 0.5% above the prime rate of interest per annum, but shall never be less than 5.5%. The current line of credit is available through December 31, 2024 and may be renewed for one-year extensions with the bank's consent. The line of credit contains a negative pledge of accounts receivable of the Health System, and requires the Health System to maintain a minimum debt service coverage ratio of 1.00, as defined in the agreement. At December 31, 2023 and 2022, there were no amounts outstanding under this line of credit.

The Health System has a revolving line of credit for \$125,000 with a bank at December 31, 2023 and 2022. The agreement provides for interest at 1-Month SOFR +81.45 basis points. The line of credit has a two-year term ending in November 2024. The line of credit includes financial covenants requiring a debt service coverage ratio of at least 1.25, a current ratio of at least 1.50, and at least 60 days cash on hand. To secure the line of credit, the Health System is granting to the bank a parity pledge under the MTI secured by the parity gross receipts of the Health System. At December 31, 2023 and 2022, there was \$41,000 drawn and outstanding on the line of credit.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

9. Retirement Plans

Defined Contribution Plan

The Health System sponsors a noncontributory defined contribution retirement plan covering all collective bargaining and non-bargaining employees. Employer contributions to the defined contribution plan are based on a formula as defined in the plan document. Costs of the defined contribution plan charged to expense were \$21,294 and \$19,599 for the years ended December 31, 2023 and 2022, respectively.

Defined Benefit Plan

The Health System maintained a frozen noncontributory defined benefit pension plan (the Plan) which covered all employees who met certain criteria. The Health System terminated the Plan effective December 31, 2022. During 2023, the plan assets were distributed by lump sum payments to eligible participants and annuity placements to a commercial insurer; the commercial insurer retains the future benefit obligation for those participants. The total settlement loss for the termination of the Plan was \$24,299 and is included as a component of net periodic benefit cost.

Prior to the final settlement of the Plan, the Health System used a December 31 measurement date for the Plan.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The following tables summarize information about the defined benefit pension plan:

	December 31	
	2023	2022
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ 101,354	\$ 131,634
Interest cost	4,491	3,653
Actuarial gain	(3,833)	(28,514)
Benefits paid	(5,419)	(5,419)
Plan settlements	(96,593)	–
Projected benefit obligation, end of year	\$ –	\$ 101,354
Accumulated benefit obligation	\$ –	\$ 101,354
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 99,821	\$ 120,207
Actual return on plan assets, net of expenses	(3,530)	(24,666)
Employer contribution to plan	5,721	9,700
Benefits paid	(5,419)	(5,419)
Plan settlements	(96,593)	–
Fair value of plan assets at end of year	\$ –	\$ 99,822
Funded status at year-end – recognized on the consolidated balance sheets as accrued retirement benefits	\$ –	\$ (1,532)

The accumulated amounts recorded in net assets without donor restrictions consist of net unrecognized losses totaling approximately \$24,800 at December 31, 2022 (none at December 31, 2023).

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

	2023	2022
Components of net periodic benefit cost		
Net periodic benefit cost:		
Interest cost	\$ 4,491	\$ 3,653
Expected return on plan assets	(2,090)	(4,402)
Recognized actuarial loss	2,306	2,476
Settlement charge	24,299	—
	\$ 29,006	\$ 1,727

Assumptions

Weighted average assumptions used to determine benefit obligations at December 31:

Discount rate	N/A	5.43%
Rate of compensation increase	N/A	N/A

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

Discount rate	5.43%	2.81%
Expected long-term return on plan assets	4.60%	4.60%
Rate of compensation increase	N/A	N/A

To develop the expected long-term rate of return on assets assumption, the Health System considered the historical returns and the future expectations for returns for each asset class, as well as the target allocation of the pension portfolio. This resulted in the selection of the 4.60% long-term rate of return on assets assumption used in 2023 and 2022.

	Asset Allocation			December 31
	Minimum	Target	Maximum	2022
Plan assets				
Weighted average asset allocations, by asset category:				
Equity securities	30%	20%	10%	30%
Debt securities	90	80	70	70
				100%

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The fair values of each major category of plan assets, according to the level within the fair value hierarchy in which the fair value measurements fall in their entirety, are as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2022				
Money market funds	\$ 182	\$ 182	\$ —	\$ —
U.S. Treasury securities	30,115	30,115	—	—
Mutual funds	69,525	69,525	—	—
	\$ 99,822	\$ 99,822	\$ —	\$ —

Mutual funds and U.S. Treasury securities are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end and are included in Level 1.

10. Self-Insured Reserves

The Health System self-insures the primary layer of its employee health benefits, professional malpractice, general, and workers' compensation liabilities. Recorded liabilities for the self-insured reserves are as follows:

	December 31	
	2023	2022
Employee health benefits	\$ 4,373	\$ 5,230
Workers' compensation	9,174	8,754
Professional and general liability	123,480	123,800
	137,027	137,784
Less current portion of self-insured reserves	33,092	33,529
	\$ 103,935	\$ 104,255

The employee health insurance program is administered through a commercial insurance company. The plan provides for covered expenses in any accredited hospital and by any licensed physician. The lifetime plan maximum per person is \$1,000.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Self-Insured Reserves (continued)

The Health System also provides coverage for all employees for work-related injuries and illnesses. This plan pays for medical expenses and reimburses 70% of lost wages up to the state-defined maximum. Stop-loss coverage is provided at various levels depending upon the circumstances surrounding the injury or illness.

For malpractice claims reported after January 1, 2005, the Health System is self-insured up to \$6,500 per occurrence for hospital incidents and \$5,500 per occurrence for physicians and \$39,000 in the annual aggregate. Claims in excess of these retained amounts are covered by a commercial claims-made insurance policy to \$50,000.

Claims prior to January 1, 2005 were covered by various programs combining self-insured captive insurance company and commercial claims-made insurance policies. The estimated liability for all unreported claims as of December 31, 2023, and retained uninsured risk for all prior years is included in the self-insured reserves.

The estimated losses on self-insured malpractice claims are discounted at a rate of 1.5% at December 31, 2023 and 2022. Professional liabilities are discounted based on the expected timing of the actuarially estimated future payments under the program using an interest rate expected to be earned on related invested assets during such future periods. Such estimates are reviewed and updated on an annual basis.

The Health System is also self-insured for general liability coverage, up to \$1,000 per occurrence with no annual aggregate; prior year coverage levels varied by insurance program year.

The estimates for self-insured reserves are based upon complex actuarial calculations which utilize factors such as historical claim experience for the Health System and related industry factors, trending models, estimates for the payment and loss development patterns of future claims, and present value discounting factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Commitments and Contingencies

At December 31, 2023, approximately 16% of the Health System's employees are covered by a collective-bargaining agreement. The collective bargaining agreement is set to expire May 31, 2024.

Litigation Claims and Settlements

The Health System is involved in litigation and claims which are not considered unusual to the Health System's business. The final outcome of any current or future litigation or governmental or internal investigations cannot be accurately predicted at this time, nor can the Health System predict any resulting penalties, fines, or other sanctions that may be imposed at the discretion of federal or state regulatory authorities. The Health System records accruals for such contingencies to the extent that it concludes it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. While management is not currently aware of any issues which have not been accrued at December 31, 2023, it is possible that the outcome of such matters could potentially have a material adverse impact on the Health System's future results of operations, financial position, and cash flows.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

	December 31	
	2023	2022
Purpose – various funds for the benefit of the departments, programs, or educational programs of the Health System	\$ 50,740	\$ 47,966
Time restricted – pledges	441	441
Permanent endowments – to be maintained in perpetuity	3,218	2,713
Total net assets with donor restrictions	<u>\$ 54,399</u>	<u>\$ 51,120</u>

The Health System follows the requirements of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as they relate to its permanent endowments. The Health System's endowments consist of numerous individual funds established for a variety of purposes and consist solely of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

12. Net Assets With Donor Restrictions (continued)

The Health System has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The original value of such gifts and subsequent gifts are classified as net assets with donor restrictions – permanent endowment. Accumulated earnings of the permanent endowment are to be used in accordance with the direction of the applicable donor gift. The remaining portion of the endowment fund that is not required to be maintained in perpetuity is characterized as restricted for time or purpose until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowments to be maintained in perpetuity consist of the following:

	December 31	
	2023	2022
Women’s Board	\$ 1,034	\$ 1,034
Edward Viner fund	505	–
Radiology	501	501
Lummis Trust	286	286
Nursing education	171	171
Cleft Palate program	107	107
Lippincott	61	61
Nispel Estate	16	16
Physical teaching and excellence award	13	13
Other	524	524
Total endowments	\$ 3,218	\$ 2,713

The investment income earned on the above endowments is to be used to support patient care services, with the exception of the Nispel Estate, Lippincott and the Lummis Trust, for which the investment income is without restrictions.

The Health System has adopted investment policies for its endowment assets that are consistent with the policies and objectives of its overall investments. The assets are invested in a manner that is intended to produce a positive rate of return while assuming a low level of risk.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

12. Net Assets With Donor Restrictions (continued)

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	Year Ended December 31	
	2023	2022
Purpose:		
Various funds for the benefit of the departments, programs, or educational programs of the Health System	\$ 2,381	\$ 2,972
	\$ 2,381	\$ 2,972

13. Other Revenue

Other revenue consists of the following:

	Year Ended December 31	
	2023	2022
Camden County Relief Fund grant	\$ 10	\$ 2,378
FEMA Disaster Relief Fund grant	15,000	25,635
Other grant revenue	25,508	21,669
Medical school support	9,085	7,670
Food services	7,386	6,810
Centers for population health	11,399	5,659
Retail pharmacy cost sharing	21,420	15,401
Physician services	24,857	21,965
Emergency/air transport	8,538	9,164
Net assets released from restrictions for operating purposes	2,381	2,972
Other	17,747	14,409
	\$ 143,331	\$ 133,732

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Other Revenue (continued)

The Health System received approximately \$15,329 and \$54,676 in government grants which include conditions and restrictions which were not satisfied as of December 31, 2023, and 2022, respectively, and such amounts are reported within deferred revenue and other liabilities on the accompanying consolidated balance sheets. Within the 2023 and 2022 amounts, the majority relates to the New Jersey Emergency Preparedness Grant, a multiyear project. The Health System is expected to receive an additional \$112,500 from the State and \$20,000 from Camden County in funding for a total grant award of \$150,000 from the State and \$25,000 from the County.

14. Functional Expenses

The Health System provides general health care services to residents within its service area. The accompanying consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Costs not directly attributable to a function are allocated on a functional basis using the Health System's internal records and estimates. Expenses by function and natural classification are as follows:

	Health Care Services	Physician Services	General and Administrative	Total
Year ended December 31, 2023				
Salaries, wage, and fringe benefits	\$ 456,826	\$ 586,938	\$ 232,613	\$ 1,276,377
Supplies and other	453,574	79,749	138,036	671,359
Malpractice	–	17,055	19,950	37,005
Depreciation and amortization	–	2,960	62,790	65,750
Interest	–	–	10,248	10,248
	\$ 910,400	\$ 686,702	\$ 463,637	\$ 2,060,739
Year ended December 31, 2022				
Salaries, wage, and fringe benefits	\$ 422,269	\$ 504,957	\$ 204,151	\$ 1,131,377
Supplies and other	398,611	68,722	139,436	606,769
Malpractice	–	19,705	15,798	35,503
Depreciation and amortization	–	1,736	59,513	61,249
Interest	–	–	12,780	12,780
	\$ 820,880	\$ 595,120	\$ 431,678	\$ 1,847,678

The Cooper Health System

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

15. Subsequent Events

The Health System has evaluated subsequent events through April 30, 2024, the date when the accompanying consolidated financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

Supplementary Information

The Cooper Health System

Consolidating Balance Sheet
(In Thousands)

December 31, 2023

	The Cooper Health System Obligated Group											
	The Cooper Health System	The Cooper Cancer Center	Eliminating Entries	The Cooper Health System Obligated Group	The Cooper Foundation	C&H Collection Services	Cooper HealthCare Services, Inc.	Cooper Medical Services, Inc.	All Care Health Alliance, LLC	Benson Investments, LLC	Eliminating Entries	The Cooper Health System Consolidated
Assets												
Current assets:												
Cash and cash equivalents	\$ 808,193	\$ –	\$ –	\$ 808,193	\$ 14,785	\$ –	\$ –	\$ 20,020	\$ 3,610	\$ –	\$ –	\$ 846,608
Current portion of assets limited as to use	7,386	–	–	7,386	–	–	–	–	–	–	–	7,386
Patient accounts receivable, net	189,224	–	–	189,224	–	–	–	–	–	–	–	189,224
Prepaid expenses and other current assets	125,497	–	–	125,497	–	48	–	403	–	–	–	125,948
Due from affiliates	73,305	32,356	(32,356)	73,305	–	338	–	18,449	–	–	(92,092)	–
Total current assets	1,203,605	32,356	(32,356)	1,203,605	14,785	386	–	38,872	3,610	–	(92,092)	1,169,166
Assets limited as to use:												
Internally designated by Board of Trustees	372,881	–	–	372,881	–	–	–	–	–	–	–	372,881
Externally designated for donor purposes	–	–	–	–	72,543	–	–	–	–	–	–	72,543
Externally designated – capital grant purposes	44,859	–	–	44,859	–	–	–	–	–	–	–	44,859
Designated under self-insurance programs, net of current portion	4,039	–	–	4,039	–	–	–	–	–	–	–	4,039
Assets limited as to use, net of current portion	421,779	–	–	421,779	72,543	–	–	–	–	–	–	494,322
Property, plant, and equipment, net	807,100	–	–	807,100	–	–	17	10,443	–	593	–	818,153
Operating lease assets, net	71,056	–	–	71,056	–	–	–	–	–	–	–	71,056
Other assets, net	13,912	–	–	13,912	456	22	13,553	753	–	–	–	28,696
Due from affiliates	–	–	–	–	–	–	–	31,422	–	–	(31,422)	–
Total assets	\$ 2,517,452	\$ 32,356	\$ (32,356)	\$ 2,517,452	\$ 87,784	\$ 408	\$ 13,570	\$ 81,490	\$ 3,610	\$ 593	\$ (123,514)	\$ 2,581,393
Liabilities and net assets												
Current liabilities:												
Accounts payable	\$ 40,903	\$ –	\$ –	\$ 40,903	\$ 4	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 40,907
Accrued expenses	263,281	–	–	263,281	–	–	–	718	–	–	–	263,999
Current portion of estimated settlements due to third-party payers	9,675	–	–	9,675	–	–	–	–	–	–	–	9,675
Current portion of self-insured reserves	33,092	–	–	33,092	–	–	–	–	–	–	–	33,092
Current portion of long-term debt	9,001	–	–	9,001	–	–	–	1,537	–	–	–	10,538
Current portion of operating lease liability	12,698	–	–	12,698	–	–	–	–	–	–	–	12,698
Line of credit advances	41,000	–	–	41,000	–	–	–	–	–	–	–	41,000
Due to affiliates	32,356	–	(32,356)	–	9,367	–	12,463	–	–	543	(22,373)	–
Total current liabilities	442,006	–	(32,356)	409,650	9,371	–	12,463	2,255	–	543	(22,373)	411,909
Estimated settlements due to third-party payers, net of current portion	55,134	–	–	55,134	–	–	–	–	–	–	–	55,134
Self-insured reserves, net of current portion	103,935	–	–	103,935	–	–	–	–	–	–	–	103,935
Long-term debt, net of current portion	207,682	–	–	207,682	–	–	–	34,609	–	–	–	242,291
Operating lease liability, net of current portion	59,462	–	–	59,462	–	–	–	–	–	–	–	59,462
Deferred revenue and other liabilities	84,079	–	–	84,079	–	–	–	–	–	–	–	84,079
Due to affiliates	96,975	–	–	96,975	115	–	–	364	3,608	79	(101,141)	–
Total liabilities	1,049,273	–	(32,356)	1,016,917	9,486	–	12,463	37,228	3,608	622	(123,514)	956,810
Net assets:												
Without donor restrictions	1,467,740	32,356	–	1,500,096	24,338	408	1,107	44,262	2	(29)	–	1,570,184
With donor restrictions	439	–	–	439	53,960	–	–	–	–	–	–	54,399
Total net assets	1,468,179	32,356	–	1,500,535	78,298	408	1,107	44,262	2	(29)	(123,514)	1,624,583
Total liabilities and net assets	\$ 2,517,452	\$ 32,356	\$ (32,356)	\$ 2,517,452	\$ 87,784	\$ 408	\$ 13,570	\$ 81,490	\$ 3,610	\$ 593	\$ (123,514)	\$ 2,581,393

The Cooper Health System

Consolidating Statement of Operations and Changes in Net Assets
(In Thousands)

Year Ended December 31, 2023

	The Cooper Health System Obligated Group											
	The Cooper Health System	The Cooper Cancer Center	Eliminating Entries	The Cooper Health System Obligated Group	The Cooper Foundation	C&H Collection Services	Cooper HealthCare Services, Inc.	Cooper Medical Services, Inc.	All Care Health Alliance, LLC	Benson Investments, LLC	Eliminating Entries	The Cooper Health System Consolidated
Net assets without donor restrictions												
Revenue:												
Net patient service revenue	\$ 2,079,945	\$ –	\$ –	\$ 2,079,945	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 2,079,945
Other revenue	309,067	–	(168,726)	140,341	4,023	–	–	7,364	3,610	–	(12,007)	143,331
Total revenue	2,389,012	–	(168,726)	2,220,286	4,023	–	–	7,364	3,610	–	(12,007)	2,223,276
Expenses:												
Salaries, wages, and fringe benefits	1,276,377	–	–	1,276,377	–	–	–	–	–	–	–	1,276,377
Supplies and other	839,455	–	(168,726)	670,729	4,477	–	297	4,236	3,609	18	(12,007)	671,359
Malpractice	37,005	–	–	37,005	–	–	–	–	–	–	–	37,005
Depreciation and amortization	64,893	–	–	64,893	–	–	10	836	–	11	–	65,750
Interest	9,107	–	–	9,107	–	–	–	1,141	–	–	–	10,248
Total expenses	2,226,837	–	(168,726)	2,058,111	4,477	–	307	6,213	3,609	29	(12,007)	2,060,739
Operating income (loss)	162,175	–	–	162,175	(454)	–	(307)	1,151	1	(29)	–	162,537
Nonoperating gains and (losses):												
Investment income	40,897	–	–	40,897	381	–	–	165	–	–	–	41,443
Net change in unrealized gains and losses	50,755	–	–	50,755	9,043	–	–	–	–	–	–	59,798
Change in value of equity method investments	–	–	–	–	–	–	–	713	–	–	–	713
Net periodic pension cost and settlement charge	(29,006)	–	–	(29,006)	–	–	–	–	–	–	–	(29,006)
Change in fair value of interest rate swap agreements	(350)	–	–	(350)	–	–	–	–	–	–	–	(350)
Other losses	(352)	–	–	(352)	–	–	–	–	–	–	–	(352)
Excess (deficiency) of revenue over expenses	224,119	–	–	224,119	8,970	–	(307)	2,029	1	(29)	–	234,783
Other changes in net assets without donor restrictions:												
Change in pension benefit obligation	519	–	–	519	–	–	–	–	–	–	–	519
Contributions received and expended for capital acquisitions	43,524	–	–	43,524	–	–	–	–	–	–	–	43,524
Net change in unrealized gains and losses on fixed-income other-than-trading securities	905	–	–	905	–	–	–	–	–	–	–	905
Increase (decrease) in net assets without donor restrictions	269,067	–	–	269,067	8,970	–	(307)	2,029	1	(29)	–	279,731
Net assets with donor restrictions												
Contributions, gifts, and special events, net of fundraising expenses	–	–	–	–	5,285	–	–	–	–	–	–	5,285
Income from investments	–	–	–	–	530	–	–	–	–	–	–	530
Net realized and unrealized gains on investments	–	–	–	–	(155)	–	–	–	–	–	–	(155)
Net assets released from restrictions for operating purposes	–	–	–	–	(2,381)	–	–	–	–	–	–	(2,381)
Increase in net assets with donor restrictions	–	–	–	–	3,279	–	–	–	–	–	–	3,279
Increase (decrease) in net assets	269,067	–	–	269,067	12,249	–	(307)	2,029	1	(29)	–	283,010
Net assets, beginning of year	1,199,112	32,356	–	1,231,468	66,049	408	1,414	42,233	1	–	–	1,341,573
Net assets, end of year	\$ 1,468,179	\$ 32,356	\$ –	\$ 1,500,535	\$ 78,298	\$ 408	\$ 1,107	\$ 44,262	\$ 2	\$ (29)	\$ –	\$ 1,624,583

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