

Basic Financial Statements, Required
Supplementary Information and Report
of Independent Certified Public
Accountants

University Hospital
(A Component Unit of the State of New Jersey)

June 30, 2024 and 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
University Hospital

Opinion

We have audited the financial statements of the business-type activities of University Hospital (the "Hospital"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the Hospital as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's responsibilities for the audit of the financial statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Hospital'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 Hospital'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.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Hospital's contributions, the schedule of the Hospital's proportionate share of the net pension liability, and the schedule of the Hospital's proportionate share of the other postemployment benefit (OPEB) liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional combining information on pages 54 through 57 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other matter

The financial statements of the Hospital as of and for the year ended June 30, 2023 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2023 financial statements in their report dated March 27, 2024.

Grant Thornton LLP

New York, New York
March 28, 2025

University Hospital
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2024 and 2023

This section of the Hospital's annual financial report presents management's discussion and analysis of the summarized assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2024 compared to June 30, 2023 balances and June 30, 2023 compared to June 30, 2022 balances. This section also presents management's discussion and analysis of the financial performance during the years ended June 30, 2024 compared to June 30, 2023 and June 30, 2023 compared to June 30, 2022. The purpose is to provide an objective analysis of the financial activities of the Hospital based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements, which follow this section.

New Jersey Medical and Health Sciences Education and Restructuring Act

In accordance with Public Law 2012, c. 45, the New Jersey Medical and Health Sciences Education and Restructuring Act (the Restructuring Act), effective July 1, 2013, the Hospital was separated from the University of Medicine and Dentistry of New Jersey (UMDNJ) as a new stand-alone entity was formed. The Hospital continues to be the primary teaching hospital for the Newark-based schools of the Rutgers School of Biomedical and Health Sciences.

The mission of the Hospital is to improve the quality of life for everyone who comes in contact with the Hospital through effective patient care, education, research, and community service. As the core teaching facility in Newark, the Hospital is the center of referral for many of the State's most advanced medical services and specialty care programs.

The Hospital shall maintain its public mission to provide a comprehensive healthcare program and services to the greater Newark community, including outreach and mobile health services, as well as services in collaboration with the Newark-based schools of the Rutgers School of Biomedical and Health Sciences. The Hospital is committed to act in accordance with the spirit and intent of the "Agreements Reached between Community and Government Negotiators Regarding New Jersey College of Medicine and Dentistry and Related Matters of April 30, 1968."

Overview of the Financial Statements

The basic financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to financial statements. These statements present the financial position of the Hospital at June 30, 2024 and 2023, and the changes in net position and its financial activities for the years then ended. The statements of net position include all of the Hospital's assets, deferred outflows of resources, liabilities, and deferred inflows of resources in accordance with U.S. generally accepted accounting principles. The statements of revenues, expenses, and changes in net position, present each year's activities on the accrual basis of accounting, that is, when services are provided or obligations are incurred, not when cash is received or bills are paid. The financial statements also report the Hospital's net position and how it has changed. Net position, or the difference between assets and liabilities, deferred inflows and deferred outflows, is a way to measure the Hospital's financial health or position. The statements of cash flows provide relevant information about each year's cash receipts and cash payments and classify them as to operating, noncapital financing, capital and related financing, and investing activities. Notes to financial statements explain information in the statements and provide more detailed data.

University Hospital
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2024 and 2023

A summarized condensed comparison of the Hospital's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2024, 2023, and 2022 are as follows (in thousands):

	2024		2023		2022
Assets:					
Current assets:					
Cash	\$ 206,814	\$	247,950	\$	188,532
Patient accounts receivable, net	112,110		97,982		98,429
Other current assets	81,227		75,986		104,846
Noncurrent assets:					
Other noncurrent assets	215,933		196,523		201,421
Capital assets, net	263,269		228,317		222,561
Total assets	879,353		846,758		815,789
Deferred outflows of resources	213,435		212,891		203,899
Liabilities:					
Current liabilities	208,359		202,023		196,559
Noncurrent liabilities					
Long-term debt, net	262,974		270,966		276,864
Other long-term liabilities	114,413		102,021		105,601
Pension liability	808,687		739,672		665,514
Total liabilities	1,394,433		1,314,682		1,244,538
Deferred inflows of resources:	71,585		99,911		162,242
Net position:					
Net investment in capital assets	117,765		77,056		66,151
Unrestricted	(490,995)		(432,000)		(453,243)
Total net position	\$ (373,230)	\$	(354,944)	\$	(387,092)

Overall Financial Position and Operations

The Hospital's total net position from the period June 30, 2023 to June 30, 2024, decreased by \$18.3 million. Net investment in capital assets increased by \$40.7 million during 2024. The Hospital's unrestricted position decreased \$59.0 million from a deficit of \$432.0 million at June 30, 2023 to a deficit of \$491.0 million at June 30, 2024. The decrease was mainly due to the loss before other changes in net position of \$27.0 million offset by capital contributions funded by grantors of donors of \$8.7 million.

The Hospital's total net position from the period June 30, 2022 to June 30, 2023, increased by \$32.1 million. Net investment in capital assets increased by \$10.9 million during 2023. The Hospital's unrestricted position increased \$21.2 million from a deficit of \$453.2 million at June 30, 2022 to a deficit of \$432.0 million at June 30, 2023. The increase was mainly due to the gain before other changes in net position of \$27.5 million and capital contributions funded by grantors of donors of \$4.6 million.

University Hospital
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2024 and 2023

Significant financial ratios are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current ratio	1.92	2.09	2.01
Quick ratio	1.53	1.71	1.48
Days cash on hand	70.24	92.99	87.89
Net days revenue in patient receivables	58.04	53.98	55.98

The current ratio, quick ratio, and days' cash on hand are common liquidity indicators. The net day's revenue in patient receivables is an indicator of how quickly the Hospital collects its patient receivables.

Variances in Financial Statements

In this section, the Hospital explains the reasons for certain financial statement items with variances relating to 2024 amounts compared to 2023 and, where appropriate, 2022.

Statement of Net Position

Cash - The Hospital's cash decreased \$41.1 million as compared to the prior year mainly due to \$36.4 million of capital spend during the fiscal year. Cash is also lower due to a delay in collections of patient accounts from third party insurance companies of approximately \$15.0. Cash - increased \$59.4 million as of June 30, 2023 as compared to prior year. They increase is primarily driven by a grant of \$37.5 million from New Jersey Department of Community Affairs (NJDCA) of which \$35.3 million remained unspent at the end of the year. The Hospital received \$25.5 million payments (net) on outstanding receivables from Quality Improvement Program (QIP Program), New Jersey County Option Hospital Fee Program (County Option Program), Rutgers University and the City of Newark. In addition, the Hospital received \$6.0 million from the State of New Jersey to aid in the administration of clinical services.

Patient accounts receivable, net - increased \$14.1 million at June 30, 2024 when compared to June 30, 2023. This is primarily due to the delay in payments of approximately \$15.0 million from Medicare, (which was received in July, 2024). Days in-patient accounts receivable of 58.4 at fiscal year 2024 are higher by four days when compared to fiscal year 2023. Patient accounts receivable, net, decreased \$0.4 million at June 30, 2023 when compared to June 30, 2022. Days in-patient accounts receivable of 53.98 at fiscal year 2023 are lower by two days when compared to fiscal year 2022.

Other current assets - increased \$5.2 million from June 30, 2023 to June 30, 2024 primarily due from services provided to Rutgers University. Other current assets decreased \$28.9 million from June 30, 2022 to June 30, 2023. This is primarily due to the collection of \$19.2 million from the County Option Program, \$14.1 million from the QIP Program, \$8.9 million from Rutgers University, offset by a new receivable of \$18.9 million mainly for the same programs and sources.

Other noncurrent assets - increased \$19.4 million from June 30, 2023 to June 30, 2024 mainly from both the revaluation of leases with Rutgers University and restricted investments. Right of use asset and lease receivable from the revaluation, increased \$12.0 million and \$5.5 million, respectively. Restricted investments increased \$3.8 million also, offset by decreases from the amortization of SBITA right of use assets and prepaid bond insurance of \$1.4 million and \$0.6 million, respectively. Other noncurrent assets decreased \$4.9 million from June 30, 2022 to June 30, 2023 mainly due to the amortizations of leases of \$4.9 million SBITA assets of \$1.4 million and bond insurance of \$0.6 million offset by increased investments of \$2.1 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2024 and 2023

Capital assets, net - increased \$35.0 million from June 30, 2023 to June 30, 2024 due to \$57.7 million of acquisitions and adjustments that were partially offset by current year depreciation of \$22.8 million. Capital assets, net, increased \$5.8 million from June 30, 2022 to June 30, 2023 due to \$27.5 million of acquisitions and adjustments that were partially offset by current year depreciation of \$21.7 million.

Current liabilities - increased \$6.3 million from June 30, 2023 to June 30, 2024. This is primarily driven by increases of \$7.5 million in accrued expenses for payroll, \$4.1 million of vendor related accounts payable, current portion of long-term debt of \$3.1 million and due to Rutgers University of \$2.4 million offset by the recognition \$8.5 million of deferred revenue and reduction of third party liabilities of \$1.9 million. Current liabilities increased \$5.5 million from June 30, 2022 to June 30, 2023 primarily due to a balance \$35.5 million of deferred grant revenue from the NJDCA. This increase was offset by the reductions of \$10.2 million of accounts payable, \$8.8 million of accrued salaries and taxes and \$12.7 million of Rutgers University payable.

Long-term debt, net - decreased \$8.0 million from June 30, 2023 to June 30, 2024. The decrease is primarily due to the reclassifications to current liabilities of current portions of \$6.0 million of Series 2015A bond debt and \$2.0 million of the ERB, Ibank and PSE&G debts to satisfy the Hospital's current obligations. Long-term debt, decreased \$5.9 million from June 30, 2022 to June 30, 2023. The decrease in long-term debt is primarily due to the reclassification of \$5.7 million of Series 2015A bond debt to current portion to satisfy the Hospital's current obligation on the debt.

Other long-term liabilities - increased \$12.3 million from June 30, 2023 to June 30, 2024. The increase is driven by a contractually obligated revaluation of leases with Rutgers University to reflect a five-year CPI rate adjustment to base rent. The effect of the revaluation resulted in an increase in the liability of \$14.8 million. This is offset by a reduction of SBITA and workers compensation claims liabilities of \$1.7 million and \$0.8 million, respectively. Other long-term liabilities decreased \$3.6 million from June 30, 2022 to June 30, 2023. The decrease primarily driven by payments on the SBITA liability and lease liability of \$1.7 million and \$1.8 million, respectively.

Pension liability, deferred inflows of resources, and deferred outflows of resources - increased \$69.0 million, decreased \$34.7 million and increased \$0.5 million, respectively, from June 30, 2022 to June 30, 2023 primarily due to changes in assumptions and allocation of proportion. Pension liability, deferred inflows of resources, and deferred outflows of resources increased \$74.1 million, decreased \$62.3 million and increased \$9.0 million, respectively, from June 30, 2022 to June 30, 2023 primarily due to changes in assumptions and allocation of proportion.

Changes in Components of Net Position

Net investment in capital assets - increased \$40.7 million from June 30, 2023 to June 30, 2024 mainly as result capital contributions funded through grants and donors as well as Hospital spend. Net investment in capital assets increased \$10.9 million from June 30, 2022 to June 30, 2023 mainly as result capital contributions funded through grants and donors.

Unrestricted net position - other than those mentioned above, resulted in a decrease of \$59.0 million for year 2024. Unrestricted net position other than those mentioned above, resulted in an increase of \$21.2 million for year 2023.

University Hospital
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2024 and 2023

A summarized condensed comparison of the Hospital's revenues, expenses, and changes in net position for the years ended June 30, 2024, 2023, and 2022 are as follows (in thousands):

	2024	2023	2022
Operating revenues:			
Net patient service revenue	\$ 762,656	\$ 712,347	\$ 696,387
Other operating revenue	47,720	45,196	46,555
Total operating revenues	810,376	757,543	742,942
Operating expenses:			
Personnel services, fringe benefits, pension, physician and residents fees	636,251	551,018	532,645
Other postemployment benefits	(23,369)	(16,722)	7,369
Supplies and other	359,562	326,354	300,694
Depreciation and amortization	31,425	29,138	27,170
Total operating expenses	1,003,869	889,788	867,878
Operating loss	(193,493)	(132,245)	(124,936)
Nonoperating income (expenses):			
Appropriations from the State of New Jersey	197,596	186,603	179,929
Other postemployment benefits paid by the State of New Jersey	(23,369)	(16,722)	7,369
Interest Income	9,869	6,212	13,336
Interest expense	(17,604)	(16,280)	(16,497)
Income (loss) before other changes in net position	(27,001)	27,568	59,201
Other changes in net position:			
Capital contributions funded by grantors and donors	8,715	4,580	37,085
(Decrease)/increase in net position	(18,286)	32,148	96,286
Net position at beginning of year	(354,944)	(387,092)	(483,378)
Net position at end of year	\$ (373,230)	\$ (354,944)	\$ (387,092)

Statements of Revenues, Expenses, and Changes in Net Position

Net patient service revenue - net patient service revenue relates to patient care services under contractual arrangements with governmental payors and private insurers. The Hospital's net patient service revenues totaled \$762.7 million (including patient subsidies) in fiscal year 2024. The Hospital is a major source of primary care and serves as the safety net hospital for the inner-city municipalities of Newark, East Orange, Irvington, and Orange. The Hospital's role in the community is reflected in its payor mix and commitment to the medically indigent. It has traditionally been the largest provider of charity care services in the state. Medicaid and uninsured patients account for almost 58% of its gross revenues, and as a result, the Hospital must deal with the financial impact of revenue collections and reimbursements related to these patients and their payors.

Net patient service revenue for the year ended June 30, 2024 exceeded 2023 by \$50.3 million primarily due to the administering of clinical services on more acute patients and the continued improvements in the billing and collection processes. In addition, the Hospital received \$22.6 million in GME subsidy \$7.8 million County Option revenue more, respectively, in FY2024 over FY2023. Inpatient discharges 18,290 were 488 or 4.00% lower than budget and 488 lower than the prior year. Outpatient clinic visits 264,265 were higher than budget by 7,749 or 3.02% during the same period.

University Hospital
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2024 and 2023

Net patient service revenue for the year ended June 30, 2023 exceeded 2022 by \$16.0 million primarily due to increased patient volume, the administering of clinical services and the continued improvements in the billing and collection processes. Inpatient discharges 18,878 were 1,228 or 7.00% higher than budget and 1,242 higher than the prior year. Outpatient clinic visits 246,545 were lower than budget by 8,609 or 3.49% during the same period.

Most of the Hospital's admissions are initially treated in the emergency/trauma departments. Emergency Room visits of 104,071 in 2024 were higher than 2023 by 7,716 or 8.0%. Emergency room visits of 96,355 in 2023 were also higher than 2022 by 7,086 or 7.93% primarily due to the gradual returning of normalcy after COVID-19 pandemic concerns.

The level of charity care services provided by the Hospital represents nearly 6.7% of its overall patient care services. Charity care funding from the State of New Jersey (the State) totaled \$62.7 million in both fiscal years in 2024 and 2023. Charity care funding is based upon Medicaid reimbursement rates, which have historically been in the range of 60% to 70% of cost. The level of charity care funding is critical to the Hospital's financial results.

The Hospital received a total of \$70.6 million and \$70.4 million in patient subsidies payments in fiscal year 2024 and 2023, respectively, with the major components represented by payments of \$62.7 million in 2024 and 2023 for the New Jersey Charity Care Subsidy Program and approximately \$7.6 million and \$7.4 million, respectively, for the QIP Program. These amounts are recorded in net patient service revenue.

During 2024 and 2023, the Hospital received additional Medicaid funding under the New Jersey County Option Hospital Fee Pilot Program (County Option). This program is administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health Services and began in 2021 in certain counties in New Jersey. 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 on actual Medicaid utilization data and other factors. The program was in effect for the Hospital in 2024 and 2023, which resulted in fees paid by the Hospital of approximately \$17.1 million and \$17.8 million (included within supplies and other expense) and Medicaid State Directed Payments of approximately \$57.6 million and \$49.8 million (included within net patient service revenue) for the years ended June 30, 2024 and 2023, respectively.

Other operating revenue - increased \$2.5 million from \$45.2 million for the year ended June 30, 2023 compared to \$47.7 million for the year ended June 30, 2024, primarily from the ramping up of the retail pharmacy. Other operating revenue was \$45.2 million for the year ended June 30, 2023 compared to \$46.6 million for the year ended June 30, 2022 for a decrease of \$1.4 million, primarily due to grants income.

Personnel services, fringe benefits, pension, physician, and resident fees - were \$636.3 million for the year ended June 30, 2024 and \$85.2 million higher when compared to prior year. Personnel services costs for the year ended June 30, 2024 of \$350.5 million were \$37.5 million higher than fiscal year 2023. This increase is primarily driven by the addition of approximately 200 new employees and annual salary adjustments across the hospital for both union and nonunion employees. Pension costs of \$100.8 million for the year ended June 30, 2024 relating to GASB 68, *Accounting and Financial Reporting for Pensions* were higher by \$36.1 million when compared to the 2023 due to an updated actuarial analysis from the State. Costs associated with Medical Staff and Residents contracted with Rutgers University were \$104.4 million for the year ended June 30, 2024, which increased by \$5.6 million when compared to 2023 due to revised contractual agreements and the provision of additional medical services.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2024 and 2023

Personnel services, fringe benefits, pension, physician, and resident fees were \$551.0 million for the year ended June 30, 2023 and \$18.4 million higher when compared to prior year. Personnel services costs for the year ended June 30, 2023 of \$312.9 million were \$12.3 million higher than fiscal year 2022. This increase is primarily driven by annual salary adjustments across the hospital for both union and nonunion employees. Pension costs of \$64.6 million for the year ended June 30, 2023 relating to GASB 68 were higher by \$20.9 million when compared to the 2022 due to an updated actuarial analysis. Medical Staff and Residents contracted with Rutgers University cost of \$98.8 million for the year ended June 30, 2023 for increased by \$3.6 million as compared to the prior year due to revised contractual agreements.

Other postemployment benefits - decreased by \$6.6 million from June 30, 2023 to June 30, 2024 and decreased by \$24.1 million from June 30, 2022 to June 30, 2023 due to changes in the other postemployment benefit (OPEB) plan and changes in the actuarial assumptions used by the State of New Jersey in developing the GASB 75, *Accounting and Financial Reporting for Postemployment benefits Other than Pension* (OPEB) revenue and expense for the Hospital. This expense is equal to the OPEB paid by the State of New Jersey. See Note 12 for additional information on OPEB.

Supplies and other expenses - increased \$33.2 million or 10.2% from June 30, 2023 to June 30, 2024 primarily due to inflationary reasons and cost of goods sold by the newly established retail pharmacy. Supplies and other expenses increased \$25.7 million or 8.5% from June 30, 2022 to June 30, 2023 primarily due to costs associated with both increase patient volume and inflation.

State appropriations - the Hospital recorded \$197.6 million in State Appropriations in 2024. These amounts include \$139.8 million for fringe benefits for Hospital employees paid by the State, and a special Higher Education Appropriation of \$57.6 million for those expenses incurred as a result of the New Jersey Medical and Sciences Education Restructuring Act and Institutional Support, and \$327 thousand for medical malpractice costs. The Hospital recorded \$186.6 million in State Appropriations in 2023. These amounts include \$134.0 million for fringe benefits for Hospital employees paid by the State, and a special Higher Education Appropriation of \$52.6 million for those expenses incurred as a result of the New Jersey Medical and Sciences Education Restructuring Act and Institutional Support, and \$201 thousand for medical malpractice costs.

Other postemployment benefits paid by the State of New Jersey - decreased \$6.6 million from June 30, 2023 to June 30, 2024 and decreased by \$24.1 million from June 30, 2022 to June 30, 2023 due to changes in the other postemployment benefit (OPEB) plan and changes in the actuarial assumptions used by the State of New Jersey in developing the GASB 75 OPEB revenue and expense for the Hospital. This noncash nonoperating income is equal to the OPEB expenses that were recognized and paid by the State of New Jersey. See Note 12 for additional information on OPEB.

Other nonoperating revenue - increased \$2.8 million in 2024 when compared to 2023 primarily due from the newly created retail pharmacy. Other nonoperating revenue decrease \$7.1 million in 2023 when compared to 2022, due to the discontinuation of the federal stimulus grant. The Hospital recognized \$10.6 million in federal stimulus funds in fiscal year 2022 to recover incremental expenses attributable to COVI D-19 as compared to the \$46.1 million in 2021.

University Hospital
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2024 and 2023

Capital Assets, Net and Long-Term Debt Activity

Capital Assets, Net

At June 30, the Hospital had capital assets, net of accumulated depreciation, as shown in the table below (in thousands of dollars):

	2024	2023	2022
Land and land improvements	\$ 373	\$ 373	\$ 373
Buildings and leasehold improvements	395,116	395,041	381,748
Equipment	280,463	257,459	239,613
Construction in process (CIP)	37,126	2,478	6,161
Total	713,078	655,351	627,895
Less accumulated depreciation	449,809	427,034	405,334
Net capital assets	\$ 263,269	\$ 228,317	\$ 222,561

The Hospital had 2024 and 2023 additions to capital assets as follows:

- 2024 - \$57.9 million in overall additions with \$23.1 million in major movable equipment, including patient furnishings and medical equipment and investments in information technology system upgrades. Building and leasehold improvements increased by \$34.6 million which includes building renovation projects which is mostly CIP.
- 2023 - \$27.5 million in overall additions with \$12.9 million in major movable equipment, including patient furnishings and medical equipment and investments in information technology system upgrades. Building and leasehold improvements increased by \$13.3 million which includes building renovation projects Cogeneration energy project and a sprinkler system upgrade, while CIP additions were \$1.2 million. The estimate to complete the Co-Gen project is approximately \$3.6 million.

Long-Term Debt

At June 30, 2024, the Hospital has approximately \$270.3 million in long-term debt financing. On December 22, 2015, the Hospital issued \$255 million of New Jersey Healthcare Facilities Financing Authority (NJHCFFA) Series 2015A Bonds. Total proceeds from the sale were \$295.8 million and included a net premium of \$15.8 million, as well as \$25.0 million from trustee-held debt service and reserve funds. Proceeds from the sale were used to; (i) defease \$150.0 million of NJHCFFA Bond Anticipation Notes (BAN) debt; (ii) fund current debt service reserve requirements of \$17.3 million; (iii) fund bond insurance costs of \$17.6 million; (iv) paying bond issuance costs of \$2.7 million; and (v) fund various capital projects consisting of routine and emergency capital expenditures, information systems, and technology to replace the services provided by Rutgers University and capital upgrades and additions to various services and facilities, including the cancer program, diagnostic imaging services, and additional operating and procedure rooms and HVAC upgrades.

The Series 2015A Bonds were placed by the Authority with TD Bank, National Association, as Trustee. The Hospital entered into a Loan Agreement (the Loan Agreement) with the Authority relating to the Series 2015A bonds. A security feature for this obligation is provided by a lock box arrangement with the Trustee, TD Bank, N.A. Debt service requirements are funded by unrestricted state appropriations, including state charity pools, DSRIP/QIP, GME, and individual state supplemental appropriations that flow through the lock

University Hospital
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2024 and 2023

box. Any excess funds are released to the Hospital for operations. As of July 2023, the credit rating of BB- from Fitch was reaffirmed.

Principal payments on the bonds are due annually and commenced on July 1, 2021. Interest is paid semiannually on July 1 and January 1, which started July 1, 2016. The bonds are set at fixed interest rates and are as follows: (i) \$65.3 million in serial bonds at 5.000%, (ii) \$78.2 million in term bonds at 4.125%, and (iii) \$111.5 million in term bonds at 5.000%.

On December 4, 2019, the Hospital entered into a Sub-recipient New Jersey Energy Resiliency Bank (ERB) Funding Agreement with the New Jersey Economic Development Authority (the Authority). The Authority provided funding for the development of a new combined heat and power system on the campus of the Hospital. The project cost was \$46.1 million and consisted of a grant portion of \$26.1 million and loan proceeds of \$11.3 million. Other funding consisted of a short-term loan of \$7.4 million from the Infrastructure Bank of New Jersey and a \$1.5 million loan from PSE&G.

Payment on the principal and interest on the ERB loan started in April, 2024 and is be paid monthly at the rate of two percent (2%) per annum to fully amortize over in 2043. Payments are also currently being made on PSEG loan at zero percent interest through 2031.

In December 2022, the Infrastructure Bank issued \$86.5 million of its Environmental Infrastructure Bonds Series 2022A-2 (Green Bonds) to finance various improvements to wastewater treatment systems and drinking water systems of various municipalities, regional county, and municipal utilities and sewerage authorities and State Entities. Part of this issuance was to refund the Hospital's short-term construction loan of \$7.4 million with the Infrastructure Bank. The bonds were issued at a premium of \$453 thousand to UH. The Hospital entered into a Series 2022A-2 I-Bank (I-Bank) Loan Agreement and the Series 2022A-2 I-Bank Fund (Fund) Loan Agreement.

The agreement consisted of an I-Bank Bond of \$3.3 million and Fund bond of \$3.6 million. Principal payments on the I-Bank bonds are due annually and commence on August 1, 2024, and principal payments on the Fund bonds are due semi-annually and commence on August 1, 2023 and both mature in August 2032. The I-Bank bonds are set at fixed interest rate of 5.00% and the Fund bonds are interest free. Interest on the I-Bank bonds is paid semiannually on August 1 and February 1 and commence on August 1, 2023.

In March 2022, the Hospital entered into a loan agreement with New Jersey Housing and Mortgage Finance Agency (NJHMFA) for \$3.0 million. The Hospital submitted an application to the Hospital Partnership Subsidy Pilot Program which provides contributions to the housing and healthcare field. The funds the Hospital received were loaned to the West Market Owners LLC to finance the construction of George King Village Project. The loan is set to mature on July 1, 2059. Principal and interest is paid monthly over the life of the loan at the rate of 1 percent (1%) per annum commencing 24 months after the issuance of the certificate of occupancy for the clinical component of the project which is expected to occur in July 2024. The loan agreement contains provisions that in an event of default, the NJHFMA may require the immediate repayment of the funds disbursed.

More detailed information about the Hospital's long-term debt is presented in Note 10 to the financial statements.

**University Hospital
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2024 and 2023

Hospital Issues and Challenges

The Hospital continues to adapt to the ever-increasing fiscal challenges placed on healthcare institutions in the New Jersey metropolitan area. Specifically, these challenges include the following:

- Potential reductions in Medicaid and Medicare reimbursements due to state and federal budget reductions
- Federal Disproportionate Share Hospital (DSH) funding cuts
- Reductions in Newark EMS services reimbursement
- Penetration of managed care and tiered health plans in the marketplace
- Uncertainty of Delivery System Reform Incentive Payments / Quality Incentive Payment

The healthcare industry, in general, and the acute care hospital business in particular, are experiencing considerable regulatory uncertainty based, in large part, on legislative efforts to significantly modify or repeal and potentially replace the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (ACA). It is difficult to predict the full impact of these actions on the Hospital's future revenues and operations. Changes to the ACA are likely to significantly impact the Hospital.

The Hospital has responded to these significant challenges by managing labor and staffing more efficiently, as well as eliminating waste and duplication in order to offset unanticipated operating expenses. In addition, Hospital administration has developed monthly monitoring reporting tools to help management target and use benchmark data as a means of controlling costs and enhance productivity. Hospital administration has also identified performance initiatives intended to develop new services and revenue streams, increase patient volume, as well as restructure and streamline throughput processes.

Contacting the Hospital's Financial Management

This financial report provides the citizens of Newark, the Hospital's patients, bondholders, and creditors with a general overview of the Hospital's finances and operations. If you have questions about this report or need additional financial information, please contact the Chief Financial Officer, University Hospital, 150 Bergen Street, Newark, New Jersey 07103.

UNIVERSITY HOSPITAL
(A Component Unit of the State of New Jersey)

STATEMENTS OF NET POSITION

June 30,
(In thousands)

	2024	2023
ASSETS		
Current assets		
Cash (Note 3)	\$ 206,814	\$ 247,950
Restricted investments (Note 9)	12,508	11,670
Patient accounts receivable, net (Note 5)	112,110	97,982
Due from State of New Jersey	23,501	25,430
Supplies	24,313	21,505
Grants receivable	3,809	4,453
Other current assets (Notes 8 and 11)	17,096	12,927
Total current assets	400,151	421,917
Noncurrent assets		
Restricted investments (Notes 9 and 10)	66,243	62,480
Prepaid bond issuance, net	12,621	13,208
Lease receivable	41,537	35,990
Capital assets, net (Note 6)	263,269	228,317
Lease asset, net of accumulated amortization (Note 7)	88,187	76,148
Other long-term assets (Notes 8)	7,345	8,698
Total noncurrent assets	479,202	424,841
Total assets	879,353	846,758
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 12)	213,435	212,891
Total assets and deferred outflows of resources	\$ 1,092,788	\$ 1,059,649
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 73,432	\$ 69,144
Accrued salaries and related payroll taxes	19,813	15,770
Accrued vacation and sick pay	18,713	15,209
Due to Rutgers University (Note 11)	50,767	48,328
Estimated third-party payor settlements, net (Note 13)	-	1,940
Current portion of lease liabilities (Note 7)	3,474	1,967
Current portion of long-term debt obligations (Note 10)	7,337	6,246
Other current liabilities (Notes 8 and 13)	34,823	43,419
Total current liabilities	208,359	202,023
Noncurrent liabilities		
Long-term lease liabilities, net of current portion (Note 7)	95,762	80,866
Long-term debt, net of current portion (Note 10)	262,974	270,966
Other liabilities (Note 8 and Note 13)	18,651	21,155
Pension liability (Note 12)	808,687	739,672
Total noncurrent liabilities	1,186,074	1,112,659
Total liabilities	1,394,433	1,314,682
Deferred inflows of resources		
Pension related (Note 12)	30,511	65,233
Lease related (Note 7)	41,074	34,678
Total deferred inflows of resources	71,585	99,911
Total liabilities and deferred inflows of resources	1,466,018	1,414,593
Net position		
Net investment in capital assets	117,765	77,056
Unrestricted	(490,995)	(432,000)
Total net position	(373,230)	(354,944)
Total liabilities, deferred inflows of resources and net position	\$ 1,092,788	\$ 1,059,649

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

UNIVERSITY HOSPITAL
(A Component Unit of the State of New Jersey)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30,
(In thousands)

	2024	2023
Operating revenues		
Net patient service revenue (Notes 4, 5, and 13)	\$ 762,656	\$ 712,347
Grants revenue	12,294	10,693
Other revenue	35,426	34,503
Total operating revenues	810,376	757,543
Operating expenses		
Personnel services	350,476	312,935
Contracted physician and resident fees (Note 11)	104,367	98,813
Fringe benefits (Note 12)	80,649	74,640
Other postemployment benefits (Note 12)	(23,369)	(16,722)
Pension (Note 12)	100,759	64,630
Supplies and other (Note 11)	359,562	326,354
Depreciation and amortization (Notes 6, 7, and 8)	31,425	29,138
Total operating expenses	1,003,869	889,788
Operating loss	(193,493)	(132,245)
Nonoperating income (expenses)		
Appropriations from the State of New Jersey (Notes 12 and 13)	197,596	186,603
Other postemployment benefits paid by the State of New Jersey (Note 12)	(23,369)	(16,722)
Contributions, special events, and other	112	38
Fundraising expenses	(133)	(52)
Interest income	9,890	6,226
Interest expense	(17,604)	(16,280)
(Loss) income before other changes in net position	(27,001)	27,568
Other changes in net position		
Capital contributions funded by grantors and donors	8,715	4,580
Total other changes in net position	8,715	4,580
(DECREASE)/INCREASE IN NET POSITION	(18,286)	32,148
Net position at beginning of year	(354,944)	(387,092)
Net position at end of year	\$ (373,230)	\$ (354,944)

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

UNIVERSITY HOSPITAL
(A Component Unit of the State of New Jersey)

STATEMENTS OF CASH FLOWS

Years ended June 30,
(In thousands)

	2024	2023
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 746,589	\$ 728,637
Receipts from grants	11,027	13,094
Other receipts	45,217	48,303
Cash paid for personnel services and fringe	(349,816)	(326,683)
Cash paid for contracted physician and resident fees	(100,490)	(98,521)
Cash paid for supplies and other expenses	(378,461)	(346,552)
Net cash (used in) provided by operating activities	(25,934)	18,278
Cash flows from noncapital financing activities:		
Cash appropriations received from State of New Jersey and other	57,476	52,554
Cash received from Federal stimulus funding	(133)	-
Net cash provided by noncapital financing activities	57,343	52,554
Cash flows from capital and related financing activities:		
Purchase of capital assets	(77,395)	(28,749)
Capital contributions by grantors	8,714	40,044
Proceeds from issuance of long term debt	15,390	8,137
Payments of long-term debt, SBITA, and lease liabilities	(8,268)	(17,757)
Interest paid	(18,362)	(17,017)
Net cash used in capital and related financing activities	(79,921)	(15,342)
Cash flows from investing activities:		
Purchases of investments	(19,708)	(19,817)
Sales of investments	17,231	17,427
Interest received	9,853	6,318
Net cash provided by investing activities	7,376	3,928
NET (DECREASE) INCREASE IN CASH	(41,136)	59,418
Cash at beginning of year	247,950	188,532
Cash at end of year	\$ 206,814	\$ 247,950
Supplemental disclosures:		
Appropriations paid by the State of New Jersey	\$ 139,904	\$ 134,236
Other postemployment benefits paid by the State of New Jersey	(23,369)	(16,722)
Capital assets included within accounts payable and accrued expenses	11,565	9,911

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

UNIVERSITY HOSPITAL
(A Component Unit of the State of New Jersey)

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2024 and 2023
(In thousands)

	2024	2023
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (193,493)	\$ (132,245)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Amortization of prepaid bond insurance	587	587
Depreciation and amortization	31,425	29,138
Provision for bad debts	195,389	160,180
Other postemployment benefits paid by the State of New Jersey	(23,369)	(16,722)
Appropriations paid by the State of New Jersey	140,231	134,236
Changes in assets and liabilities:		
Patient accounts receivable, net	(209,478)	(159,733)
Due from State of New Jersey	1,931	14,182
Grants receivable	643	2,461
Supplies, other assets, lease receivable and deferred inflows	(6,104)	11,934
Accounts payable and accrued expenses	4,494	(9,558)
Accrued salaries and related payroll taxes	4,004	(8,763)
Accrued vacation and sick	3,504	443
Due to Rutgers University	2,439	(12,665)
Estimated third-party payor settlements, net	(1,940)	1,510
Pension liability, deferred outflows and deferred inflows	33,749	3,361
Other current liabilities	(9,946)	(68)
	<u>\$ (25,934)</u>	<u>\$ 18,278</u>
Net cash (used in) provided by operating activities	<u>\$ (25,934)</u>	<u>\$ 18,278</u>

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

**University Hospital
(A Component Unit of the State of New Jersey)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - ORGANIZATION AND OPERATIONS

In accordance with Public Law 2012, c. 45, the New Jersey Medical and Health Sciences Education and Restructuring Act (the Restructuring Act), effective July 1, 2013, University Hospital (the Hospital or UH), a public institution of healthcare and a body politic of the State of New Jersey (the State) was separated from University of Medicine and Dentistry of New Jersey (UMDNJ) as a new stand-alone entity and will continue to be the primary teaching hospital for the Newark-based schools of the Rutgers School of Biomedical and Health Sciences. UH shall maintain its public mission to provide a comprehensive healthcare program and services to the greater Newark community, including outreach and mobile health services, as well as services in collaboration with the Newark-based schools of the Rutgers School of Biomedical and Health Sciences. UH is committed to act in accordance with the spirit and intent of the "Agreements Reached between Community and Government Negotiators Regarding New Jersey College of Medicine and Dentistry and Related Matters of April 30, 1968."

UH is a component unit of the State of New Jersey, and accordingly, its financial statements are included in the State of New Jersey's Annual Comprehensive Financial Report.

Newark AIDS Consortium, Inc. (d/b/a Broadway House for Continuing Care or BHCC) was incorporated in April 1992. BHCC is exempt from federal, state, and local income taxes as 501(c) (3) organizations under the Internal Revenue Code. BHCC is a blended component unit of the Hospital as a result of UH being the sole corporate member.

BHCC issues separate annual financial statement as of December 31, which are available through the Director of Finance, Broadway House, 298 Broadway, Newark, New Jersey 07104-4003.

The reporting entity, which results from blending UH and BHCC, is collectively referred to as the "Hospital".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hospital's significant accounting policies are as follows:

Basis of Presentation

The accompanying basic financial statements of the Hospital are presented in conformity with Generally Accepted Accounting Principles for state and local governments in the United States of America as prescribed by the Government Accounting Standards Board (GASB).

The financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Restricted Investments

Restricted investment (Note 9) primarily includes assets, such as debt service reserves and capital fund, and are held by a trustee, TD Bank, National Association under bond resolution. Amounts required to meet current liabilities of the Hospital have been classified as current assets in the statements of net position. Interest income earned on restricted investments is included in nonoperating income (expenses) in the statements of revenue, expenses and changes in net position.

Restricted investments are invested in money market funds and are recorded at fair value based on quoted market prices, which are Level 1 investments in the fair value hierarchy.

University Hospital
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy at amounts less than its charges or established rates. The Hospital does not pursue collection of amounts determined to qualify as charity care, and they are not reported as revenue (Note 4).

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The change in estimate related to third-party payors and accrued claims liability are disclosed in Notes 13(a) and 13(c), respectively.

Classifications of Revenues and Expenses

All exchange transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are considered to be operating activities and are reported as operating revenues and operating expenses. Appropriations from the State of New Jersey, other postemployment benefits paid by the State of New Jersey, contributions and special events, fundraising expenses, interest income, interest expense are reported as nonoperating income and expenses. Other changes in net position, which are excluded from (loss) income before other changes in net position, consist of capital contributions funded by grantors or donors.

Patient Accounts Receivable, Net and Net Patient Service Revenue

The Hospital has agreements with certain third-party payors that provide for payments at amounts different from its charges or established rates. Payment arrangements include prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated third-party payors settlements resulting from audits, reviews, and investigations. These estimated third-party payors settlements are accrued in the period the related services are rendered and adjusted in future periods as revised information becomes known or as years are no longer subject to such audits, reviews, and investigations. Net patient service revenue is reported net of the provision for bad debts of \$195.4 million in 2024 and \$160.2 million in 2023.

The allowance for doubtful patient accounts is the Hospital's estimate of the amount of probable credit losses in its patient accounts receivable. The Hospital determines the allowance based on collection studies and historical write-off experience. Past-due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for estimated doubtful accounts is \$318.3 million and \$309.2 million at June 30, 2024 and 2023, respectively.

Appropriations from the State of New Jersey

State appropriations are recognized in the fiscal year during which the State appropriates the funds for the Hospital. The Hospital is fiscally dependent upon these appropriations. The Hospital classifies them as nonoperating income.

The State pays on behalf of the Hospital for certain fringe benefits of employees, medical malpractice settlements, negligence, and other torts. The Hospital is indemnified by the State for the Hospital's malpractice settlements (see Note 13(b)). The Hospital records both revenues and expenses in an amount

University Hospital
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

equal to expenditures made on its behalf by the State, that is, certain fringe benefits of the Hospital's employees, settlements of claims for medical malpractice, negligence, other torts, and alleged breach of contracts (see Notes 12 and 13).

In 2024 and 2023, the fringe benefits of employees paid by the State were \$139.9 million and \$134.0 million, respectively. The medical malpractice and general liability settlements paid by the State were \$327 thousand and \$201 thousand in 2024 and 2023, respectively. The State also paid the Hospital \$57.7 million and \$52.6 in 2024 and 2023, respectively to support the Hospital operations through a special Higher Education Services - Institutional Support appropriation as a result of the New Jersey Medical and Sciences Education Restructuring Act.

All State aid to the Hospital is subject to and dependent upon appropriations being made for such purpose by the New Jersey State Legislature (the State Legislature). The State Legislature has no legal obligation to make such appropriations.

Government Grants

Grants revenue comprise mainly of funds received from grants from federal, state, and other governments and are recognized when all eligibility requirements for revenue recognition are met, which is generally the period in which the related expenses are incurred.

Prepaid Bond Insurance

Prepaid bond insurance costs of \$17.6 million represent costs incurred in connection with the issuance of Series 2015A bonds and are amortized over the life of the bonds. Accumulated amortization of prepaid bond insurance costs amounted to \$5.0 million and \$4.4 million at June 30, 2024 and 2023, respectively.

Capital Assets and Depreciation

Capital assets are recorded at cost or in the case of donated assets at fair value at the date of acquisition. Major renewals and improvements are capitalized while maintaining repairs are expensed when incurred.

The State retains legal title to the land, buildings, and improvements as of July 1, 2013 and thereafter and subleases them to the Hospital for \$1 until June 30, 2089. The Hospital is the sole beneficiary as to the use of the capital assets and is responsible for their control and maintenance. Accordingly, the capital assets have been capitalized in the accompanying statements of net position.

Depreciation is computed on a straight-line basis using estimated useful lives in accordance with American Hospital Association guidelines:

Land improvements	2 to 25 years
Buildings and leasehold improvements	5 to 40 years
Equipment	3 to 25 years

Capital assets under leasehold improvements are depreciated over the shorter of either the lease term or the estimated useful life.

Leases and Subscription-Based Information Technology Agreements (SBITA)

Leases

The Hospital enters into noncancellable leases primarily for buildings and equipment. For leases with a maximum possible term of 12 months, or less, at commencement, the Hospital recognizes expenses based

University Hospital
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

on the terms of the lease contract. For all other leases, the Hospital recognizes a lease liability, which is recorded within current portion of lease liabilities and long-term lease liabilities in the noncurrent liabilities in the statements of net position and a right-to-use lease asset, net of accumulated amortization at the present value of payments expected to be made throughout the lease term. The Hospital uses its incremental borrowing rate in determining the present value of lease payments.

The lease liability is subsequently reduced by the principal portion of the lease payments. Interest expense is recognized ratable over the contract term. The lease asset is initially measured as the initial amount of the lease liability, plus lease payment made at or before the lease commencement date, plus initial direct costs necessary for placing the underlying asset into service, less any lease incentives at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset which is recorded within depreciation and amortization in the statement of revenues and expenses, and changes in net position.

Some leases include one or more renewal options which are at the Hospital's discretion and if it is, reasonably certain that the renewal options will be exercised by the Hospital, the renewal options payments and terms are included in the Hospital's measurement of the lease liability and lease asset.

Lessor

The Hospital leases building space on its campus to Rutgers University for a remaining term of 65 years. The Hospital recognizes a lease receivable and deferred inflows of resources at the present value of payments expected to be received during the lease term, using the Hospital's incremental borrowing rate. The current portion of the lease receivable is recorded within other current assets and the long-term lease receivable is recorded in noncurrent assets in the statement of net position.

Subsequently, the lease receivable is reduced by the lease payments received and the discount on the lease receivable is amortized through the recognition of interest income which is recorded in the nonoperating income section in the statements of revenues, expenses, and changes in net position. The deferred inflow of resources is recognized as lease revenue over the lease term in subsequent periods, which is recorded in other revenue in the statements or revenue, expenses, and changes in net position.

Subscription Based Information Technology Agreements

The Hospital enters into noncancellable subscription-based information technology agreements (SBITA) primarily for the rights to use vendors' software. For agreements with a maximum possible term of 12 months, or less, at commencement, the Hospital recognizes expenses based on the terms of the agreement contract. For all other agreements, the Hospital recognizes a SBITA asset and SBITA liability. At the SBITA commencement, the Hospital initially measures the liability at the present value of the payments expected to be made over the term. Subsequently, the liability is reduced by the principal portion of the payment made. The amounts are recorded within current portion of current liabilities and the non-current portion in the other long-term liabilities. Interest expense is recognized ratable over the contract term.

The asset is initially measured as the initial amount of the liability, adjusted for any payments made at or before the commencement date, plus initial direct costs necessary for placing the underlying asset into service, less any incentives at or before the commencement date. Subsequently, the asset is amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying asset which is recorded within the depreciation and amortization in the statement of revenues and expenses, and changes in net position. The Hospital uses its incremental borrowing rate in determining the present value of subscription payments.

University Hospital
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Supplies

Supplies are stated at the lower of cost (first-in, first-out method) or net realizable value.

Income Taxes

The Hospital qualifies as a governmental entity not subject to federal income tax, by reason of the organization being a state or political subdivision thereof, or an integral part of a state or political subdivision thereof; or an entity all of whose income is excluded from gross income for federal income tax purposes under Section 115 of the Internal Revenue Code of 1986. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Due from State of New Jersey

Due from State of New Jersey represents reimbursements due for fringe benefits paid by the Hospital for employees covered by the State of New Jersey benefit plans and receivables related to the New Jersey Department of Health subsidy and County Option programs.

Grants Receivable

Grants receivable relate to various healthcare provision programs under contract with the State and other grantors. Grants receivable, which are reimbursed to the Hospital for providing such services, relate to the Urban Security Initiative, North Star, and School Based Youth Service grants.

Net Position

Net position of the Hospital is classified in various components. Net investment in capital assets consist of capital assets, net of accumulated depreciation and lease and SBITA assets, net of accumulated amortization and reduced by outstanding borrowings used to finance the purchase, lease, or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of Net investment in capital assets. The Hospital first applies restricted resources when unrestricted resources are available for the same purpose.

Compensated Absences

The Hospital's employees earn vacation and holiday days at varying rates depending on years of service and title. Generally, vacation and holiday time may accumulate up to specified maximums, depending on title. Upon resignation or retirement, employees are paid for unused vacation and holiday days, at the current rate. Accrued vacation not used up to the maximum calendar year carryover allowance is paid to the employee at current base pay rate upon separation. Accrued sick time accumulates from year to year without limit. Upon retirement unused sick time will be paid at one half of base pay rate or half the value or unused time up to a maximum of \$15,000. Upon termination or resignation other than retirement sick time accrued is forfeited. UH recognizes nine designated holiday and six non-designated days (Float holidays) each calendar year. Active employees are granted six float holidays at the beginning of the year. Exception to this is that three float holidays will be credited in July to employees hired after January 1 but on or before July 1. Unused float holidays by December 31 each year are automatically forfeited.

In June 2022, GASB issued Statement No. 101, Compensated Absences ("GASB"). GASB 101 is intended to provide financial statement users with improved and comparable information regarding compensated absences by establishing a unified model for recognizing and measuring compensated absences. The requirements for GASB 101 are effective for fiscal years beginning after December 15, 2023. The Hospital is in the process of evaluating this standard to determine if there will be an impact upon adoption in the fiscal year ending June 30, 2025.

University Hospital
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Retirement Plans

Under GASB 68, *Accounting and Financial Reporting for Pensions*, the Hospital records pension expense, pension liability, deferred outflows of resources, and deferred inflows of resources related to cost sharing multiemployer pension plan for its proportionate share of collective pension expense, collective pension liability, and collective deferred outflows of resources and deferred inflows of resources.

Postemployment Benefits Other than Pensions

Under GASB 75, *Accounting and Financial Reporting for Postemployment benefits Other than Pension (OPEB)*, the Hospital records other postemployment benefit expenses and other postemployment benefits paid by the State of New Jersey related to the single-employer defined-benefit other postemployment benefit plan. The State is legally obligated for the benefit payments on behalf of the retirees of the Hospital under the State Health Benefit State Retired Employees Plan (the Plan); therefore, the Plan meets of the definition of a special funding situation as defined in GASB 75. The Hospital does not record its proportionate share of the collective total OPEB liability.

Accrued Claims Liability

Accrued claims liability represents estimated payable amounts related to workers' compensation claims (Note 13(c)) which is recorded in other current liabilities and other liabilities in the statement of financial position.

Fair Value

Management determines fair value of financial instruments as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by GASB. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following categories:

- Level 1 - Fair value measurements using unadjusted quoted market prices in active markets for identical, unrestricted assets or liabilities.
- Level 2 - Fair value measurements using observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially that full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that trade less frequently than exchange-traded instruments.
- Level 3 - Fair value measurements using significant inputs that are not readily observable in the market and are based on internally developed models or methodologies utilizing significant inputs that are generally less readily observable.

Money market mutual funds are valued at the net asset value (NAV) of the shares held at year-end, based on published market quotations in active markets. The NAV is classified within Level 1 of the fair value hierarchy as the unit price is quoted in an active market.

Corporate bonds are valued using an evaluation price that is based on a compilation of primarily observable market quotations, when available. These are included as Level 2 investments in the fair value hierarchy.

The Hospital does not have any assets or liabilities based upon Level 3 inputs.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 3 - CASH

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. At June 30, 2024 and 2023, the actual amount of cash in the Hospital's bank accounts was \$219.7 million and \$259.0 million (with \$12.9 million and \$11.0 million in outstanding checks), respectively. As of May 29, 2015, a Tri-Party collateral agreement was established between the Hospital, the Bank of America, N.A., and the Bank of New York Mellon to collateralize the Hospital's cash.

NOTE 4 - CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services furnished under its charity care policy and the estimated cost of those services. The Hospital utilizes a cost to charge ratio methodology to convert charity care to estimated cost. The amount of uncompensated care provided to indigent and the broader community for the years ended June 30 (in thousands):

		2024		2023
Charity care:				
Charges foregone, based on established rates	\$	335,164	\$	279,489
Estimated cost incurred to provide charity care		93,460		77,100
		2024		2023
Provision for bad debt:				
Charges foregone, based on established rates	\$	195,389	\$	160,180
Estimated cost incurred to provide bad debt		54,484		44,187

The Hospital only includes in charity care charges for patient services to individuals who complied with the New Jersey Department of Health's criteria for qualification into the Charity Care Subsidy formula. These criteria require a patient's cooperation and documentation to participate. The Hospital believes that a large number of its patient accounts that default to bad debts are in fact charity care cases, but due to a patients' unwillingness or inability to provide the documentation such cases do not qualify.

The Hospital recorded \$62.7 million from the State's Charity Care Subsidy Fund in 2024 and 2023. The reimbursement is associated with cost of bad debt and charity care and is recorded in net patient service revenue in the statements of revenues, expenses, and changes in net position.

NOTE 5 - PATIENT ACCOUNTS RECEIVABLE, NET AND NET PATIENT SERVICE REVENUE

Most of the Hospital's net patient service revenue is from funds received on behalf of patients under governmental health insurance plans. Revenue from these governmental plans is based upon relevant reimbursement principles and is subject to audit by the applicable payors. Certain payors have performed audits and have proposed various disallowances, which other payors may similarly assert.

Included in net patient service revenue are adjustments to prior year estimated third-party payors settlements that were originally recorded in the period the related services were rendered. The adjustments to prior year estimates and other third-party reimbursement receipts or recoveries that relate to prior years resulted in an increase to net patient service revenues in both fiscal year 2024 and 2023. (Note 13(a)).

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

The components of net patient service revenue for the years ended June 30 are as follows (in thousands):

	2024	2023
Gross charges	\$ 3,565,225	\$ 3,246,048
Additions (deductions) from gross charges:		
Charity care subsidy, QIP and County Option revenue	128,228	120,270
Contractual and other allowances	(2,735,408)	(2,493,791)
Provision for bad debts	(195,389)	(160,180)
Subtotal	(2,802,569)	(2,533,701)
Net patient service revenues	\$ 762,656	\$ 712,347

Net patient service revenue by primary payor for the years ended June 30 are as follows (in thousands):

	2024	2023
Medicaid and Medicaid HMO	\$ 279,361	\$ 260,040
Medicare	201,853	188,999
Other third-party payors	145,354	135,554
Self-pay	7,860	7,484
Net patient service revenue by payor	634,428	592,077
Charity care subsidy fund and DSRIP/QIP revenue	128,228	120,270
Net patient service revenue	\$ 762,656	\$ 712,347

The Hospital provides services to its patients, most of whom are insured under third-party payors agreements. Patient accounts receivable net, were as follows as of June 30 (in thousands):

	2024		2023	
Medicaid and Medicaid HMO	\$ 30,459	27%	\$ 28,990	29.6 %
Medicare	19,145	17%	11,281	11.5
Other third-party payors	58,386	52%	53,664	54.8
Self-pay	4,120	4%	4,048	4.1
Net patient accounts receivable	\$ 112,110	100%	\$ 97,983	100.0 %

Allowance for doubtful accounts activity for the years ended June 30 were as follows (in thousands):

	2024	2023
Beginning balance	\$ 309,221	\$ 300,203
Provision for bad debts	195,389	160,180
Write-off, net of recoveries	(186,338)	(151,162)
Ending balance	\$ 318,272	\$ 309,221

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the years ended June 30 were as follows (in thousands):

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>June 30, 2024</u>
Nondepreciable assets:				
Land	\$ 373	\$ -	\$ -	\$ 373
Construction in progress	2,478	34,648	-	37,126
Total nondepreciable assets	<u>2,851</u>	<u>34,648</u>	<u>-</u>	<u>37,499</u>
Depreciable assets:				
Buildings and leasehold improvements	395,041	75	-	395,116
Equipment	257,459	23,139	(135)	280,463
Total depreciable assets	<u>652,500</u>	<u>23,214</u>	<u>(135)</u>	<u>675,579</u>
Less accumulated depreciation:				
Buildings and leasehold improvements	273,159	11,531	(109)	284,581
Equipment	153,875	11,353	-	165,228
Total accumulated depreciation	<u>427,034</u>	<u>22,884</u>	<u>(109)</u>	<u>449,809</u>
Total capital assets, net	<u>\$ 228,317</u>	<u>\$ 34,978</u>	<u>\$ (26)</u>	<u>\$ 263,269</u>

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>June 30, 2023</u>
Non depreciable assets				
Land	\$ 373	\$ -	\$ -	\$ 373
Construction in progress	6,161	1,215	(4,898)	2,478
Total non depreciable assets	<u>6,534</u>	<u>1,215</u>	<u>(4,898)</u>	<u>2,851</u>
Depreciable assets				
Buildings and leasehold improvements	381,748	13,293	-	395,041
Equipment	239,613	12,948	4,898	257,459
Total depreciable assets	<u>621,361</u>	<u>26,241</u>	<u>4,898</u>	<u>652,500</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	261,880	11,279	-	273,159
Equipment	143,454	10,421	-	153,875
Total accumulated depreciation	<u>405,334</u>	<u>21,700</u>	<u>-</u>	<u>427,034</u>
Total capital assets, net	<u>\$ 222,561</u>	<u>\$ 5,756</u>	<u>\$ -</u>	<u>\$ 228,317</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 7 - LEASES

The Hospital lease various equipment and facilities under noncancelable lease agreements. Existing leases have lease terms through 2089.

(a) Lease Assets

The activity in the Hospital's lease assets and related accumulated amortization accounts for the fiscal years ended June 30, 2024 and 2023 is set forth (in thousands):

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Modifications and Renewals</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Lease assets:					
Buildings	\$ 82,517	\$ 1,809	\$ 12,489	\$ (1,630)	\$ 95,185
Equipment	<u>8,655</u>	<u>129</u>	<u>5,187</u>	<u>(4,572)</u>	<u>9,399</u>
Total lease assets	91,172	1,938	17,676	(6,202)	104,584
Lease accumulated amortization:					
Buildings	8,376	3,537	1,133	(272)	12,774
Equipment	<u>6,648</u>	<u>1,547</u>	<u>-</u>	<u>(4,572)</u>	<u>3,623</u>
Total lease accumulated amortization	<u>15,024</u>	<u>5,084</u>	<u>1,133</u>	<u>(4,844)</u>	<u>16,397</u>
Total lease asset, net	<u>\$ 76,148</u>	<u>\$ (3,146)</u>	<u>\$ 16,543</u>	<u>\$ (1,358)</u>	<u>\$ 88,187</u>
	<u>June 30, 2022</u>	<u>Additions</u>	<u>Modifications and Renewals</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Lease assets:					
Buildings	\$ 82,373	\$ 144	\$ -	\$ -	\$ 82,517
Equipment	<u>8,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,655</u>
Total lease assets	91,028	144	-	-	91,172
Lease accumulated amortization:					
Buildings	5,430	2,946	-	-	8,376
Equipment	<u>4,521</u>	<u>2,127</u>	<u>-</u>	<u>-</u>	<u>6,648</u>
Total lease accumulated amortization	<u>9,951</u>	<u>5,073</u>	<u>-</u>	<u>-</u>	<u>15,024</u>
Total lease asset, net	<u>\$ 81,077</u>	<u>\$ (4,929)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,148</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

(b) Lease Liabilities

Lease liability activity for the years ended June 30 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions/adj</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Fiscal year ended:					
June 30, 2024	\$ 82,833	\$ 23,061	\$ (6,659)	\$ 99,235	\$ 3,474
June 30, 2023	85,612	144	(2,923)	82,833	1,967

(c) - Lease Maturities

The following schedule shows future lease payments, for both principal and interest, for the next five years and in five-year increments thereafter, as of June 30, 2024 (in thousands):

Year:	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2025	\$ 3,474	\$ 4,859	\$ 8,333
2026	2,620	4,709	7,329
2027	2,598	4,581	7,179
2028	2,082	4,468	6,550
2029	1,790	4,375	6,165
2030-2034	3,883	21,211	25,094
2035-2039	1,815	20,459	22,274
2040-2044	2,073	20,000	22,073
2045-2049	2,661	19,412	22,073
2050-2054	3,414	18,659	22,073
2055-2059	4,381	17,692	22,073
2060-2064	5,623	16,450	22,073
2065-2069	7,216	14,857	22,073
2070-2074	9,262	12,811	22,073
2075-2079	11,885	10,187	22,072
2080-2084	15,253	6,819	22,072
2085-2089	19,206	2,497	21,703
	<u>\$ 99,236</u>	<u>\$ 204,046</u>	<u>\$ 303,282</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

As discussed in Note 2(k)(ii); the Hospital is a lessor for various noncancellable leases of buildings (In thousands):

(d) Lessor

Year:	<u>Future Inflows</u>	<u>Interest</u>	<u>Total Payment</u>
2025	\$ 652	\$ 2,083	\$ 2,735
2026	652	2,079	2,731
2027	652	2,074	2,726
2028	652	2,070	2,722
2029	652	2,065	2,717
2030–2034	3,258	10,242	13,500
2035–2039	3,258	10,077	13,335
2040–2044	3,258	9,863	13,121
2045–2049	3,258	9,589	12,847
2050–2054	3,258	9,237	12,495
2055-2059	3,258	8,785	12,043
2060-2064	3,258	8,206	11,464
2065-2069	3,258	7,462	10,720
2070-2074	3,258	6,507	9,765
2075-2079	3,258	5,283	8,541
2080-2084	3,258	3,710	6,968
2085-2089	2,608	1,743	4,351
	<u>\$ 41,706</u>	<u>\$ 101,075</u>	<u>\$ 142,781</u>

NOTE 8 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS

The Hospital entered into various SBITA agreements for the rights to uses various software under noncancelable agreements. Existing agreements have terms through 2026 and are included in other assets and other liabilities in the statements of net position.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

(a) Subscription Assets

The activity in the Hospital's SBITA assets and related accumulated amortization accounts for the fiscal years ended June 30, 2024 and 2023 is set forth (in thousands):

	June 30, 2023	Additions	Modifications and Renewals	June 30, 2024
SBITA assets:				
Software	\$ 9,935	\$ 946	\$ -	\$ 10,881
SBITA accumulated amortization:				
Software	4,236	2,299	-	6,535
Total SBITA asset, net	\$ 5,699	\$ (1,353)	\$ -	\$ 4,346

	June 30, 2022	Additions	Modifications and Renewals	June 30, 2023
SBITA assets:				
Software	\$ 9,042	\$ 893	\$ -	\$ 9,935
SBITA accumulated amortization:				
Software	1,963	2,273	-	4,236
Total SBITA asset, net	\$ 7,079	\$ (1,380)	\$ -	\$ 5,699

(b) SBITA Liabilities

SBIT liability activity for the years ended June 30 was as follows (in thousands):

	Beginning balance	Additions/adj	Reductions	Ending balance	Amounts due within one year
Fiscal year ended:					
June 30, 2024	\$ 5,959	\$ 1,352	\$ (2,696)	\$ 4,615	\$ 2,772
June 30, 2023	7,251	893	(2,185)	5,959	2,532

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

c) SBITA Maturities

The following schedule shows future SBITA payments, for both principal and interest, for the next five years, as of June 30, 2024 (in thousands):

Year:	Principal	Interest	Total payment
2025	\$ 2,694	\$ 78	\$ 2,772
2026	1,921	34	1,955
	\$ 4,615	\$ 112	\$ 4,727

NOTE 9 - RESTRICTED INVESTMENTS

Restricted investments consist of the following as of June 30 (in thousands):

	2024	2023
Under bond resolutions:		
Capital reserve funds (a)	\$ 45,052	\$ 42,987
Debt service reserve funds (a)	17,667	17,613
Debt service funds (a)	14,207	12,790
	76,926	73,390
Other investments (b)	1,825	759
Less current portion of restricted investments	(12,508)	(11,669)
	\$ 66,243	\$ 62,480

- (a) Restricted investments under the terms of the bond resolutions (Note 10) are to provide for debt service requirements and the acquisition of capital assets. Terms of the bond resolutions provide that assets be maintained in separate funds held by the trustee, TD Bank, National Association. The restricted investments are held in money market funds and are classified as Level 1 in the fair value hierarchy.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024 and 2023, the Hospital's money market funds were rated Aaa by Moody's.

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the Hospital will not be able to recover the value of the investments that are in possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. Money market funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

- (b) Other investments are held by BHCC within a portfolio with TD Bank, National Association and are reported at fair value. The portfolio consists of corporate bonds and money market mutual funds. The investments are classified as both current and noncurrent based upon years to maturity for corporate

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

bonds. Money market funds are classified as current. At June 30, 2024, Money Market Mutual Funds of \$0.1 million and stocks of \$0.5 million, respectively are classified as Level 1 whereas Corporate bonds of \$1.2 million is classified as Level 2 in the fair value hierarchy. At June 30, 2023, Corporate bonds of \$0.6 million are classified as Level 2 in the fair value hierarchy and money market funds are classified as Level 1 in the fair value hierarchy.

NOTE 10 - LONG-TERM DEBT OBLIGATIONS

Long-term debt consists of the following as of June 30 (in thousands):

	2024	2023
Bonds payable:		
New Jersey Health Care Facilities Financing Authority (NJHCFFA) Revenue and Refunding Bonds, Series 2015A, bearing interest at fixed rates to be paid semi-annually; with principal payments to be paid annually through 2047 (a)	\$ 238,620	\$ 244,341
NJHCFFA Series 2015A net premium and amortized over the 30 year life of the bond (a)	9,381	10,099
New Jersey Energy Resiliency Bank loan (b)	11,175	10,984
PSE&G loan (b)	1,250	1,400
NJ Infrastructure Bank, Series 2022A-2 (IBank) (b)	3,254	3,300
NJ Infrastructure Bank, Series 2022A-2 (IBank) premium (b)	3,218	453
NJ Infrastructure Bank, Series 2022A-2 (Fund) (b)	413	3,635
New Jersey Housing and Mortgage Financing Agency (c)	3,000	3,000
Total debt	270,311	277,212
Less current installments	7,337	6,246
Long-term portion of debt	\$ 262,974	\$ 270,966

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Long-term debt activity for the years ended June 30 was as follows (in thousands):

	June 30, 2023		Additions		Reductions	June 30, 2024		Amounts due Within One Year
	Balance					Balance		
Long-term debt:								
NJHCFFA 2015A	\$ 254,440	\$	-	\$	(6,439)	\$ 248,001	\$	6,005
Energy Resiliency Bank	10,984		349		(158)	11,175		491
PSE&G	1,400		-		(150)	1,250		150
NJ Infrastructure Bank Series 2022A-2 (Ibank)	3,753		-		(122)	3,631		300
NJ Infrastructure Bank Series 2022A-2 (Fund)	3,635		-		(381)	3,254		391
NJ Housing and Mortgage Financing Agency	3,000		-		-	3,000		-
Net long term debt	<u>\$ 277,212</u>	<u>\$</u>	<u>349</u>	<u>\$</u>	<u>(7,250)</u>	<u>\$ 270,311</u>	<u>\$</u>	<u>7,337</u>

	June 30, 2022		Additions		Reductions	June 30, 2023		Amounts due Within One Year
	Balance					Balance		
Long-term debt:								
NJHCFFA 2015A	\$ 260,620	\$	-	\$	(6,180)	\$ 254,440	\$	5,720
Energy Resiliency Bank	10,235		749		-	10,984		-
PSE&G	1,500		-		(100)	1,400		150
Infrastructure Bank note	7,104		-		(7,104)	-		-
NJ Infrastructure Bank Series 2022A-2 (Ibank)	-		3,753		-	3,753		-
NJ Infrastructure Bank Series 2022A-2 (Fund)	-		3,635		-	3,635		376
NJ Housing and Mortgage Financing Agency	3,000		-		-	3,000		-
Net long term debt	<u>\$ 282,459</u>	<u>\$</u>	<u>8,137</u>	<u>\$</u>	<u>(13,384)</u>	<u>\$ 277,212</u>	<u>\$</u>	<u>6,246</u>

On December 22, 2015, the Hospital issued \$255 million of New Jersey Healthcare Facilities Financing Authority Series (NJHCFFA or the Authority) 2015A Bonds (2015A Bonds). Total proceeds from the sale were \$295.8 million and included a net premium of \$15.8 million, as well as \$25.0 million from trustee-held debt service and reserve funds. Proceeds from the sale were used for the purpose of: (i) the defeasance of \$150 million of NJHCFFA Bond Anticipation Notes debt; (ii) funding current debt service reserve requirements of \$17.3 million; (iii) funding capital projects of \$102.8 million, including information services and technology capital, heating, ventilation, and air conditioning improvements, operating room renovations, Cancer Center expansion, and routine and emergency capital needs; (iv) funding bond insurance costs of \$17.6 million; (v) and paying bond issuance costs of \$2.7 million. The 2015A Bonds were placed by and between the Authority and TD Bank, National Association, as Trustee. The Hospital entered into a Loan Agreement (the Loan Agreement) with the Authority relating to the Series 2015A bond. A security feature for this obligation is provided by a lock box arrangement with the Trustee, TD Bank, N.A. Debt service requirements are funded by unrestricted state appropriations, including state charity pools, Delivery System Reform Incentive Payments, Graduate Medical Education (GME), and individual state supplemental appropriations that flow through the lock box. Any excess funds are released to the Hospital for operations. Under the Loan Agreement, the Hospital is required to maintain certain covenants.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Principal payments on the bonds are due annually through 2047. Interest is paid semiannually on July 1 and January 1 at fixed interest rates and are as follows: (i) \$65.3 million in serial bonds at 5.000%; (ii) \$78.2 million in term bonds at 4.125%; and (iii) \$111.5 million in term bonds at 5.000%.

To secure its payment obligation, the Hospital has granted the Trustee a security interest in the gross revenues of the Hospital.

The Loan Agreement contains provisions that in an event of default, the Trustee or the Authority may, and upon the written notice to the Hospital, declare the principal, together with the interest accrued thereon, of all of the outstanding Series 2015A Bonds to be due and payable immediately.

The following table summarizes debt service requirements for 2015A Bonds as of June 30, (in thousands):

	Principal	Interest	Total Payment
2025	\$ 6,005	\$ 11,097	\$ 17,102
2026	6,305	10,789	17,094
2027	6,620	10,466	17,086
2028	6,950	10,127	17,077
2029	7,300	9,770	17,070
2030–2034	42,130	43,199	85,329
2035–2039	51,805	33,391	85,196
2040–2044	64,520	20,126	84,646
2045–2047	46,985	3,187	50,172
	<u>\$ 238,620</u>	<u>\$ 152,152</u>	<u>\$ 390,772</u>

On December 4, 2019, the Hospital entered into a Sub-recipient New Jersey Energy Resiliency Bank (ERB) Funding Agreement with the New Jersey Economic Development Authority (the Authority). The Authority provided funding for the development of a new combined heat and power system on the campus of the Hospital. The project cost was \$46.1 million and consisted of a grant portion of \$26.1 million and loan proceeds of \$11.3 million. A loan of \$1.5 million was also recorded from PSE&G Energy Efficiency Program. Principal and interest on the ERB loan started on April 1, 2024, and are paid monthly at the rate of two percent (2%) per annum to fully amortize over twenty years. Payments are currently being made to PSEG.

In addition, In December 2022, the Infrastructure Bank issued \$86.5 million of its Environmental Infrastructure Bonds Series 2022A-2 (Green Bonds) to finance various improvements to wastewater treatment systems and drinking water systems of various municipalities, regional county, and municipal utilities and sewerage authorities and State Entities. Part of this issuance was to refund the Hospital's short-term construction loan of \$7.4 million with the Infrastructure Bank. The Hospital entered into a Series 2022A-2 I-Bank (I-Bank) Loan Agreement and the Series 2022A-2 I-Bank Fund (Fund) Loan Agreement.

The agreement consisted of an I-Bank Bond of \$3.3 million and Fund bond of \$3.6 million to fund the Cogen project. Principal payments on the I-Bank bonds are due annually and principal payments on the Fund bonds are due semi-annually and both mature in August 2032. The I-Bank bonds are set at fixed interest rate of 5.00% and the Fund bonds are interest free. Interest on the I-Bank bonds is paid semiannually on August 1 and February 1.

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In March 2022, the Hospital entered into a loan agreement with New Jersey Housing and Mortgage Finance Agency (NJHMFA) for \$3.0 million. The Hospital submitted an application to the Hospital Partnership Subsidy Pilot Program which provides contributions to the housing and healthcare field. The funds the Hospital received were loaned to the West Market Owners LLC to finance the construction of George King Village Project. The loan is set to mature on July 1, 2059. Principal and interest is paid monthly over the life of the loan at the rate of 1 percent (1%) per annum commencing 24 months after the issuance of the certificate of occupancy for the clinical component of the project which occurred in July 2024. The loan agreement contains provisions that in an event of default, the NJHFMA may require the immediate repayment of the funds disbursed.

NOTE 11 - DUE TO RUTGERS UNIVERSITY

	2023			2024	
	Balance due		Hospital	Balance due	
	to Rutgers	Charges	Payments	to Rutgers	
Information technology services (a)	\$ 903	\$ 479	\$ -	\$ 1,382	
Contracted physicians (b)	22,470	76,086	76,607	21,949	
Contracted residents (c)	10,222	25,189	20,588	14,823	
Facilities service agreements (d)	3,462	11,295	12,464	2,293	
Other services (e)	<u>11,271</u>	<u>16,772</u>	<u>17,723</u>	<u>10,320</u>	
Total due Rutgers University	<u>\$ 48,328</u>	<u>\$ 129,821</u>	<u>\$ 127,382</u>	<u>\$ 50,767</u>	

	2022			2023	
	Balance due		Hospital	Balance due	
	to Rutgers	Charges	Payments	to Rutgers	
Information technology services (a)	\$ 424	\$ 479	\$ -	\$ 903	
Contracted physicians (b)	21,130	71,661	70,321	22,470	
Contracted residents (c)	11,270	23,301	24,349	10,222	
Facilities service agreements (d)	6,751	12,547	15,836	3,462	
Other services (e)	<u>21,418</u>	<u>12,948</u>	<u>23,095</u>	<u>11,271</u>	
Total due Rutgers University	<u>\$ 60,993</u>	<u>\$ 120,936</u>	<u>\$ 133,601</u>	<u>\$ 48,328</u>	

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The Hospital and Rutgers executed a Master Affiliation Agreement on July 1, 2013 (the effective date) in support of and connection with the New Jersey Medical and Health Sciences Education Restructuring Act, N.J.S.A. 18A:64M-1 (the Act). The Agreement acknowledged that the parties were entering into multiple agreements simultaneously all of which arose out of the Act. The Master Agreement is for a term of three years with provisions for successive three-year renewals. The agreements provide for services delivered by and between the parties and outline the compensation to be remunerated. Among these agreements are the following:

- (a) Information technology services are in support of the Hospital's clinical and business systems. The agreement includes licensing of some software, as well as system support.
- (b) The parties executed a clinical services agreement wherein Rutgers physicians were contracted to provide clinical and administrative services to the Hospital. The agreement is for two years and will expire in July 2024. The agreement calls for the parties to annually have a fair market value analysis prepared by an independent organization.
- (c) A Graduate Medical Education affiliation agreement was executed to govern the medical and dental activities of residents and non-Rutgers residents rendering medical and dental services at the Hospital and the compensation of such residents.
- (d) A continuing services agreement was executed that provided for a number of campus infrastructure needs, including energy and utilities, police and security, landscaping and grounds maintenance, as well as parking and snow removal. Rates are determined by an annual review by both parties for utilities and maintenance. Police and security are based upon usage with predetermined hourly rates.
- (e) A transition services agreement that provided for the temporary provision of "Other Services," between the parties. Among these services are included hazardous waste storage, medical license and radiation safety, engineering controls, financial administrative technical support, as well as a support in helping the Hospital achieve independence in these functions. The arrangements were for a period of 3 to 24 months and various extensions have been made on these arrangements. Amounts payable are for the most part based upon fixed predetermined rates.

The Hospital also has receivables due from Rutgers of \$9.2 million and \$3.3 million as of June 30, 2024 and 2023, respectively. These amounts primarily related to rent due from Rutgers and reimbursement for clinical staff salaries. The amounts are recorded in other current assets in the statements of net position.

NOTE 12 - EMPLOYEE BENEFITS

Retirement Plans

The Hospital has primarily two retirement plans available to its employees, the State of New Jersey Public Employees Retirement System, a defined-benefit plan, and the Alternate Benefit Program, a defined-contribution plan. Under these plans, participants make annual contributions, and the State of New Jersey (the State), in accordance with State statutes, makes employer contributions on behalf of the Hospital for these plans. The Hospital is charged for contributions on behalf of employees through a fringe benefits charge assessed by the State, which is included within fringe benefits expense in the accompanying statements of revenues, expenses, and changes in net position. Pension expense paid directly by the State of New Jersey for 2024 and 2023 aggregated \$66.3 million and \$58.9 million, respectively. Summary information regarding these plans is provided below.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Public Employees Retirement System (PERS)

Plan description - PERS is a cost-sharing multiple-employer defined-benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits. The payroll for the Hospital employees covered by PERS for the years ended June 30, 2024 and 2023 was \$171.1 million and \$164.9 million, respectively.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 with 25 years or more of service credit before age 62, and Tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions - Covered Hospital employees were required by PERS to contribute 6.92% to 7.5% of their annual base compensation for the pensionable maximum amount established for the five-membership tier during both fiscal years 2024 and 2023. The State's pension contribution is based on a statutory determined amount that includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The State made contributions in 2024 and 2023. The contribution requirements of the plan members and the Hospital are established and may be amended by the State.

Employees can also make voluntary contributions to two optional State of New Jersey tax-deferred investment plans, the Supplemental Annuity Collective Trust (SACT) and the Additional Contributions Tax Sheltered (ACTS) programs. Both plans are subject to limits within the Internal Revenue Code.

A publicly available Annual Comprehensive Financial Report of the State of New Jersey Division of Pensions and Benefits, which includes financial statements, required supplementary information, and detailed information about the PERS plan's fiduciary net position, can be obtained at www.state.nj.us/treasury/pensions/annrpts.shtml or by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The Hospital applies both GASB 68 and GASB 71 and records their net pension liability, deferred inflows and outflows of resources, and pension expense associated with the PERS plan. The PERS' net pension liability, deferred inflows and outflows of resources, and pension expense is calculated by an external actuary.

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June 30, 2024 and 2023

At June 30, 2024, the Hospital reported a liability of \$808.7 million, for its proportionate share of the PERS net pension liability. The total pension liability is based on measurement date as of June 30, 2023. The Hospital's proportion for the net pension liability was based on the Hospital's share of the actual contributions paid by the State to PERS relative to the total contributions of all participating state group employers for 2023, which was 3.600%.

At June 30, 2023, the Hospital reported a liability of \$739.7 million, for its proportionate share of the PERS net pension liability. The total pension liability is based on measurement date as of June 30, 2022. The Hospital's proportion for the net pension liability was based on the Hospital's share of the actual contributions paid by the State to PERS relative to the total contributions of all participating state group employers for 2022, which was 3.304%.

(a) Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023, and was determined using the following actuarial assumptions:

Inflation rate:		
Price	2.75 %	
Wage	3.25	
Salary increases	2.75 – 6.55%	based on years of service
Investment rate of return	7.00 %	

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022, and was determined using the following actuarial assumptions:

Inflation rate:		
Price	2.75 %	
Wage	3.25	
Salary increases	2.75-6.55%	based on years of service
Investment rate of return	7.00 %	

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

(i) Mortality Tables

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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June 30, 2024 and 2023

(b) Expected Rate of Return on Investments

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023 and 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 and 2020 are summarized in the following table:

<u>Asset class</u>	<u>2023 Target allocation</u>	<u>Long-term expected real rate of return</u>	<u>2022 Target allocation</u>	<u>Long-term expected real rate of return</u>
Risk mitigation strategies	3.00 %	6.21 %	3.00 %	4.91 %
Cash equivalents	2.00	3.31	4.00	1.75
U.S. Treasuries	4.00	3.31	4.00	1.75
Investment grade credit	7.00	5.19	7.00	3.38
High yield	4.50	6.97	4.00	4.95
Private credit	8.00	9.20	8.00	8.10
Real assets	3.00	8.40	3.00	7.60
Real estate	8.00	8.58	8.00	11.19
U.S. equity	28.00	8.98	27.00	8.12
Non-U.S. developed markets equity	12.75	9.22	13.50	8.38
Emerging market equity	5.50	11.13	5.50	10.33
Private equity	13.00	12.50	13.00	11.80
International Small Cap Equity	1.25	9.22	-	-

(c) Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023 and 2022.

For the June 30, 2023 and 2022 measurement date, the projection of cash flows used to determine the discount rate assume that the contribution from plan members will be made at the current member contribution rates and that contributions from employer and the nonemployers contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

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June 30, 2024 and 2023

The following presents the Hospital's proportionate share of the net pension liabilities, measured as of June 30, 2023 and 2022, calculated using the discount rate as disclosed above, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate (in millions):

	2023		
	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability	824.5	808.5	710.0

	2022		
	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability	844.0	739.7	651.1

(d) Collective Deferred Outflows of Resources and Deferred Inflows

Deferred Outflows of Resources from Pensions

	2024		2023	
	(In thousands)			
Differences between expected and actual experience	\$	17,930	\$	11,927
Changes of assumptions		820		1,105
Changes in proportion		120,537		123,737
Net difference between projected and actual investment earnings on pension plan investments		12,369		17,869
Contributions paid to the plan subsequent to measurement date		61,779		58,253
Total	\$	213,435	\$	212,891

Deferred Inflows of Resources from Pensions

	2024		2023	
	(In thousands)			
Differences between expected and actual experience	\$	2,407	\$	3,895
Changes of assumptions		23,212		54,149
Changes in proportion		4,892		7,189
Total	\$	30,511	\$	65,233

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June 30, 2024 and 2023

The deferred inflows and outflows of resources at June 30, 2024 will be recognized as pension expense as follows (in thousands):

	Amount
Years ended June 30:	
2025	\$ 41,868
2026	27,467
2027	34,615
2028	15,905
2029	1,290
	\$ 121,145

Annual Pension and Postemployment Benefits Other Than Pension Expense

The Hospital's annual pension expense was \$100.8 million for the fiscal year ended June 30, 2024 and approximately \$64.6 million for the year ended June 30, 2023.

Alternate Benefit Program (ABP)

Plan description - ABP is an employer, defined-contribution State retirement plan established as an alternative to PERS. The payroll for the Hospital's employees covered by ABP for the years ended June 30, 2024 and 2023 was \$63.9 million and \$65.8 million, respectively.

Professional and administrative staff, and certain other salaried employees hired prior to July 1, 2013 are eligible to participate in ABP. Employer (State) contributions vest on reaching one year of credited service. The program also provides long-term disability and life insurance benefits. Benefits are payable upon termination at the member's option unless the participant is reemployed in another institution that participates in ABP.

Contributions - The employee mandatory contribution rate for ABP is 5% of base salary and is matched by the State at 8% of base salary. Contributions can be invested with up to seven investment carriers available under the plan for fiscal year 2023. Additional voluntary contributions may be made on a tax-deferred basis, subject to limits within the Internal Revenue Code. Employer contributions were \$5.1 million in 2024 and 5.3 million in 2023 whereas employee contributions for the years ended June 30, 2024 and 2023 were \$3.3 million.

Deferred Compensation Plan

Hospital employees with membership in PERS or ABP are eligible to participate in the State of New Jersey's Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to elect pretax and/or after-tax Roth contributions to invest a portion of their base salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by Prudential Financial. The plan does not include any matching employer (State) contributions. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights, are held in trust by the State for the exclusive benefit of the participating employees and their beneficiaries.

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June 30, 2024 and 2023

Postemployment Benefits Other than Pensions

The Hospital's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan).

Plan description, including benefits provided - the Plan is a single-employer defined-benefit other postemployment benefit plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for stand-alone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: PERS, ABP, or the Police and Firemen's Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the Hospital's employees retain any and all rights to the health benefits in the Plan, even though the Hospital is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the Hospital; therefore, the Plan meets the definition of a special funding situation as defined in GASB 75.

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

The Plan is administered on a pay-as-you-go-basis. Accordingly, no assets are accumulated in a qualifying trust that meets the definition of a trust as per GASB 75.

Total OPEB liability and OPEB expense - as of June 30, 2024 and 2023, the State recorded a liability of \$584.1 million and \$576.9 million, respectively, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the Hospital (the Hospital's share). The Hospital's share was based on the ratio of its members to the total members of the Plan. At June 30, 2024 and 2023, the Hospital's share was 10.6% and 2.8% and 10.4% and 2.8% of the special funding situation and of the Plan, respectively.

For the years ended June 30, 2024 and 2023, the Hospital recognized OPEB (credit) expense of (\$23.4) million and (\$16.7) million, respectively. As the State is legally obligated for benefit payments on behalf of the Hospital, the Hospital recognized nonoperating income related to the support provided by the State of \$(23.4) million and (\$16.7) million for the years ended 2024 and 2023, respectively.

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Actuarial assumptions and other inputs - the State's liability associated with the Hospital at June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, which was rolled forward to the measurement date of June 30, 2023. The State's liability associated with the Hospital at June 30, 2023 was determined by an actuarial valuation as of June 30, 2022. The valuations used the following assumptions:

	2023	2022
Inflation	— %	— %
Discount rate	3.65	3.54
Salary increases:		
Through 2026	2.75–6.55%	2.75–6.55%
Thereafter	NA	NA

The discount rate is based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Salary increases depend on the pension plan a member is enrolled in. In addition, they are based on age or years of service.

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS/JRS), and "Safety" (PFRS/SPRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Future disability mortality was based on the Pub-2010 "Safety" (PFRS/SPRS), "Teachers" (TPAF/ABP), and "General" (PERS/JRS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Current disabled retiree mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Certain actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined-benefit plans, including PERS (July 1, 2018 through June 30, 2021) and ABP (using the experience of the Teacher's Pension and Annuity Fund — July 1, 2018 through June 30, 2021).

Certain actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined-benefit plans, including PERS (July 1, 2018 through June 30, 2021) and ABP (using the experience of the Teacher's Pension and Annuity Fund — July 1, 2018 through June 30, 2021).

Health Care Trend Assumptions - for pre-Medicare medical benefits, the trend is initially 6.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2024 through 2025 are reflected. For PPO, the trend is initially 7.50% in fiscal year 2025, increasing to 15.93% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO, the trend is initially 7.89% in fiscal year 2025, increasing to 17.83% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% and decreases to a 4.50% long-term trend rate after seven years.

Health Care Trend Assumptions - for pre-Medicare medical benefits, this amount initially is 6.25% for June 30, 2021 and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for the fiscal year 2023 and 2024 are

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reflected. For PPO, the trend is initially 6.36% in fiscal year 2025, increasing to 14.35% in fiscal year 2026 and decreases to 4.5% after eight years. For HMO, the trend is initially 6.53% in fiscal year 2025, increasing to 15.47% in fiscal year 2026 and decreases to 4.5% after eight years. For prescription drug benefits, the initial trend rate is 8.0% and decreases to 4.5% long-term trend rate after seven years.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

(a) Reimbursement

The Hospital derives significant third-party revenues from the Medicare and Medicaid programs. Medicare reimburses most inpatient acute services on a prospectively determined rate per discharge, based on diagnosis-related groups (DRGs) of illnesses, i.e., the Prospective Payment System (PPS). For outpatient services, Medicare payments are based on service groups called ambulatory payment classifications (APCs).

Medicare adjusts the reimbursement rates for capital, medical education, costs related to treating a disproportionate share of indigent patients, and some physician services are reimbursed on a cost basis. Due to these adjustments and other factors, final determination of the reimbursement settlement for a given year is not known until Medicare performs its annual audit. The Hospital's costs reports have been settled by the Medicare fiscal intermediary through June 30, 2019, the Hospital's Medicaid cost report have been audited and settled with the Medicaid fiscal intermediary through June 30, 2021.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per day/case and discounts from established charges.

Revenues received under the various reimbursement systems and agreements are subject to audit and adjustment. Accordingly, provisions for estimated adjustments resulting from audit, final settlement, and changes in estimates have been recorded. Differences between the provisions and the amounts settled are recorded in the year of settlement. The Hospital recognized an increase in net patient service revenue of \$5.2 million and \$4.8 million in 2024 and 2023, respectively, as a result of changes in estimated third-party settlements.

The Hospital is in varying stages of appeals relating to third-party payors' reimbursement rates. Management routinely provides for the effects of all determinable prior year appeals, settlements, and audit adjustments and records estimates based upon existing regulations, past experience, and discussions with third-party payors. However, since the ultimate outcomes for various appeals are not presently determinable, no provision has been made in the accompanying financial statements for such issues.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, Health Reform Law), which was signed into law on March 23, 2010, changed how healthcare services are covered, delivered, and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, reduction in Medicaid Disproportionate Share Hospital payments, overall reduction and significant redistribution of Medicare Disproportionate Share Hospital payments, and the establishment of programs in which reimbursement is tied to quality and integration. In addition, Health Reform Law reforms certain aspects of health insurance, expands existing efforts to tie Medicare and Medicaid payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement.

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June 30, 2024 and 2023

There are various proposals at the federal and state levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, or increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Laws and regulations governing Medicaid and Medicare are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital believes that it is in compliance with all applicable regulations and that any pending or possible investigations involving allegations of potential wrongdoing will not materially impact the accompanying financial statements. While certain regulatory inquiries have been made, compliance with the regulations can be subject to future government review and interpretation, as well as significant regulatory action, i.e., fines, penalties, and possible exclusion from Medicaid and Medicare, in the event of noncompliance. In accordance with recent trends in healthcare financial operations, the Hospital has established a Corporate Compliance Committee and appointed a Corporate Compliance Officer to monitor adherence to laws and regulations.

(b) Legal Matters

There are outstanding legal claims against the Hospital for alleged negligence, medical malpractice, and other torts, and for alleged breach of contract. Pursuant to the Agreement, the Hospital is indemnified by the State for such costs, which were \$327 thousand and \$201 thousand for 2024 and 2023, respectively. The Hospital records these costs when settled by the State as appropriations from the State and as supplies and other expenses in the accompanying financial statements. Accordingly, no provision has been made in the accompanying financial statements for unsettled claims, whether asserted or not.

(c) Accrued Claims Liability

The Hospital is self-insured for workers' compensation benefits. At June 30, 2024 and 2023, the accrual for estimated workers' compensation claims, based on an independent actuary's estimate, includes undiscounted estimates of ultimate costs for both reported claims and claims incurred but not reported of approximately \$21.8 million as of June 30, 2024 and \$22.8 million 2023, and is included in other current liabilities and other long-term liabilities in the accompanying statements of net position. In addition, the Hospital maintains an excess Workers' Compensation Policy with a commercial insurance company.

Activity in the liability for accrued claims liability, which includes workers' compensation claims, and included in supplies and other expenses, is summarized as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Balances at July 1	\$ 22,828	\$ 22,857
Claims incurred	4,300	4,400
Claims paid	(3,165)	(2,521)
Change in prior year estimate	(2,145)	(1,908)
Balances at June 30	<u>\$ 21,818</u>	<u>\$ 22,828</u>

The change in prior year estimate is generally the result of ongoing analysis of recent loss development trends.

University Hospital
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

(d) Rutgers University and the State

The Hospital entered into a master affiliation agreement, various real estate agreements, transition service agreement, continuing service agreement, and various operational agreements with Rutgers University and the State. The agreements include various real estate leases, information technology services, clinical services, research affiliation, medical education, and other services (Note 10).

NOTE 14 - SUBSEQUENT EVENT

Management evaluated all events and transactions that occurred after June 30, 2024 and through March 28, 2025.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

University Hospital
(A Component Unit of the State of New Jersey)

SCHEDULES OF THE HOSPITAL'S CONTRIBUTIONS (UNAUDITED)

For the ten years ended June 30, 2024
(Dollar amounts in thousands)

<u>Public Employee Retirement System (PERS)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 61,779	\$ 58,253	\$ 53,153	\$ 34,427	\$ 26,696	\$ 19,940	\$ 13,638	\$ 9,174	\$ 7,233	\$ 3,906
Contribution in relation to the contractually required contribution	(61,779)	(58,253)	(53,153)	(34,427)	(26,696)	(19,940)	(13,638)	(9,174)	(7,233)	(3,906)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 171,126	\$ 164,872	\$ 153,226	\$ 139,662	\$ 135,298	\$ 131,708	\$ 120,783	\$ 114,464	\$ 95,926	\$ 88,210
Contributions as a percentage of covered-employee payroll	36.10 %	35.33 %	34.69 %	24.65 %	19.73 %	15.14 %	11.29 %	8.01 %	7.54 %	4.43 %

Note: Contributed by the State of New Jersey

See accompanying Report of independent Certified Public Accountants.

Notes

- Information provided for required supplementary information will be provided for 10 years as the information becomes available in subsequent years.
- There were no significant changes in benefits for any of the actuarial valuations used to determine required contributions.
- There were no significant changes in assumptions except for the annual change in the discount rate and the change in the long-term rate of return as follows:

For 2023 through 2021, the discount rate remained at 7.00% and the municipal bond rate was not used. For 2020, the discount rate change to 7.00% and the municipal bond rate was not used. For 2019, the discount rate changed to 6.28% and the municipal bond rate changed to 3.50% from 3.87%. For 2018, the discount rate changed to 5.66% and the municipal bond rate changed to 3.87% from 3.58%. For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%.

University Hospital
(A Component Unit of the State of New Jersey)

SCHEDULES OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(UNAUDITED)

For the ten years ended June 30, 2024
(Dollar amounts in thousands)

<u>Public Employees Retirement System (PERS)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Hospital's proportion of the net pension liability	3.600 %	3.304 %	3.076 %	3.121 %	2.664 %	2.272 %	2.112 %	1.878 %	1.732 %	1.722 %
Hospital's proportionate share of the net pension liability	\$ 808,687	\$ 739,672	\$ 665,514	\$ 693,822	\$ 613,047	\$ 538,608	\$ 541,572	\$ 552,097	\$ 410,860	\$ 346,611
Hospital's covered-employee payroll	164,872	153,226	139,662	135,298	131,708	120,783	114,464	95,926	88,210	79,796
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	\$ 490.49 %	\$ 482.73 %	\$ 476.52 %	\$ 512.81 %	\$ 465.46 %	\$ 445.93 %	\$ 473.14 %	\$ 575.54 %	\$ 465.77 %	\$ 434.37 %
Plan fiduciary net position as a percentage of the total pension liability	48.45 %	46.41 %	51.52 %	41.76 %	42.04 %	40.40 %	36.78 %	31.20 %	38.21 %	42.74 %

See accompanying Report of independent Certified Public Accountants.

Notes

1. Information provided for required supplementary information will be provided for 10 years as the information becomes available in subsequent years.
2. There were no significant changes in benefits for any of the actuarial valuations used to determine required contributions.
3. There were no significant changes in assumptions except for the annual change in the discount rate and the change in the long-term rate of return as follows:

For 2023, the discount rate remained at 7.0% and the long-term rate of returned also remained at 7.00%. For 2021 and 2022, the discount rate remained at 7.00% and the long-term rate of returned remained at 7.00%. For 2020, the discount rate change to 7.00% from 6.28% and the long-term rate of returned remained at 7.00%. For 2019, the discount rate changed to 6.28% and the municipal bond rate changed to 3.50% from 3.87%. For 2018, the discount rate changed to 5.66% and the municipal bond rate changed to 3.87% from 3.58%. For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%.

University Hospital
(A Component Unit of the State of New Jersey)

**SCHEDULES OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE TOTAL OTHER
POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY (UNAUDITED)**

For the seven years ended June 30, 2024
(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018
Hospital's proportion of the collective total OPEB liability	—%	—%	—%	—%	—%	—%	—%
Hospital's proportionate share of the collective total OPEB liability	—	—	—	—	—	—	—
State of New Jersey's proportionate share of the collective total OPEB liability associated with the Hospital	\$ 584,057	\$ 576,909	\$ 641,908	\$ 709,864	\$ 443,668	\$ 559,176	\$ 618,890
Total proportionate share of the collective OPEB liability	\$ 584,057	\$ 576,909	\$ 641,908	\$ 709,864	\$ 443,668	\$ 559,176	\$ 618,890
Hospital's covered-employee payroll	\$ 262,844	\$ 250,941	\$ 239,267	\$ 232,583	\$ 228,465	\$ 226,743	\$ 193,087
Hospital's proportionate share of the collective total OPEB liability as a percentage of the Hospital's covered-employee payroll	—%	—%	—%	—%	—%	—%	—%

See accompanying Report of independent Certified Public Accountants.

Notes

1. Information provided for required supplementary information will be provided for 10 years as the information becomes available in subsequent years.
2. For the State Health Benefit State Retired Employees Plan, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.
3. There were no significant changes in assumptions except for the annual change in the discount rate as follows:

For 2023 the discount rate was changed to 3.65% from 3.54%. The mortality tables utilized Pub-2010 and Scale MP-2022. For 2022 the discount rate was changed to 3.54% from 2.16%. The mortality tables utilized Pub-2010 and Scale MP-2021. For 2021 the discount rate was changed to 2.16% from 2.21%. The mortality tables utilized Pub-2010 and Scale MP-2021. For 2020, the discount rate was change to 2.21% from 3.50%. The mortality tables utilized Pub-2010 and Scale MP-2020. For 2019, the discount rate was changed to 3.50% from 3.87%. The mortality tables utilized change from RP-2006 in 2018 to Pub-2010 in 2019. For 2018, the discount rate was changed to 3.87% from 3.58%.

OTHER INFORMATION (UNAUDITED)

UNIVERSITY HOSPITAL
(A Component Unit of the State of New Jersey)
COMBINING STATEMENTS OF NET POSITION
June 30, 2024 and 2023

The condensed combining statement of net position at June 30, 2024 is as follows (in thousands):

	UH	BHCC		
	June 30, 2024	December 31, 2023	Elimination	Total
Assets and deferred outflows of resources:				
Current assets	\$ 396,208	\$ 4,122	\$ (179)	\$ 400,151
Noncurrent assets	213,080	2,853	-	215,933
Capital assets, net	261,825	1,444	-	263,269
Deferred outflows of resources	<u>213,435</u>	<u>-</u>	<u>-</u>	<u>213,435</u>
Total assets and deferred outflows of resources	<u>\$ 1,084,548</u>	<u>\$ 8,419</u>	<u>\$ (179)</u>	<u>\$ 1,092,788</u>
Liabilities, deferred inflows of resources and net position:				
Current liabilities	\$ 206,653	\$ 1,885	\$ (179)	\$ 208,359
Long-term debt, net	262,974	-	-	262,974
Other long-term liabilities	921,376	1,724	-	923,100
Deferred inflows of resources	<u>71,585</u>	<u>-</u>	<u>-</u>	<u>71,585</u>
Total liabilities and deferred inflows of resources	<u>1,462,588</u>	<u>3,609</u>	<u>(179)</u>	<u>1,466,018</u>
Net position:				
Net investment in capital assets	114,413	3,352	-	117,765
Unrestricted	<u>(492,453)</u>	<u>1,458</u>	<u>-</u>	<u>(490,995)</u>
Total net position	<u>(378,040)</u>	<u>4,810</u>	<u>-</u>	<u>(373,230)</u>
Total liabilities and net position	<u>\$ 1,084,548</u>	<u>\$ 8,419</u>	<u>\$ (179)</u>	<u>\$ 1,092,788</u>

UNIVERSITY HOSPITAL
(A Component Unit of the State of New Jersey)

COMBINING STATEMENTS OF NET POSITION - CONTINUED

June 30, 2024 and 2023

The condensed combining statement of net position at June 30, 2023 is as follows (in thousands):

	UH June 30, 2023	BHCC December 31, 2022	Elimination	Total
Assets and deferred outflows of resources:				
Current assets	\$ 418,406	\$ 3,721	\$ (210)	\$ 421,917
Noncurrent assets	193,671	2,853	-	196,524
Capital assets, net	226,673	1,644	-	228,317
Deferred outflows of resources	212,891	-	-	212,891
Total assets and deferred outflows of resources	<u>\$ 1,051,641</u>	<u>\$ 8,218</u>	<u>\$ (210)</u>	<u>\$ 1,059,649</u>
Liabilities, deferred inflows of resources and net position:				
Current liabilities	\$ 200,265	\$ 1,968	\$ (210)	\$ 202,023
Long-term debt, net	270,966	-	-	270,966
Other long-term liabilities	839,700	1,993	-	841,693
Deferred inflows of resources	99,911	-	-	99,911
Total liabilities and deferred inflows of resources	1,410,842	3,961	(210)	1,414,593
Net position:				
Net investment in capital assets	73,135	3,921	-	77,056
Unrestricted	(432,336)	336	-	(432,000)
Total net position	<u>(359,201)</u>	<u>4,257</u>	<u>-</u>	<u>(354,944)</u>
Total liabilities and net position	<u>\$ 1,051,641</u>	<u>\$ 8,218</u>	<u>\$ (210)</u>	<u>\$ 1,059,649</u>

UNIVERSITY HOSPITAL
(A Component Unit of the State of New Jersey)

COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

June 30, 2024 and 2023

The condensed combining statement of revenues, expenses, and changes in net position at June 30, 2024 and 2023 is as follows (in thousands):

	BHCC			
	UH	December 31,		Total
	June 30, 2024	2023	Elimination	
Total operating revenues	\$ 797,120	\$ 13,256	\$ -	\$ 810,376
Total operating expenses	991,144	12,725	-	1,003,869
Operating loss	(194,024)	531	-	(193,493)
Nonoperating income (expenses)	183,990	106	-	184,096
Interest expense	(17,519)	(85)	-	(17,604)
Other changes in net position	8,715	-	-	8,715
(Decrease) increase in net position	(18,838)	552	-	(18,286)
Net position at beginning of year	(359,201)	4,257	-	(354,944)
Net position at end of year	\$ (378,039)	\$ 4,809	\$ -	\$ (373,230)

	BHCC			
	UH	December 31,		Total
	June 30, 2023	2022	Elimination	
Total operating revenues	\$ 746,651	\$ 10,892	\$ -	\$ 757,543
Total operating expenses	878,767	11,020	-	889,787
Operating loss	(132,116)	(128)	-	(132,244)
Nonoperating income (expenses)	176,181	(88)	-	176,093
Interest expense	(16,184)	(97)	-	(16,281)
Other changes in net position	4,580	-	-	4,580
Increase (decrease) in net position	32,461	(313)	-	32,148
Net position at beginning of year	(391,662)	4,570	-	(387,092)
Net position at end of year	\$ (359,201)	\$ 4,257	\$ -	\$ (354,944)

UNIVERSITY HOSPITAL
(A Component Unit of the State of New Jersey)

COMBINING STATEMENTS OF CASH FLOWS

June 30, 2024 and 2023

The condensed combining statement of cash flows for the year ended June 30, 2024 and 2023 is as follows (in thousands):

	UH		BHCC		Elimination	Total
	June 30, 2024		December 31, 2023			
	\$	(26,679)	\$	745		
Net cash provided by operating activities	\$	(26,679)	\$	745	-	\$ (25,934)
Net cash provided by noncapital financing activities		57,364		(21)	-	57,343
Net cash used in capital and related financing activities		(79,436)		(485)	-	(79,921)
Net cash provided by investing activities		8,353		(977)	-	7,376
Net decrease in cash		(40,398)		(738)	-	(41,136)
Cash at beginning of year		246,319		1,631	-	247,950
Cash at end of year	\$	<u>205,921</u>	\$	<u>893</u>	-	\$ <u>206,814</u>

	UH		BHCC		Elimination	Total
	June 30, 2023		December 31, 2022			
	\$	17,514	\$	764		
Net cash provided by operating activities	\$	17,514	\$	764	-	\$ 18,278
Net cash provided by noncapital financing activities		52,568		(14)	-	52,554
Net cash used in capital and related financing activities		(14,502)		(840)	-	(15,342)
Net cash provided by investing activities		3,922		6	-	3,928
Net increase (decrease) in cash		59,502		(84)	-	59,418
Cash at beginning of year		186,817		1,715	-	188,532
Cash at end of year	\$	<u>246,319</u>	\$	<u>1,631</u>	-	\$ <u>247,950</u>