

Parkview Health System, Inc. and Subsidiaries d/b/a Parkview Health

Consolidated Financial Report
and Supplementary Information
December 31, 2022

Contents

Independent auditor's report	1-2
<hr/>	
Consolidated financial statements	
Consolidated balance sheets	3-4
Consolidated statements of operations and changes in net assets	5-7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9-46
Supplementary information	
Details of consolidated balance sheets	47-50
Details of consolidated statements of operations and changes in net assets	51-52



RSM US LLP

Independent Auditor's Report

Board of Directors
Parkview Health System, Inc.

Opinion

We have audited the consolidated financial statements of Parkview Health System, Inc. and Subsidiaries d/b/a Parkview Health (PH or the Corporation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Parkview Health System, Inc. and Subsidiaries d/b/a Parkview Health as of December 31, 2022 and 2021, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The details of consolidated balance sheets and details of consolidated statements of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

Cleveland, Ohio
April 18, 2023

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Consolidated Balance Sheets
December 31, 2022 and 2021
(In Thousands)**

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 199,459	\$ 185,461
Short-term investments	19,932	50,035
Patient accounts receivable	356,019	359,510
Inventories	73,245	60,459
Prepaid expenses and other current assets	50,932	45,034
Estimated third-party payer settlements	-	54
Due from investment brokers	41,144	20,160
Total current assets	740,731	720,713
Assets limited as to use and investments:		
Investments - less short-term investments	1,664,320	1,961,738
Funds held by trustees	7,531	7,707
Other investments	3,524	4,200
	1,675,375	1,973,645
Property and equipment:		
Cost	2,435,270	2,294,907
Less accumulated depreciation and amortization	1,187,455	1,096,964
	1,247,815	1,197,943
Other assets:		
Finance lease right-of-use assets, net	15,469	20,832
Operating lease right-of-use assets, net	32,839	37,234
Interest rate swaps	-	2,643
Investments in joint ventures	5,360	6,016
Goodwill and intangible assets, net	104,894	104,514
Other assets	32,279	40,158
	190,841	211,397
Total assets	\$ 3,854,762	\$ 4,103,698

(Continued)

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Consolidated Balance Sheets
December 31, 2022 and 2021
(In Thousands)**

	2022	2021
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 200,491	\$ 166,243
Salaries, wages and related liabilities	192,670	195,705
Accrued interest	3,692	3,764
Estimated third-party payer settlements	55,842	110,642
Contract liability - Medicare Advance Payment Program	-	68,198
Borrowing under revolving line of credit	50,000	-
Current portion of long-term debt	31,568	27,471
Current portion of finance lease liabilities	4,991	6,187
Current portion of operating lease liabilities	6,794	8,055
Due to investment brokers	55,483	40,569
Total current liabilities	601,531	626,834
Noncurrent liabilities:		
Long-term debt, less current portion	707,976	735,646
Finance lease liabilities, less current portion	10,793	15,297
Operating lease liabilities, less current portion	27,280	30,154
Interest rate swaps	29,926	72,474
Accrued pension obligations	46,602	122,960
Other	30,637	35,650
	853,214	1,012,181
Net assets:		
Parkview Health System, Inc.	2,354,056	2,417,035
Noncontrolling interest in subsidiaries	32,832	33,278
Total net assets without donor restrictions	2,386,888	2,450,313
Net assets with donor restrictions	13,129	14,370
Total net assets	2,400,017	2,464,683
Total liabilities and net assets	\$ 3,854,762	\$ 4,103,698

See notes to consolidated financial statements.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Revenues:		
Patient care service revenue	\$ 2,457,046	\$ 2,363,114
Other revenue	<u>227,498</u>	<u>169,849</u>
	<u>2,684,544</u>	<u>2,532,963</u>
Expenses:		
Salaries and benefits	1,520,483	1,361,608
Supplies	491,962	443,934
Purchased services	189,351	161,806
Utilities, repairs and maintenance	79,084	75,449
Depreciation and amortization	123,693	124,055
Hospital assessment fee	93,433	90,371
Interest and financing costs	25,223	26,683
Other, net	<u>100,075</u>	<u>93,265</u>
	<u>2,623,304</u>	<u>2,377,171</u>
Operating income	<u>61,240</u>	<u>155,792</u>
Nonoperating income (expense):		
Interest, dividends and realized gains on sales of investments, net	28,875	113,133
Unrealized (losses) gains on investments, net	(244,992)	58,408
Unrealized gains on interest rate swaps, net	39,905	16,053
Net periodic benefit (expense) other than service cost	497	(1,521)
Other, net	<u>1,983</u>	<u>(1,322)</u>
	<u>(173,732)</u>	<u>184,751</u>
Excess (deficit) of expenses over revenues	(112,492)	340,543
Excess of revenues over expenses attributable to noncontrolling interest in subsidiaries	<u>28,639</u>	<u>31,625</u>
Excess (deficit) of expenses over revenues attributable to Parkview Health System, Inc.	<u>\$ (141,131)</u>	<u>\$ 308,918</u>

(Continued)

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations and Changes in Net Assets (Continued)
Year Ended December 31, 2022
(In Thousands)

	Year Ended December 31, 2022		
	Total	Controlling Interest	Noncontrolling Interest
Net assets without donor restrictions:			
Excess (deficit) of revenues over expenses	\$ (112,492)	\$ (141,131)	\$ 28,639
Distributions to noncontrolling interests	(29,085)	-	(29,085)
Pension-related changes other than net periodic pension cost	76,341	76,341	-
Other	591	591	-
Net assets released from restriction used for property and equipment	1,220	1,220	-
Decrease in net assets without donor restrictions	(63,425)	(62,979)	(446)
Net assets with donor restrictions:			
Contributions	748	748	-
Investment loss	(769)	(769)	-
Net assets released from restrictions	(1,220)	(1,220)	-
Decrease in net assets with donor restrictions	(1,241)	(1,241)	-
Decrease in net assets	(64,666)	(64,220)	(446)
Net assets:			
Beginning of year	2,464,683	2,431,405	33,278
End of year	\$ 2,400,017	\$ 2,367,185	\$ 32,832

(Continued)

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations and Changes in Net Assets (Continued)
Year Ended December 31, 2021
(In Thousands)

	Year Ended December 31, 2021		
	Total	Controlling Interest	Noncontrolling Interest
Net assets without donor restrictions:			
Excess of revenues over expenses	\$ 340,543	\$ 308,918	\$ 31,625
Distributions to noncontrolling interests	(35,829)	-	(35,829)
Pension-related changes other than net periodic pension cost	20,180	20,180	-
Net assets released from restriction used for property and equipment, and other	116	116	-
Increase (decrease) in net assets without donor restrictions	325,010	329,214	(4,204)
Net assets with donor restrictions:			
Contributions	1,544	1,544	-
Investment gain	714	714	-
Net assets released from restrictions	(1,360)	(1,360)	-
Increase in net assets with donor restrictions	898	898	-
Increase (decrease) in net assets	325,908	330,112	(4,204)
Net assets:			
Beginning of year	2,138,775	2,101,293	37,482
End of year	<u>\$ 2,464,683</u>	<u>\$ 2,431,405</u>	<u>\$ 33,278</u>

See notes to consolidated financial statements.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)**

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (64,666)	\$ 325,908
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	123,693	124,055
Contributions restricted for capital	(748)	(1,544)
Undistributed loss (gain) from alternative investments	17,813	(37,416)
Unrealized gain on interest rate swaps, net	(39,905)	(16,053)
Amortization of deferred financing costs and net premium	(2,314)	(2,965)
Gain on early refinancing of long-term debt	(232)	-
Gain on New Market Tax Credit unwind	(2,807)	-
(Gain) loss from disposal of property and equipment	(1,925)	1,337
Distributions to noncontrolling interests	29,085	35,829
Pension-related changes other than net periodic pension cost	(76,341)	(20,180)
Amortization of operating lease right-of-use assets	9,292	10,549
Cash paid for operating leases	(9,336)	(10,956)
Changes in operating assets and liabilities:		
Patient accounts receivable	3,491	(55,187)
Inventories	(12,786)	(6,995)
Prepaid expenses and other current assets	(5,898)	8
Trading securities, net	309,977	(542,713)
(Due to) due from investment brokers, net	(6,070)	74
Accounts payable, accrued expenses and other current liabilities	31,139	47,136
Estimated third-party payer settlements	(54,746)	50,234
Contract liability - Medicare Advance Payment Program	(68,198)	(47,201)
Other	(4,333)	2,639
Net cash provided by (used in) operating activities	174,185	(143,441)
Cash flows from investing activities:		
Property and equipment additions	(171,301)	(98,218)
Cash paid for business acquisitions	(3,000)	-
Proceeds from sale of property and equipment	10,499	3,921
Net cash used in investing activities	(163,802)	(94,297)
Cash flows from financing activities:		
Principal payments of long-term debt	(27,382)	(41,359)
Proceeds from issuance of long-term debt	65,531	-
Early retirement of long-term debt	(49,475)	-
Borrowing under revolving line of credit	50,000	-
Payments of finance lease obligations	(7,538)	(6,304)
Distributions to noncontrolling interests	(29,085)	(35,829)
Contributions restricted for capital	748	1,544
Other	250	339
Net cash provided by (used in) financing activities	3,049	(81,609)
Increase (decrease) in cash and cash equivalents and restricted cash	13,432	(319,347)
Cash and cash equivalents and restricted cash (See Note 2):		
Beginning of year	190,094	509,441
End of year	\$ 203,526	\$ 190,094
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 23,777	\$ 21,402
Cash paid for income taxes	\$ 621	\$ 772
Supplemental disclosures of noncash investing and financing activities:		
Assets acquired through finance leases	\$ 10,526	\$ 19,205
Purchases of property and equipment financed with payables	\$ 13,082	\$ 13,009
Assignment of note receivable	\$ 6,893	\$ -
Assignment of note payable	\$ 9,700	\$ -

See notes to consolidated financial statements.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 1. Organization

Nature of operations: Parkview Health System, Inc., d/b/a Parkview Health (PH or the Corporation), is an integrated health care system which provides services in northeast Indiana and northwest Ohio. PH's mission is to provide quality health care services to all who entrust their care to PH and to improve the health of the community. Services provided by PH include acute, nonacute, and tertiary care services on an inpatient, outpatient, and emergency basis; managed care contracting, health care diagnostics, and treatment services for individuals and families; home health care; and behavioral health care. The principal operating activities of PH are conducted by wholly owned or controlled affiliates and subsidiaries.

PH is the sole corporate member of Parkview Hospital, Inc. (PVH). PVH comprises one acute care hospital; a behavioral health hospital; and a flagship tertiary care center, Parkview Regional Medical Center. In total, PVH offers 975 beds in Fort Wayne, Indiana. PH is the majority owner (60%) of the Orthopaedic Hospital at Parkview North LLC (ORTHO), which is a for-profit joint venture hospital with a large orthopedic physician group. ORTHO operates the Orthopaedic Hospital, a 37-bed orthopedic specialty hospital, and an ambulatory surgical center. In addition, PH is the sole corporate member of Huntington Memorial Hospital, Inc.; Whitley Memorial Hospital, Inc.; Community Hospital of Noble County, Inc.; Community Hospital of LaGrange County, Inc.; Parkview Wabash Hospital, Inc.; and DeKalb Memorial Hospital, Inc., each of which operates an acute care community hospital and related facilities in the northeast region of Indiana. These hospitals are referred to collectively as the Hospital Affiliates. PH is the sole corporate member of Park Center, Inc, which is a Community Mental Health Center serving Allen, Adams and Wells Counties.

PH and PVH are the only members of Managed Care Services, LLC, which provides third-party administrative services to PH's employee health plan and acts as a preferred provider organization network of providers for self-funded employers.

Parkview Physicians Group (PPG), a division of PH, is a multidisciplinary group of employed physicians. PPG was developed to enhance the delivery of quality health care services in northeast Indiana and northwest Ohio. Disciplines represented in PPG include primary care, OB/GYN, orthopedics, colon and rectal surgery, cardiovascular surgery, general surgery, hospitalists/intensivists, podiatry, psychiatry, urology, cardiology, pulmonology and critical care, gastroenterology, rheumatology, and oncology.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 1. Organization (Continued)

The legal entity names, marketing brand names, and acronyms for each significant entity within PH are as follows:

	Marketing Brand (d/b/a) name	Acronym
Parkview Health System, Inc.	Parkview Health, including Parkview Physicians Group	PH and PPG
Parkview Hospital, Inc.	Parkview Regional Medical Center and Parkview Randallia Hospital	PVH
Orthopaedic Hospital at Parkview North, LLC	Parkview Ortho Hospital	ORTHO
Huntington Memorial Hospital, Inc.	Parkview Huntington Hospital	PHH
Whitley Memorial Hospital, Inc.	Parkview Whitley Hospital	PWH
Community Hospital of Noble County, Inc.	Parkview Noble Hospital	PNH
Community Hospital of LaGrange County, Inc.	Parkview LaGrange Hospital	PLH
Managed Care Services, LLC	Managed Care Services	MCS
Parkview Wabash Hospital, Inc.	Parkview Wabash Hospital	PWB
Parkview Foundation, Inc.	Parkview Hospital Foundation	PVHF
Whitley Memorial Hospital Foundation, Inc.	Parkview Whitley Hospital Foundation	PWHF
Community Hospital of Noble County Foundation, Inc.	Parkview Noble Foundation	PNHF
The Parkview Huntington Hospital Foundation, Inc.	Parkview Huntington Hospital Foundation	PHHF
Parkview Wabash Hospital Foundation, Inc.	Parkview Wabash Hospital Foundation	WBHF
Parkview Occupational Health Centers, Inc.	Parkview Occupational Health Centers	POH
Park Center, Inc.	Park Center, Inc.	PAR
DeKalb Memorial Hospital, Inc.	Parkview DeKalb Hospital	PDH
DeKalb Health Foundation, Inc.	Parkview DeKalb Hospital Foundation	DHFN

Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as net patient care service revenue. Other transactions are included in other revenue. Other revenue includes pharmacy sales, rentals of medical office buildings, investment income from affiliated foundations, and equity income of unconsolidated affiliates and joint ventures.

Acquisitions: In 2022, PH acquired two sports recreation LLC's for a total purchase price of \$3,000 and formed Excel Sports Group, LLC. There were no acquisitions during the year ended December 31, 2021.

Community benefits and charity care: The Corporation provides programs and services to address the needs of those in the communities it serves with limited financial resources, generally at no or low cost to those being served. Additional services are provided to beneficiaries of governmental programs (principally those relating to the Medicare and Medicaid programs) at substantial discounts from established rates and are considered part of the Corporation's benefit to the communities.

Assistance is also provided to patients and their families for the submission of forms for insurance, financial counseling, and application to the Medicare and Medicaid programs for health service coverage. The costs of providing these programs and services are included in expenses.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Patients who meet certain criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. Records are maintained to identify and monitor the level of charity care provided at the amount of standard charges foregone for services and supplies furnished.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 1. Organization (Continued)

The Corporation estimates the cost of charity by calculating a ratio of cost to gross charges and then multiplies this ratio by gross uncompensated charges associated with providing care to charity patients. The Corporation also offers a discount for all uninsured patients. Included in charity care is presumptive charity, where an automated algorithm identifies and writes off presumptive charity services based upon individual patients' historical propensity-to-pay factors. Also included in charity care are write offs of non-covered Medicaid and Health Indiana Plan (HIP) services. The cost of charity care provided in 2022 and 2021 approximates \$24,140 and \$26,308, respectively.

The Corporation, through PVH and all community hospitals, administers community benefit programs in communities served. Targeted funds for community benefit are controlled by the hospitals, and contributions made as a part of each hospital's community benefit program are under the direction of their respective Board of Directors. Each hospital has a long tradition of community involvement, and their community benefit programs reflect their commitment and support to the communities each serves.

The Corporation, through each of the hospitals, partners with local service organizations to develop initiatives aimed at improving the health of their communities. This has been achieved through collaborative efforts focusing on support for youth organizations, county councils on aging, emergency shelters, health fairs and screenings, awareness and prevention programs, and free health clinics. Subsidies are provided for individual county emergency medical services, nursing services and physicals in local schools, and athletic trainers at sporting events for both schools and at the local center for adults and children with disabilities.

Note 2. Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of PH and all majority-owned or majority-controlled subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. The equity method of accounting is used for investments in joint ventures, partnerships, and companies where ownership is 20% to 50% and PH has significant influence. For the years ended December 31, 2022 and 2021, PH's share of income recorded using the equity method approximated \$3,151, and \$982, respectively, and is recorded in other revenue in the consolidated statements of operations and changes in net assets.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents: Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts classified as short-term investments, assets limited as to use and investments, and funds held by trustees, are considered cash equivalents. The Corporation routinely invests in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risk include the Corporation's cash and cash equivalents. The Corporation places its cash and cash equivalents with institutions of high credit quality. However, at certain times, such cash and cash equivalents may be in excess of government-provided insurance limits.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 2. Significant Accounting Policies (Continued)

Patient accounts receivable, estimated third-party payer settlements, and patient care service revenue: Patient accounts receivable and patient care service revenue are reported at the estimated net realizable amounts due from patients, third-party payers (including insurers), and others for services rendered and include estimated retroactive revenue adjustments due to the settlement of audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are settled and are no longer subject to such audits, reviews, and investigations.

The Corporation grants credit to patients without requiring collateral or other security for the delivery of health care services. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g., Medicare, Medicaid, health maintenance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice.

Inventories: Inventories consist primarily of drugs and supplies, are stated at the lesser of cost or net realizable value, and are valued using the average cost method.

Investments: Investments in equity and debt securities are measured at fair value. Alternative investments, including amounts held in pension plan assets, are reported at net asset value (NAV) as a practical expedient as provided by the respective fund managers. Alternative investments can include limited partnership interests in hedge funds and private equity, commingled and real estate investment funds. Management has utilized the best available information for reported alternative investment values, which in some instances are valuations as of an interim date. There is uncertainty in such valuations, and the estimated fair values may differ from the values that would have been used had a market for the securities existed.

Investment income or loss (including realized gains and losses on the sale of investments, unrealized gains and losses on investments, and changes in the carrying value of hedge funds), with the exception of investment income or loss, as defined, related to the various PH foundations, is reported as other nonoperating income (expense) unless the income is restricted by donor. Investment income or loss apportioned to the foundations is reported in other revenue. The cost of securities sold is based on the specific-identification method.

Assets limited as to use and investments represent certain funds from operations and other sources. Funds are invested in accordance with Board-approved policies, which, among other matters, require diversification of the investment portfolio, establish credit risk parameters, and limit the investment in any single organization. Substantially all assets limited as to use and investments transactions are managed by professional investment managers and are held in custody at financial institutions.

Funds held by trustees include investments restricted for payment of malpractice and general liability losses and proceeds of debt issuances restricted for payment of construction costs. All debt securities held by trustees, as well as short-term investments, are classified as trading securities.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 2. Significant Accounting Policies (Continued)

The following table summarizes cash and cash equivalents and restricted cash as of December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 192,930	\$ 179,117
Restricted cash	6,529	6,344
Restricted cash included in assets limited as to use and investments	4,067	4,633
Total	<u>\$ 203,526</u>	<u>\$ 190,094</u>

Short-term investments are comprised of various funds including corporate bonds, asset backed securities, commercial mortgages, and U.S. Treasuries with weighted average maturity of the total portfolio less than 12 months that are used for short-term working cash management. Investment income or loss is reported as other nonoperating income (expense).

Investment securities purchased and sold are reported based on the trade date. Due to the period lag between the trade and settlement dates, PH reports receivables for securities sold but not settled and reports liabilities for securities purchased but not settled. These receivables from, and payables to, investment brokers are settled from within the investment portfolio. These receivables and payables are mostly due to a separate account with a high quality, short term fixed income bond strategy. The strategy is managed with an emphasis on preserving capital and maintaining a high degree of liquidity. In addition to buying and selling physical bonds in the portfolio, derivatives and forward settling trades are also utilized. These instruments are used to manage the portfolio's overall risk and not to obtain leverage. Unrealized gains or losses associated with derivative positions that are not marked to market via an exchange or similar clearinghouse are also collateralized in order to mitigate counterparty risk.

Property and equipment: Property and equipment are initially stated at cost or, if donated, at fair value on date of donation. Interest costs incurred as part of the related construction are capitalized during the period of construction. Depreciation is provided on a straight-line basis over the expected useful lives of the various classes of assets. Estimated useful lives range from 5 to 25 years for land improvements, 5 to 40 years for buildings, and 3 to 15 years for equipment.

The costs of obtaining or developing internal-use software, including external direct costs for materials and services and directly related payroll costs, are capitalized. Amortization begins when the internal-use software is ready for its intended use. The software costs are amortized over the estimated useful lives of the software. The estimated useful lives range from 3 to 7 years. Costs incurred during the preliminary project stage and post-implementation stage, as well as maintenance and training costs, are expensed as incurred.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 2. Significant Accounting Policies (Continued)

Leases: Leases at December 31, 2022 and 2021, are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842 - Leases. Under ASC Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (i.e., an identified asset) for a period of time in exchange for consideration. The Corporation's contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Corporation has the right to substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term. Leases are classified as either operating or financing. For operating leases, the Corporation has recognized a lease liability equal to the present value of the remaining lease payments, and a right of use asset equal to the lease liability, subject to certain adjustments. The discount rate used by the Corporation is the rate implicit in the lease, if that rate is readily determinable. If that rate is not readily determinable, the Corporation elected to make an accounting policy election to use the risk free rate as the discount rate.

The Corporation defines a short-term lease as any arrangement with a lease term of 12 months or less that does not include an option to purchase the underlying asset. The Corporation has made an accounting policy election not to recognize right of use assets and lease liabilities for short-term leases. As a result, short-term lease payments are recognized as expense on a straight-line basis over the lease term and variable lease payments in the period in which the obligation is incurred. The Corporation has lease arrangements with lease and non-lease components and has elected to account for them separately.

Goodwill: PH records goodwill arising from a business combination as the excess of purchase price over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. Management has determined that the Corporation is the reporting unit at which fair value is measured. PH annually reviews the carrying value of goodwill for impairment. In addition, a goodwill impairment assessment is performed if an event occurs or circumstances change that would make it more likely than not that the fair value of a reporting unit is below its carrying amount. If such circumstances suggest that the recorded amounts of goodwill cannot be recovered, the carrying value is reduced to fair value. If the carrying value of goodwill is impaired, a material charge may be incurred to results of operations. No goodwill impairment charge was required in 2022 or 2021.

Intangible assets: Costs allocated to customer relationships and other intangible assets as a result of a business combination are based on their fair value at the date of acquisition. The cost of intangible assets is amortized on a straight-line basis over the assets' estimated useful lives ranging from 3 to 20 years. Costs associated with the implementation of a cloud computing arrangement that is a service contract are capitalized and expensed over the life of the hosting agreement which is usually between 3 to 5 years. The amortization expense is reflected in the same consolidated financial statement lines as the expenses associated with the hosting element (service) fees of the arrangement. Intangible assets for cloud computing arrangements are recorded in prepaid expenses on the consolidated balance sheets.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 2. Significant Accounting Policies (Continued)

Impairment: Property and equipment and amortizable intangible assets are reviewed for impairment whenever conditions indicate that the carrying amount may not be recoverable. In evaluating the recoverability of long-lived assets, such assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. Such impairment tests compare estimated undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its fair value, and a corresponding loss is recorded. No impairment was recorded in 2022 or 2021.

Unamortized bonds issuance cost and bond discount or premium: Costs incurred in connection with the issuance of long-term debt and bond discounts or premiums are amortized. The amortization approximates the effective interest rate method. Amortization is included in interest expense in the consolidated statements of operations and changes in net assets (see Note 8).

Derivative financial instruments: As part of its debt management program, the Corporation has entered into several interest rate swap arrangements. Derivative instruments are recognized as either assets or liabilities in the consolidated balance sheets at fair value. The Corporation does not account for any of its interest rate swap agreements as hedges, and accordingly, changes in the fair value of interest rate swap agreements are recorded in the consolidated statements of operations and changes in net assets as nonoperating income (expense). Net settlement payments on interest rate swaps are included in interest and financing costs in the consolidated statements of operations and changes in net assets.

Employee retirement benefit plans: PH offers a defined contribution plan entitled the Retirement Savings Plan and one of the plan features is the Retirement Contribution Plan. PH's contributions to the Retirement Contribution Plan are based upon years of benefit service. Contributions are calculated as a percentage of eligible pay. The Retirement Contribution Plan is provided to all employees with a hire or rehire date of January 1, 2005, or after. Active employees at December 31, 2004, were provided a one-time choice to remain in PH's defined benefit plan or freeze their defined benefit plan benefits and move to the employer-funded Choice Contribution Retirement Plan which is a defined contribution plan. The Choice Contribution Plan is also a feature of the Retirement Savings Plan. Definitions of eligibility, pay and benefit service under the defined benefit plan are the same as the defined contribution plan.

In addition to participation in the defined contribution plan and/or defined benefit plan, eligible employees are provided a voluntary opportunity to participate in a 403(b) or a 401(k) plan based upon the tax status of the employing corporation. The 403(b) and the 401(k) plans have match provisions that are provided through the Retirement Savings Plans. Benefits for eligible employees are based on the employee's compensation.

Income taxes: The Internal Revenue Service has determined that the Corporation and certain affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code. Certain subsidiaries of the Corporation are taxable entities, the tax expense and liabilities of which are not material to the consolidated financial statements.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 2. Significant Accounting Policies (Continued)

The Corporation and its tax-exempt affiliated entities each file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health systems include such matters as the tax-exempt status of each entity, the continued tax-exempt status of bonds, the nature, characterization and taxability of joint venture income, and various positions relating to potential sources of unrelated business taxable income (reported on Form 990T). As of December 31, 2022 and 2021, there are no unrecognized tax benefits resulting from uncertain tax positions.

Forms 990 and 990T filed by the Corporation and its tax-exempt affiliated entities are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 and 990T filed by the Corporation and its tax-exempt affiliated entities are generally no longer subject to examination for the year 2018 and prior.

Performance indicator: Excess (deficit) of revenues over expenses as reflected in the accompanying consolidated statements of operations and changes in net assets includes operating income and nonoperating income and expenses. Donor restricted contributions, contributions of long-lived assets, pension-related changes other than net periodic pension cost, net assets released from restriction for acquisition of long-lived assets, and distributions to noncontrolling interests are excluded from excess (deficit) of revenues over expenses.

Operating and nonoperating income (expense): Activities directly associated with the furtherance of PH's mission are considered operating activities. Other activities that result in gains or losses peripheral to PH's primary mission are considered to be nonoperating. Nonoperating activities include interest, dividends, and realized gains/losses on sales of investments; unrealized gains/losses on investments; unrealized gains/losses on interest rate swaps; net periodic benefit (expense) other than service cost and other.

Net assets: The consolidated financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by donors as follows:

Net assets without donor restrictions: Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of business.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions. The Corporation's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 2. Significant Accounting Policies (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for the acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Corporation, unless the donor provides more specific directions about the period of its use. Net assets released from restriction are reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions and other revenue (if used for operating purposes) or other changes in net assets without donor restrictions (if used for the acquisition of long-lived assets).

Distributions to noncontrolling interests: Certain consolidated subsidiaries of PH have members who hold a noncontrolling ownership interest. Upon authorization of the Boards of those subsidiaries, cash available for distribution, or a portion thereof, arising from operations or other sources may be distributed to PH and the noncontrolling members ratably in accordance with the members' respective membership interests.

Recent accounting pronouncements adopted: In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The ASU simplifies the measurement of goodwill impairment by eliminating the requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. The adoption of this ASU in 2022 did not have a material impact on the Corporation's consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of operations and changes in net assets as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The adoption of this ASU in 2022 did not have a material impact on the Corporation's consolidated financial statements.

Reclassifications: Certain prior-year amounts have been reclassified to conform to the current-year presentation. Such reclassifications had no effect on previously reported excess of revenues over expenses or changes in net assets.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 3. Goodwill and Intangible Assets

The following table summarizes goodwill and other intangibles as of and for the years ended December 31, 2022 and 2021:

	2022	2021
Goodwill balance, beginning of year	\$ 101,329	\$ 102,170
Acquisitions (write-off)	2,334	(841)
Goodwill balance, end of year	<u>103,663</u>	<u>101,329</u>
Intangible assets, beginning of year	3,185	7,084
Acquisitions	-	-
Amortization	(1,954)	(3,899)
Intangible assets, net, end of year	<u>1,231</u>	<u>3,185</u>
Goodwill and intangible assets, net	<u>\$ 104,894</u>	<u>\$ 104,514</u>

Amortization expense of \$1,954 and \$3,899 was recognized in 2022 and 2021, respectively, and is included in depreciation and amortization expense in the consolidated statements of operations and changes in net assets. Estimated future amortization of intangible asset will amortize over the next five years.

Note 4. Assets Limited as to Use, Investments and Fair Value Measurement

ASC Topic 820, *Fair Value Measurement*, defines fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Certain of PH's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market funds, fixed income and equity instruments, and interest rate swap contracts. The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 4. Assets Limited as to Use, Investments and Fair Value Measurement (Continued)

Level 2: Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date.

The fair values of assets listed as Level 2 investments are determined with the assistance of the Corporation's custodian and are calculated from various observable inputs and other market data by a source contracted by the custodian. Funds not held by the custodian are reviewed by management for similarities with custodian-held assets and are assigned a comparable level. The fair values of the interest rate swap contracts are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations reflect a credit spread adjustment to the London Interbank Offered Rate (LIBOR) discount curve in order to reflect the credit value adjustment for nonperformance risk. The credit valuation adjustments for asset and liability position interest rate swap contracts are internally valued with the assistance of a third party using other comparably rated entities' bonds priced in the market. Depending on the significance of the credit spread adjustment to the overall fair value of the interest rate swap, the instrument is included in Level 2 or Level 3. As of December 31, 2021, the credit valuation adjustment was \$1,356 and is deemed by management to be insignificant relative to fair value on the same swaps.

Level 3: Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, management generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or in the aggregate, represent more than 5% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value based on assumptions about what market participants would use in pricing the asset or liability. PH transfers assets and liabilities in and/or out of Level 3 as significant inputs, including performance attributes, used for the fair value measurement become observable or unobservable. As of December 31, 2022, the credit valuation adjustment was \$1,577 which is over 5% of the fair value of the liabilities, which resulted in a change in classification from Level 2 as of December 31, 2021 to Level 3 as of December 31, 2022.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 4. Assets Limited as to Use, Investments and Fair Value Measurement (Continued)

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2022 and 2021:

	2022			
	Total	Level 1	Level 2	Level 3
Assets				
Short-term investments:				
U.S. government and agency obligations	\$ 2,052	\$ 2,052	\$ -	\$ -
Corporate bonds	10,444	-	10,444	-
Mortgage and asset-backed securities	6,904	-	6,904	-
Short-term investments at fair value:	19,400	\$ 2,052	\$ 17,348	\$ -
Cash equivalents	532			
Total short-term investments	\$ 19,932			
Investments:				
U.S. government and agency obligations	\$ 49,575	\$ 49,575	\$ -	\$ -
Foreign government and agency obligations	13,706	-	13,706	-
Municipal bonds	6,577	-	6,577	-
Corporate bonds	129,619	-	129,619	-
Commercial paper and certificates of deposit	10,192	-	10,192	-
Contracts and swaps	3,089	-	3,089	-
Mortgage and asset-backed securities	126,428	-	126,428	-
Domestic equities (includes preferred stock)	206,224	206,224	-	-
International equities	75,762	59,003	16,759	-
Mutual funds:				
Equity type	291,797	291,797	-	-
Balanced type	22	22	-	-
Fixed income type	150,964	38,167	112,797	-
Total investments at fair value	1,063,955	\$ 644,788	\$ 419,167	\$ -
Investments reported based on net asset value:				
Commingled funds	174,248			
Real estate investment trust	64,918			
Real estate investment fund	37,732			
Hedge funds	224,170			
Private equity	63,872			
Total investments reported at net asset value	564,940			
Cash equivalents	13,331			
Real estate held for investment	33,149			
Total investment assets	\$ 1,675,375			
Deferred compensation plan (included in other assets on the consolidated balance sheets):				
Assets - mutual funds	\$ 14,560	\$ 14,560	\$ -	\$ -
Assets - guaranteed income fund	1,322	-	-	1,322
	\$ 15,882	\$ 14,560	\$ -	\$ 1,322
Liabilities				
Interest rate swaps	\$ (29,926)	\$ -	\$ -	\$ (29,926)

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 4. Assets Limited as to Use, Investments and Fair Value Measurement (Continued)

	2021			
	Total	Level 1	Level 2	Level 3
Assets				
Short-term investments:				
U.S. government and agency obligations	\$ 4,119	\$ 4,119	\$ -	\$ -
Corporate bonds	24,706	-	24,706	-
Mortgage and asset-backed securities	20,336	-	20,336	-
Short-term investments at fair value:	49,161	\$ 4,119	\$ 45,042	\$ -
Cash equivalents	874			
Total short-term investments	<u>\$ 50,035</u>			
Investments:				
U.S. government and agency obligations	\$ 157,576	\$ 157,576	\$ -	\$ -
Municipal bonds	6,534	-	6,534	-
Corporate bonds	155,957	-	155,957	-
Commercial paper and certificates of deposit	253	-	253	-
Contracts and swaps	1,812	-	-	1,812
Mortgage and asset-backed securities	100,250	-	100,250	-
Domestic equities (includes preferred stock)	307,248	283,832	23,416	-
International equities	81,411	81,411	-	-
Mutual funds:				
Equity type	411,997	411,997	-	-
Balanced type	25	25	-	-
Fixed income type	158,710	43,393	115,317	-
Total investments at fair value	1,381,773	\$ 978,234	\$ 401,727	\$ 1,812
Investments reported based on net asset value:				
Commingled funds	190,188			
Real estate investment trust	60,303			
Real estate investment fund	24,370			
Hedge funds	243,832			
Private equity	41,620			
Total investments reported at net asset value	<u>560,313</u>			
Cash equivalents	13,136			
Real estate held for investment	18,423			
Total investment assets	<u>\$ 1,973,645</u>			
Deferred compensation plan (included in other assets on the consolidated balance sheets):				
Assets - mutual funds	\$ 17,597	\$ 17,597	\$ -	\$ -
Assets - guaranteed income fund	1,033	-	-	1,033
Interest rate swaps	2,643	-	2,643	-
	<u>\$ 21,273</u>	<u>\$ 17,597</u>	<u>\$ 2,643</u>	<u>\$ 1,033</u>
Liabilities				
Interest rate swaps	\$ (72,474)	\$ -	\$ (72,474)	\$ -

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 4. Assets Limited as to Use, Investments and Fair Value Measurement (Continued)

International and domestic equity securities, including preferred stocks and equity mutual funds, expose PH to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both foreign and domestic. Performance risk is the risk associated with a particular company's operating performance. Liquidity risk, as previously defined, tends to be higher for international equities and small capitalization equity companies.

Fixed income securities expose PH to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed income securities is affected, particularly those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell given securities. These fixed income securities are largely invested in U.S. government and agency obligations, foreign government and agency obligations, municipal and corporate bonds, mortgage and asset-backed securities, contracts, commercial paper, certificates of deposit and mutual funds.

Limited partnership interests in hedge and private equity expose PH to market, performance, and liquidity risk. Hedge and private equity funds are not necessarily readily marketable. The funds often employ complex strategies, including short sales on securities and trading on futures contracts, options, foreign currency contracts, other derivative instruments, and private equity investments, and the composition of the individual investments within these funds is not readily determinable. These investments are not publicly traded, and the net asset value is based upon information provided by the fund manager. The hedge funds have restrictions on the timing of withdrawals ranging from one month to up to three years, which may reduce liquidity. The private equity funds have restrictions on the timing of withdrawals, generally ranging from five to ten years, which may reduce liquidity. There were approximately \$70,213 in commitments for the purchase of additional hedge and private equity funds as of December 31, 2022.

Real estate investments includes open-end core funds that invest in primarily office, retail, multifamily, and industrial sectors of the private real estate market. These may include participating mortgages and wholly owned real estate investments. The real estate investments are generally redeemable quarterly with a 90-day notice period. There were no commitments to purchase real estate as of December 31, 2022.

Commingled investments include funds invested in highly liquid asset categories such as Treasury Inflation-Protected Securities (TIPS) commodities and precious metals. Commingled funds are also used as a temporary investment of funds committed to alternative investments but not yet invested. As of December 31, 2022, there are no commitments for the purchase of additional commingled funds. Commingled funds have monthly liquidity and no lockup period.

PH holds real estate for investment purposes of \$33,149 and \$18,423 as of December 31, 2022 and 2021, respectively, which is accounted for at cost and assessed for impairment when indicators exist. The real estate is written down to fair value as estimated by third-party valuation experts when impairment exists with losses recorded in realized gains (losses) on investments in the consolidated statements of operations and changes in net assets. These investments present a concentration of risk, as they are held within the same geographic region, northeast Indiana.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 4. Assets Limited as to Use, Investments and Fair Value Measurement (Continued)

Composition: The composition of investment return recognized in the consolidated statements of operations and changes in net assets and its presentation are as follows:

	2022	2021
Investment return:		
Unrealized (loss) gain on investments, net	\$ (248,750)	\$ 59,529
Dividend and interest income	23,896	20,125
Net realized gains on the sale of investments	5,412	94,651
Total investment return	<u>\$ (219,442)</u>	<u>\$ 174,305</u>
Presentation:		
Other revenue	\$ (2,556)	\$ 2,050
Net assets with donor restrictions – investment (loss) gain	(769)	714
Interest, dividends, and realized gains on sales of investments, net	28,875	113,133
Unrealized (loss) gain on investments, net	(244,992)	58,408
Total investment return	<u>\$ (219,442)</u>	<u>\$ 174,305</u>

Note 5. Patient Care Service Revenue and Accounts Receivable

Patient care service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts, representing the transaction price, are due from patients, third-party payers (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the patients and third-party payers several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Substantially all of the Corporation's patient care service revenue relates to performance obligations satisfied over time and is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. For patients in the Corporation's hospitals receiving inpatient acute care services the Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. For most outpatient and physician services, the patient simultaneously receives and consumes the benefits of the services as the services are provided.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 5. Patient Care Service Revenue and Accounts Receivable (Continued)

The Corporation determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Corporation's policy, and/or implicit price concessions based on historical collection experience.

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicare: Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

Medicaid: Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Corporation. In addition, the contracts the Corporation has with commercial payers also provide for retroactive audit and review of claims.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care service revenue in the period of the change.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 5. Patient Care Service Revenue and Accounts Receivable (Continued)

Settlements with third-party payers for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer, and the Corporation's historical settlement activity, including an assessment to ensure it is probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Patients who meet the Corporation's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The following table shows the Corporation's estimated costs (based on selected operating expenses, which include salaries, wages and benefits, supplies and other operating expenses and which exclude the costs of the Corporation's health plan businesses) of caring for its self-pay patients and charity care patients in 2022 and 2021:

	2022	2021
Estimated costs for:		
Self-pay patients	\$ 26,360	\$ 21,482
Charity care patients	24,140	26,308
Total	<u>\$ 50,500</u>	<u>\$ 47,790</u>

For the years ended December 31, 2022 and 2021, changes in estimated transaction price for performance obligations satisfied in prior years related to Medicaid DSH and other supplemental revenues increased patient service revenue by \$24,314 and \$20,660, respectively.

For the years ended December 31, 2022 and 2021, changes in estimated transaction price for performance obligations satisfied in prior years related to various third-party insurance payors increased other revenue by approximately \$12,500 and \$11,500, respectively.

At December 31, 2022 and 2021, the Corporation had approximately \$45,893 and \$74,967 of payables recorded in estimated third-party payer settlements in the accompanying consolidated balance sheets related to Indiana's Hospital Assessment Fee (HAF) program, respectively. The inpatient HAF is based on inpatient days for the Corporation's hospital facilities, patient days subject to the HAF for all hospital systems in the State as a ratio of the total inpatient assessment. The outpatient HAF is based on total outpatient revenue, average inpatient charges per day and outpatient days in the State as a ratio of the total outpatient assessment.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 5. Patient Care Service Revenue and Accounts Receivable (Continued)

Medicare and Medicaid revenue accounted for approximately 45% and 44%, respectively, of patient service revenue for the years ended December 31, 2022 and 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The Corporation believes that it is in substantial compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of wrongdoing. While no such regulatory inquiries have been made, compliance with health care industry laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimated settlements could change. It is also reasonably possible that recorded settlements could change by a material amount in the near term. PH received Medicare and Medicaid settlements and resolutions on prior year filed and appealed cost reports and other matters, which increased patient care service revenue by \$3,774 and \$16,160 in 2022 and 2021, respectively.

The Corporation's principal hospital agreement with Anthem became effective on January 1, 2022. At December 31, 2022 and 2021, Anthem represented 20% of patient accounts receivable. For the years ending December 31, 2022 and 2021, Anthem represented 25% and 24%, respectively, of patient care service revenue.

Hospital revenue includes a variety of services mainly covering inpatient procedures requiring overnight stays or outpatient operations that require anesthesia or use of complex diagnostic and surgical equipment, as well as emergency care for traumas and other critical conditions. Physician revenue includes services primarily focused on the care of outpatients covering primary and specialty healthcare needs.

The composition of patient care service revenue based on the urban and rural areas the Corporation operates in, and its hospital and physician lines of business, for the years ended December 31, are as follows:

	2022		
	Urban	Rural	Total
Hospital patient care service revenue:			
Inpatient	\$ 846,215	\$ 69,968	\$ 916,183
Outpatient	1,014,202	219,926	1,234,128
Physician patient care service revenue	231,816	74,919	306,735
Total patient care service revenue	<u>\$ 2,092,233</u>	<u>\$ 364,813</u>	<u>\$ 2,457,046</u>
	2021		
	Urban	Rural	Total
Hospital patient care service revenue:			
Inpatient	\$ 762,995	\$ 77,630	\$ 840,625
Outpatient	1,006,755	217,438	1,224,193
Physician patient care service revenue	226,264	72,032	298,296
Total patient care service revenue	<u>\$ 1,996,014</u>	<u>\$ 367,100</u>	<u>\$ 2,363,114</u>

Components of patient accounts receivable, at December 31, 2022 and 2021, include Medicare, 25% and 25%, respectively; Medicaid, 12% and 10%, respectively; commercial insurers, 57% and 58%, respectively; and other, 6% and 7%, respectively.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 5. Patient Care Service Revenue and Accounts Receivable (Continued)

The Corporation's practice is to assign a patient to the primary payer and not reflect other uninsured balances (for example, copays and deductibles) as self-pay. Therefore, the payers listed above contain patient responsibility components, such as co-pays and deductibles.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Note 6. Liquidity and Availability

As of December 31, 2022 and 2021, the Corporation has a working capital surplus of \$153,539 and \$114,288 and average days cash on hand of 274 and 351, respectively. Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	2022	2021
Cash and cash equivalents	\$ 192,930	\$ 179,117
Short-term investments	19,932	50,035
Patient accounts receivable	356,019	359,510
Assets limited as to use and investments	1,522,332	1,852,547
	<u>\$ 2,091,213</u>	<u>\$ 2,441,209</u>

As part of the Corporation's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. At December 31, 2022 and 2021, the Corporation maintained two lines of credit totaling \$150,000 with the option to increase to a total of \$200,000. Amounts drawn at December 31, 2022 and 2021 were \$50,000 and \$0, respectively.

Note 7. Property and Equipment

The cost of property and equipment consist of the following:

	2022	2021
Land and improvements	\$ 171,241	\$ 164,363
Buildings	1,259,683	1,203,598
Equipment	909,851	849,970
Construction in progress and items not yet placed into service	94,495	76,976
	<u>\$ 2,435,270</u>	<u>\$ 2,294,907</u>

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 7. Property and Equipment (Continued)

The cost of commitments to complete construction-in-progress projects is estimated to be \$78,432 at December 31, 2022. Depreciation expense recorded in the consolidated statements of operations and changes in net assets was \$107,289 and \$107,705 in 2022 and 2021, respectively.

Amortization expense on leasehold improvements recorded in the consolidated statements of operations and changes in net assets was \$5,933 and \$6,150 in 2022 and 2021, respectively. Amortization expense on other intangibles recorded in the consolidated statements of operations and changes in net assets was \$1,954 and \$3,899 in 2022 and 2021, respectively.

Note 8. Long-Term Debt

Long-term debt consists principally of tax-exempt bonds as follows:

	Interest rate as of December 31, 2022	2022	2021
Tax-exempt, variable rate bonds:			
Series 2018C due through 2039	4.21%	\$ 29,595	\$ 30,660
Series 2016B due through 2046	4.07%	50,250	51,865
Series 2009BCD due through 2039	3.60%	221,705	221,705
Series 2007 due through 2032	3.67%	13,205	14,240
Tax-exempt, fixed rate serial and term bonds:			
Series 2022A due through 2029	1.36%	49,475	-
Series 2019A due through 2030	3.01%	15,040	16,860
Series 2018A due through 2048	4.19%	82,015	82,015
Series 2018B due through 2033	4.89%	33,035	33,035
Series 2017A due through 2030	2.30%	70,080	80,285
Series 2016A due through 2041	3.20%	21,235	22,035
Series 2012A (defeased in 2022)	n/a	-	56,915
Taxable, fixed rate serial and term bonds:			
Series 2020A due through 2050	3.48%	100,000	100,000
Various notes to banks	Various	42,721	47,060
Other	Various	7,473	-
		<u>735,829</u>	<u>756,675</u>
Unamortized original issue premium, net		7,324	10,319
Unamortized deferred financing costs, net		<u>(3,609)</u>	<u>(3,877)</u>
		739,544	763,117
Less current portion		31,568	27,471
		<u>\$ 707,976</u>	<u>\$ 735,646</u>

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 8. Long-Term Debt (Continued)

Following are the scheduled maturities and mandatory redemptions of long-term debt, assuming successful remarketing of variable rate bonds, and renewal of letter of credit agreements, as discussed below. If the variable rate bonds are not successfully remarketed and the letter of credit agreements are not renewed or drawn on, the annual maturities shown below may be materially different.

Year ending December 31:		
2023	\$	31,568
2024		32,539
2025		34,288
2026		32,439
2027		25,651
Thereafter		579,344
	\$	<u>735,829</u>

Total interest paid was \$23,777 and \$21,402 in 2022 and 2021, respectively. Interest cost of \$669 and \$42 in 2022 and 2021, respectively, was capitalized as part of the cost of construction.

Obligations through use of Master Indenture: PH and PVH have issued taxable and tax-exempt revenue, revenue refunding, private placement, auction revenue, and variable rate demand bonds through the use of a Master Indenture, as amended and supplemented. The various agreements require PH and PVH not to incur indebtedness secured by an encumbrance and not to mortgage certain facilities except under certain circumstances. The agreements require the maintenance of debt service coverage ratios and contain certain other restrictive covenants.

On May 1, 2022, PH completed the execution of a forward delivery, \$49,475 fixed rate, tax-exempt revenue bond (the Series 2022A Bonds) using the Master Indenture and through the Indiana Finance Authority as a private-placement bond. The proceeds of the bond were used to defease the outstanding Series 2012A Bonds. Interest on the Series 2022A Bonds is paid monthly. The Series 2022A Bonds mature through May 1, 2029.

On February 4, 2020, PH and PVH issued \$100,000 of fixed rate taxable corporate bonds (the Series 2020A Bonds) using the Master Indenture. The proceeds of the bonds and certain other funds will be used to finance construction, renovation, equipment and furnishings for the Parkview Kosciusko Hospital project and the Parkview Southwest project. Interest on the Series 2020A Bonds is paid semiannually. The Series 2020A Bonds mature through November 2050.

On April 24, 2019, PH issued a \$30,500 variable rate, taxable term loan using the Master Indenture. The proceeds of the term loan were used to refinance three medical office building loans on the PRMC campus as well as pay off the tax-exempt bond held by Park Center, Inc. Interest on the term loan is paid monthly. The term loan matures on November 1, 2033.

On February 1, 2019, PH completed the execution of the forward delivery of the November 1, 2018, issue. This was a \$22,120 fixed rate, tax-exempt revenue bond (the Series 2019A) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bond were used to defease the Series 2009A bonds. Interest on the Series 2019A Bonds is paid semiannually. The Series 2019A Bonds mature through November of 2030.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 8. Long-Term Debt (Continued)

On February 1, 2018, PH issued a \$16,200 variable rate, taxable term loan using the Master Indenture. The proceeds of the term loan and certain other funds were used to finance the purchase of an existing medical office building. Interest on the term loan is paid monthly. The term loan matures in February 2028.

On November 1, 2018, PH and PVH issued \$82,015 of fixed rate tax-exempt revenue bonds (the Series 2018A Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds and certain other funds were being used to finance construction, renovation, equipment and furnishings for the Inpatient Capacity project. Interest on the Series 2018A Bonds is paid semiannually. The Series 2018A Bonds mature through November 2048.

On November 1, 2018, PH and PVH issued \$33,035 of fixed rate taxable revenue bonds (the Series 2018B Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds and certain other funds were being used to finance construction, renovation, equipment and furnishings for the Inpatient Capacity project. Interest on the Series 2018B Bonds is paid semiannually. The Series 2018B Bonds mature through November 2033.

On November 1, 2018, PH issued \$32,710 of variable rate tax-exempt revenue bonds (the Series 2018C Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds were used to refund all of the outstanding Indiana Finance Authority Series 2016C Bonds and to finance construction, renovation, equipment and furnishings for various facilities. Interest on the Series 2018C Bonds is paid monthly. The bonds mature in November 2039, but contain a five-year mandatory put option that expires in November 2023. On November 17, 2022, a May 1, 2023, forward delivery was executed for refunding all of the outstanding Series 2018C Bonds with the proceeds of \$29,595 of fixed rate tax-exempt revenue bonds (Series 2023A Bonds) and other funds.

On August 10, 2017, PH and PVH issued \$110,630 of fixed rate tax-exempt revenue bonds (the Series 2017A Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds were used to legally defease all but \$26,650 of the Series 2009A Bonds and pay for financing costs. Interest on the Series 2017A Bonds is paid semiannually. The Series 2017A Bonds mature through November 2030.

On August 17, 2016, PWB issued \$25,000 of fixed rate tax-exempt private placement bonds (the Series 2016A Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds and certain other funds were used to finance construction and furnishings of the new Parkview Wabash Hospital facility. Interest on the Series 2016A Bonds is paid semiannually. The bonds mature in November 2041.

On August 17, 2016, PH issued variable rate, tax exempt private placement bonds (the Series 2016B Bonds) using the Master Indenture and through the Indiana Finance Authority. A total of \$58,000 is available under this facility. The proceeds of the bonds and certain other funds were used to finance construction and furnishings of the Parkview Cancer Institute on the PRMC campus. Interest on the Series 2016B Bonds is paid monthly. The bonds mature in November 2046, but contain a ten-year put option that expires in August 2026.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 8. Long-Term Debt (Continued)

In August 2009, PH and PVH issued \$265,530 of fixed rate, tax-exempt revenue bonds (the Series 2009A Bonds) and \$223,665 of variable rate, tax-exempt revenue bonds (the Series 2009B Bonds, the Series 2009C Bonds, and the Series 2009D Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds were used to refund all but \$19,425 of the outstanding Indiana Health Facility Financing Authority Revenue Bonds, Series 2001A, 2001B, and 2001C (collectively, the Series 2001 Bonds); refund all of the outstanding Indiana Health and Educational Facility Financing Authority Revenue Bonds, Series 2005A and 2005B (collectively, the Series 2005 Bonds); pay certain costs related to the termination of a portion of swaps related to the Series 2001 Bonds; pay costs of issuance and costs of refunding; and finance, refinance, or reimburse certain costs for capital expenditures at the PVH facilities. Interest on the Series 2009A Bonds is paid semiannually. The Series 2009C Bonds bear interest weekly, 2009BD Bonds bear interest daily, and interest is paid monthly for 2009BCD Bonds. The Series 2009A Bonds mature through May 2031. The Series 2009BCD Bonds mature through November 2039. On November 1, 2018, a February 1, 2019, forward delivery was executed for refunding of all the outstanding Series 2009A Bonds with the proceeds of \$22,120 of fixed rate tax exempt revenue bonds (Series 2019A Bonds) and other funds.

PH entered into four direct-pay Letter of Credit agreements (the LOCs) issued by PNC Bank (Series 2007 Bonds), Sumitomo Mitsui Banking Corporation (Series 2009C Bonds) and Wells Fargo Bank (Series 2009BD Bonds) to enhance the marketability of the bonds. Under the terms of the 2007 and 2009C LOCs, if the bonds are not successfully remarketed and thereby purchased by the banks, the principal maturities of the bonds purchased are accelerated over the subsequent three-year period commencing at least one year and one day from the draw on the LOC. Under the terms of the 2009B and 2009D LOCs, if the bonds are not successfully remarketed and thereby purchased by the bank, the principal maturities of the bonds purchased are accelerated over the subsequent three-year period from the draw on the LOC. PH would pay a defined rate, based on a formula in the agreements, at a minimum rate of 8%. The current Series 2007 LOC expires July 19, 2024; Series 2009B, and 2009D LOCs expired January 21, 2023; and the 2009C LOC expires on June 8, 2026. Subsequent to December 31, 2022, the 2009B and 2009D LOCs were renewed and are now set to expire on January 17, 2025. At December 31, 2022, all bonds had been successfully remarketed.

On March 15, 2007, PLH issued \$24,930 of adjustable rate, tax-exempt revenue bonds (the Series 2007 Bonds). These bonds were issued through the Indiana Health and Education Facility Financing Authority. The proceeds of the Series 2007 Bonds and certain other funds of PLH were used to finance the construction and furnishing of a new hospital facility and to pay financing costs. The Series 2007 Bonds bear interest at a weekly rate, and interest is paid monthly. The Series 2007 Bonds mature through March 2032.

NMTC financing: In December 2014, PH entered into a New Markets Tax Credit (NMTC) financing transaction to fund a portion of the construction of a new medical complex in Warsaw, Indiana. The new complex is reported as part of PWH. The NMTC structure includes PH, as a leveraged lender, and a tax credit investor formed for purposes of this transaction. As part of this structure, PH made a \$6,894 leveraged loan to an investment fund where, when coupled with a capital contribution from another party and after deducting certain fees, two loans were made to PWH for a combined \$9,700. The notes on these loans bear interest of 1% and mature in 2044. Interest-only payments are made during the first seven years of the notes. This transaction includes a put/call provision that becomes effective at the end of the seven-year compliance/recapture period by which the structure is unwound and all loans and obligations will be satisfied. In January 2022, the Corporation completed the unwinding of the NMTC project upon expiration of the seven-year compliance/recapture period and recognized a gain on the unwind of \$2,807 which is included in other revenue in the consolidated statement of operations and changes in net assets.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 8. Long-Term Debt (Continued)

Debt guarantees: At December 31, 2022 and 2021, the Corporation had guaranteed approximately \$1,237 and \$2,582, respectively, of certain outstanding debt obligations of unconsolidated entities. If the unconsolidated entities default on their debt obligations, the Corporation would then be responsible for the obligations, net of collateral. At December 31, 2022 and 2021, the Corporation has no amounts accrued related to these guarantees.

Obligated Group and Credit Group: The Obligated Group, as defined in the Amended and Restated Master Trust Indenture between Parkview Health System, Inc.; Parkview Hospital, Inc.; and certain other entities referred to herein as members of the Obligated Group and U.S. Bank Trust Company, National Association (successor to National City Bank of Indiana), as Master Trustee, dated as of November 1, 1998, consists of Parkview Health System, Inc.; Parkview Hospital, Inc.; and any other Obligated Group Affiliate that has fulfilled the requirements for entry into the Obligated Group. Parkview Hospital, Inc. includes Parkview Regional Medical Center and the accounts and activities of Parkview Hospital Randallia, Parkview Behavioral Health and Parkview Home Health and Hospice. Parkview Professional Programs, Inc. is a wholly owned subsidiary of Parkview Hospital, Inc. Included with Parkview Health System, Inc. are the entities of Parkview Physicians Group; Midwest Community Health Associates, Inc.; Parkview Care Partners LLC; Parkview Strategic Enterprises LLC.; Foundation Surgery Affiliates of Fort Wayne, LLC; and the joint venture of Orthopaedic Hospital at Parkview North, LLC and its wholly owned subsidiaries of Parkview Ortho Center, LLC.

On July 20, 2011, the Community Hospital of LaGrange County, Inc. became a designated affiliate of the Obligated Group. On August 17, 2016, Parkview Wabash Hospital, Inc. became a designated affiliate of the Obligated Group. The Credit Group for the year ended December 31, 2021, consists of the Obligated Group members (Parkview Health System, Inc. and Parkview Hospital, Inc.) and the designated affiliates (the Community Hospital of LaGrange County, Inc. and Parkview Wabash Hospital, Inc.).

Note 9. Revolving Credit Facilities

During the years ending December 31, 2022 and 2021, PH entered into multiple revolving credit facility agreements with multiple financial institutions in an aggregate principal amount totaling \$150,000 and \$150,000 (with the option to increase to total \$200,000), respectively. The revolving credit facility agreements bear interest at the Secured Overnight Financing Rate (SOFR) (4.3% at December 31, 2022). At December 31, 2021, the agreements bore interest at the 1-month LIBOR (.10% at December 31, 2021) plus a credit spread adjustment. The revolving credit agreements are secured by PH's Master Indenture. The 2022 revolving credit facility agreements mature between May 31 and June 5, 2023, unless extended by the banks pursuant to any modification, extension or renewal note executed by the Obligated Group. The 2021 revolving credit facility agreements matured between May 31 and June 7, 2022. At December 31, 2022, the total amount borrowed and outstanding on the revolving credit facility agreements was \$50,000. No amounts were borrowed or outstanding at December 31, 2021.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 10. Interest Rate Swaps and Other Derivatives

PH uses a combination of interest rate swap agreements with the objective to mitigate the impact interest rate fluctuations have on its interest payments. PH entered into rate-lock, fixed payor, fixed spread basis, and forward fixed payor contract arrangements with various third parties. Interest rate swap contracts between PH and a third party (counterparty) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate and include counterparty credit risk. This is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for PH's counterparties. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings. The interest rate swap contracts contain collateral provisions applicable to both parties to mitigate credit risk. PH does not anticipate nonperformance by its counterparties. The interest rate swap agreements require PH to post collateral if the liability balance, depending on the counterparty, is greater than \$15,000 to \$30,750. No collateral was required to be posted by PH at December 31, 2022 and 2021. PH's policy is to present the collateral on a gross basis in the consolidated balance sheets.

In 2021, PH elected the optional expedient for instruments accounted for as derivative instruments in accordance with FASB ASC 815-10, modified due to the adoption of ASU 2020-04, *Reference Rate Reform*. By applying the optional expedient, the modified instruments are accounted for and presented in the same manner as the instruments existing before the modification. Due to existing swap agreements utilizing LIBOR index rates, on November 4, 2021, PH submitted an adherence letter to the International Swaps and Derivatives Association, Inc. (ISDA) to confirm adherence to the IDSA 2020 IBOR fallbacks protocol as published by the ISDA on October 23, 2020.

The following table is a summary of the outstanding positions under these interest rate swap agreements at December 31:

Expiration Date	PH Pays	PH Receives	Notional Amount	
			2022	2021
2031	3.65% - 3.71% ⁽¹⁾	67.0% of one-month LIBOR	\$ 24,750	\$ 24,975
2028	3.26% ⁽¹⁾	62.4% of one-month LIBOR + 0.29% margin	39,265	45,005
2033	3.49% ⁽¹⁾	62.4% of ten-year LIBOR - 0.037% margin	85,700	88,700
2045	BMA/SIFMA Index ⁽³⁾	80% of one-month SOFR + 0.55%	120,000	-
2037	3.81% ⁽²⁾	61.8% of one-month LIBOR + 0.31% margin	144,185	144,340
2025	BMA/SIFMA Index ⁽³⁾	68% of ten-year LIBOR + 0.225%-0.232% margin	120,000	120,000
			<u>\$ 533,900</u>	<u>\$ 423,020</u>

⁽¹⁾ The objective of these four interest rate swaps is to mitigate interest rate fluctuations and synthetically fix certain variable rate exposure.

⁽²⁾ The objective of these two interest rate swaps is to mitigate interest rate fluctuations and synthetically fix certain variable rate exposure.

⁽³⁾ The objective of these three interest rate swaps is to take advantage of yield curve differences and mitigate risk on future bond offerings. These interest rate swaps are not associated with outstanding debt.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 10. Interest Rate Swaps and Other Derivatives (Continued)

The fair value of derivative instruments is as follows:

Derivatives not Designated as Hedging Instruments	Balance Sheet Classification	December 31,	
		2022	2021
Interest rate swap agreements	Interest rate swaps (Other assets)	\$ -	\$ 2,643
Interest rate swap agreements	Interest rate swaps (Noncurrent liabilities)	(29,926)	(72,474)
		<u>\$ (29,926)</u>	<u>\$ (69,831)</u>

The effects of derivative instruments on the consolidated statements of operations and changes in net assets are as follows:

Derivatives not Designated as Hedging Instruments	Location of Gain (Loss) on Derivatives Recognized in Excess (Deficit) of Revenue Over Expenses	Amount of Gain (Loss) on Derivatives Recognized in Excess (Deficit) of Revenue Over Expenses	
		December 31,	
		2022	2021
Interest rate swap agreements - unrealized gains	Unrealized gains on interest rate swaps, net	\$ 39,905	\$ 16,053
Interest rate swap agreements - settlement payments	Interest and financing costs	(5,351)	(8,206)
		<u>\$ 34,554</u>	<u>\$ 7,847</u>

Interest rate swap settlement payments, net were \$5,507 and \$8,220 in 2022 and 2021, respectively, of which \$156 and \$14 was capitalized as part of the cost of construction in 2022 and 2021, respectively.

Note 11. Pension Plans

Defined benefit pension plan: The Corporation sponsors a noncontributory defined benefit pension plan (the Plan) covering eligible employees employed prior to January 2005. Plan benefits are based on years of benefit service and an employee's compensation during a consecutive five-year term of employment within the 10 years prior to benefit determination. Participants who elected to continue participation in this plan after January 1, 2005, continue to accrue benefits. This plan is frozen to new participants after December 31, 2004.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 11. Pension Plans (Continued)

The following table sets forth the changes in projected benefit obligation and changes in Plan assets for the years ended December 31, and the funded status of the Plan and accrued pension obligation as of December 31, as actuarially determined:

	2022	2021
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year:	\$ 596,473	\$ 588,637
Service cost	8,180	8,093
Interest cost	17,307	15,766
Actuarial (gain) loss	(163,225)	5,945
Benefits paid	(23,361)	(21,968)
Projected benefit obligation at end of year	<u>435,374</u>	<u>596,473</u>
Change in Plan assets:		
Plan assets at fair value at beginning of year:	473,513	445,513
Actual return on plan assets	(69,080)	40,368
Employer contributions	7,700	9,600
Benefits paid	(23,361)	(21,968)
Plan assets at fair value at end of year	<u>388,772</u>	<u>473,513</u>
Funded status of the Plan (recognized as accrued pension obligations)	<u>\$ (46,602)</u>	<u>\$ (122,960)</u>

Items included in unrestricted net assets that have not yet been recognized as a component of net periodic pension cost at December 31, are as follows:

	2022	2021
Unrecognized net actuarial loss	\$ 91,324	\$ 167,665

Changes in Plan assets and benefit obligation recognized in unrestricted net assets during the years ended December 31 include the following:

	2022	2021
Current year actuarial gain	\$ 63,335	\$ 5,387
Current year amortization of actuarial loss	13,006	14,793
	<u>\$ 76,341</u>	<u>\$ 20,180</u>

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 11. Pension Plans (Continued)

The components of net periodic benefit cost for the years ended December 31 consist of the following:

	2022	2021
Service cost	\$ 8,180	\$ 8,093
Interest cost	17,307	15,766
Expected return on plan assets	(30,810)	(29,038)
Amortization of unrecognized net loss	13,006	14,793
Net periodic benefit cost	<u>\$ 7,683</u>	<u>\$ 9,614</u>

The service cost component is included in salaries and benefits expense and the nonservice cost components of net periodic benefit cost is reflected within the nonoperating section of the consolidated statement operations and changes in net assets.

The accumulated benefit obligation at December 31, 2022 and 2021, was \$413,805 and \$546,191, respectively.

The weighted-average assumptions used to determine benefit obligations at December 31 and net periodic benefit cost for the years then ended are as follows:

	2022	2021
Assumptions – benefit obligations:		
Discount rate	5.45%	2.96%
Rate of compensation increase	3.00% for 2022, then 3.00% after 2022	9.00% for 2021, 3.00% for 2022, then 3.00% after 2022
Assumptions – net periodic benefit cost:		
Discount rate	2.96%	2.73%
Expected return on plan assets	6.75%	6.75%
Rate of compensation increase	9.00% for 2021, 3.00% for 2022, and 3.00% for after 2022	1.00% for 2020, 2.50% for 2021 and 2022, and 3.00% after 2022

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Plan. The discount rate was changed from 2.96% to 5.45% for 2022. This change had the impact of decreasing the projected benefit obligation by approximately \$156,100.

The mortality tables used in 2021 and 2022 are taken from the Society of Actuaries' most recent study of mortality for private sector pension plans (Pri-2012) and reflects the most recently released mortality improvement scale (MP-2021). The actual mortality experience for the plan does not indicate a need to modify the assumption for COVID or other mortality experience.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 11. Pension Plans (Continued)

In 2022, the change in future salary assumptions had the impact of decreasing the projected benefit obligation by approximately \$9,000. Other sources of gain/loss such as plan experience, updated census data and minor adjustments to actuarial assumptions increased the projected benefit obligation by approximately \$4,000.

The principal long-term determinant of a portfolio's investment return is its asset allocation. The Plan's allocation is currently weighted toward growth assets (58%) versus fixed income (42%). In 2022, the Corporation modified the policy on investment allocation for the Plan. The policy now has a glidepath in place where portfolio allocation will be adjusted based on the funded status. Within the growth investment classification, the Plan's asset strategy encompasses equity and equity-like instruments that are public market investments. These equity and equity-like instruments are public equity securities that are well diversified and invested in U.S. and international companies. Management believes its active strategies have added value relative to passive benchmark returns. The expected long-term rate of return assumption is based on the mix of assets in the Plan, the long-term earnings expected to be associated with each asset class, and the additional return expected through active management. This assumption is periodically benchmarked against peer plans.

The Plan's asset allocations at December 31, by asset category, are as follows:

	2022	2021
Real estate investment trust	5 %	4 %
Real estate investment fund	3	2
Commingled funds	10	12
International equities	3	4
Domestic equities	18	22
Mortgage and asset backed securities	1	9
Corporate bonds	2	10
Municipal bonds	-	1
Mutual funds – equity	14	15
Mutual funds – bond	22	17
U.S. government and agency obligations	20	2
Cash and short-term investments	1	1
Guaranteed investment contract	1	1
	<u>100 %</u>	<u>100 %</u>

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 11. Pension Plans (Continued)

The fair value of pension plan assets was determined using the following inputs at December 31:

	Fair Value	2022		
		Level 1	Level 2	Level 3
International equity	\$ 12,683	\$ 12,320	\$ 363	\$ -
Domestic equity	73,287	68,734	4,553	-
Mortgage and asset backed securities	2,032	-	2,032	-
Corporate bonds	7,386	-	7,386	-
Contracts and swaps	314	-	-	314
Mutual funds - equity	56,348	56,348	-	-
Mutual funds - bond	86,756	7,691	79,065	-
U.S. government and agency obligations	78,512	78,512	-	-
Guaranteed investment contract	4,957	-	-	4,957
Total investments at fair value	322,275	\$ 223,605	\$ 93,399	\$ 5,271

Investments reported based on net asset value:

Real estate investment trust	20,832
Real estate investment fund	10,042
Commingled funds	42,026
Total investments reported at net asset value	72,900
Cash equivalents	5,520
Less pending trades	(11,923)
Total investment assets	\$ 388,772

	Fair Value	2021		
		Level 1	Level 2	Level 3
International equity	\$ 17,861	\$ 17,861	\$ -	\$ -
Domestic equity	106,653	99,188	7,465	-
Mortgage and asset backed securities	42,382	-	42,382	-
Municipal bonds	2,635	-	2,635	-
Corporate bonds	49,078	-	49,078	-
Mutual funds - equity	72,154	72,154	-	-
Mutual funds - bond	80,091	8,727	71,364	-
U.S. government and agency obligations	9,827	9,827	-	-
Guaranteed investment contract	4,282	-	-	4,282
Total investments at fair value	384,963	\$ 207,757	\$ 172,924	\$ 4,282

Investments reported based on net asset value:

Real estate investment trust	19,351
Real estate investment fund	11,630
Commingled funds	55,694
Total investments reported at net asset value	86,675
Cash equivalents	2,518
Less pending trades	(643)
Total investment assets	\$ 473,513

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 11. Pension Plans (Continued)

Fair value methodologies for Level 1 and Level 2 investments are consistent with the inputs described in Note 4. The fair value of the Level 3 interest in the guaranteed investment contract (GIC) is based on information reported by the issuer of the GIC at year-end.

Estimated future benefit payments are as follows:

Year ending December 31:		
2023	\$	25,019
2024		26,113
2025		27,222
2026		28,445
2027		29,495
2028 - 2032		156,642

The Corporation expects to make no contributions to its defined benefit pension plan in 2023.

Defined contribution and other pension plans: PH offers two noncontributory defined contributions plans. The Choice Contribution Retirement Plan provides a benefit for those participants in the defined benefit pension plan that elected to freeze their defined benefit pension plan benefits as of December 31, 2004, and participate in this plan beginning January 1, 2005. This plan is frozen to new participants after December 31, 2004. Eligible employees hired or rehired on January 1, 2005, and after, participate in the Retirement Contribution Plan. The accrued liability for the defined contribution pension plan is \$39,606 and \$34,498 at December 31, 2022 and 2021, respectively, and is recorded as a current liability on the consolidated balance sheets. During 2022 and 2021, expense for this plan totaled \$40,161 and \$34,468, respectively, and is included in salaries and benefits expense.

Employee contributions to the 403(b) and 401(k) plans are based on a percentage of eligible employee compensation, as defined by the employee. The contributions for the 403(b) and 401(k) plans were \$20,504 and \$18,300 in 2022 and 2021, respectively, and were reported as salaries and benefits expense.

Note 12. Malpractice Insurance

The Corporation and its affiliates are subject to pending and threatened legal actions that arise in the normal course of their activities. Medical malpractice coverage is provided through a program of self-insurance and commercial insurance and considers limitations imposed by the Indiana Medical Malpractice Act, as amended (the Act). The "Act" limits the amount of individual claims to \$1,250 (effective July 1, 1999 through June 30, 2017), of which \$1,000 would be paid by the State of Indiana Patient Compensation Fund (PCF) and \$250 by the Corporation or by its commercial insurer, The Medical Protective Company. Effective July 1, 2017, this limit increased to \$1,650, of which \$1,250 would be paid by the PCF and \$400 by the Corporation or its commercial insurer. Effective July 1, 2019, this limit increased to \$1,800, of which \$1,300 would be paid by the PCF and \$500 by the Corporation or its commercial insurer.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 12. Malpractice Insurance (Continued)

Malpractice claims for incidents that may give rise to litigation have been asserted against the Corporation by various claimants. The claims are in various stages of resolution, and some may ultimately be brought to trial. There are also reported incidents that have occurred through December 31, 2022, which may result in the assertion of additional claims. There may be other claims from unreported incidents arising from services provided to patients. The liability for medical malpractice includes amounts for claims and related legal expenses for these incurred but not reported incidents. This liability is actuarially determined by combining industry data and the Corporation's historical experience. Accrued malpractice losses and insurance recovery receivables have been discounted at 3.5% in 2022 and 2021, in management's opinion, provide adequate reserve for loss contingencies. The Corporation recorded receivable balances to reflect the expected recovery from commercial insurance coverage. The Corporation is reporting receivables of \$1,172 and \$1,516 in prepaid expenses and other current assets at December 31, 2022 and 2021, respectively, and \$2,076 and \$2,305 in other assets at December 31, 2022 and 2021, respectively. The Corporation has recorded malpractice liabilities of \$3,475 and \$3,392 in accounts payable and accrued expenses as of December 31, 2022 and 2021, respectively, and \$9,849 and \$9,396 at December 31, 2022 and 2021, respectively, in other liabilities in the consolidated balance sheets.

The Corporation established a revocable, restricted trust for claims not covered by commercial insurance for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreements, the trust assets can only be used for payment of malpractice and general liability losses, related expenses, and the cost of administering the trust. The balance of the trust was \$7,531 and \$7,707 at December 31, 2022 and 2021, respectively. The trust is included in Investments – Funds held by trustees in the consolidated balance sheets.

Note 13. Leases

The Corporation enters into contracts to lease real estate, equipment and vehicles. The Corporation's most significant lease liabilities relate to real estate leases that have initial contract lease terms ranging from 1 to 15 years. Certain leases include renewal, termination or purchase options that were not deemed reasonably assured of exercise under ASC 840. Under ASC Topic 842, the lease term at the lease commencement date is determined based on the non-cancellable period for which the Corporation has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option, periods covered by an option to terminate the lease if the Corporation is reasonably certain not to exercise that option, and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Corporation considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as length of time before option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to overall operations, costs to negotiate a new lease, and any contractual or economic penalties. Operating leases result in a straight-line lease expense, while finance leases result in a front-loaded expense pattern. The Corporation's lease agreements do not contain any residual value guarantees or restrictive covenants.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 13. Leases (Continued)

ASC Topic 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the discount rate. The Corporation reviewed the reassessment and re-measurement requirements and did not identify any events or conditions during the years ended December 31, 2022 and 2021, that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during the years ended December 31, 2022 and 2021, that required an impairment test for the Corporation's right-of-use assets or other long-lived assets in accordance with ASC 360-10.

The components of lease expense and supplemental cash flow information related to leases for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Operating lease cost	\$ 9,454	\$ 10,711
Finance lease cost - amortization of right-of-use assets	8,356	6,139
Finance lease cost - interest on lease liabilities	518	290
Total lease cost	<u>\$ 18,328</u>	<u>\$ 17,140</u>
	2022	2021
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	\$ 8,901	\$ 10,672
Operating cash outflows - payments on finance leases	435	284
Financing cash outflows - payments on finance leases	7,538	6,304
Right-of-use assets obtained in exchange for new lease obligations:		
Finance leases	\$ 10,526	\$ 19,205
Operating leases	2,425	691

The presentation of lease right-of-use assets and lease liabilities in the consolidated balance sheets as of December 31, 2022 and 2021, is as follows:

	2022	2021
Operating leases:		
Operating lease right-of-use assets, net	<u>\$ 32,839</u>	<u>\$ 37,234</u>
Current portion of operating lease liabilities	\$ 6,794	\$ 8,055
Long-term portion of operating lease liabilities	27,280	30,154
Total operating lease liabilities	<u>\$ 34,074</u>	<u>\$ 38,209</u>
Finance leases:		
Machinery and equipment	\$ 36,725	\$ 38,626
Accumulated depreciation	(21,256)	(17,794)
Finance lease right-of-use assets, net	<u>\$ 15,469</u>	<u>\$ 20,832</u>
Current portion of finance lease liabilities	\$ 4,991	\$ 6,187
Long-term portion of finance lease liabilities	10,793	15,297
Total finance lease liabilities	<u>\$ 15,784</u>	<u>\$ 21,484</u>

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Notes to Consolidated Financial Statements
(In Thousands)

Note 13. Leases (Continued)

Weighted-average remaining lease terms and discount rates as of December 31, 2022 and 2021 are as follows:

	2022	2021
Weighted-average remaining lease term:		
Operating leases	8.0 Years	7.2 Years
Finance leases	3.4 Years	4.5 Years
Weighted-average discount rate:		
Operating leases	2.92%	2.46%
Finance leases	2.13%	1.40%

Future maturities of lease liabilities as of December 31, 2022, are as follows:

	Operating Leases	Finance Leases
Year ending December 31,		
2023	\$ 7,776	\$ 5,321
2024	5,951	4,546
2025	4,616	3,637
2026	4,172	2,490
2027	2,994	512
Thereafter	12,892	-
Total lease payments	38,401	16,506
Less imputed interest	4,327	722
Total present value of lease liabilities	\$ 34,074	\$ 15,784

PVH owns the Ortho Hospital building and leases space to ORTHO under a non-cancelable operating lease that will expire in 2032. ORTHO owns the Parkview Surgery One building and leases it to Parkview Ortho Center LLC under a non-cancelable operating lease that expires in 2025, with renewal options to 2040 in 5-year increments. PH has 60% ownership of ORTHO, which owns the Parkview Ortho Center LLC. Rental revenue and expense associated with leases are eliminated in consolidation, and the related future minimum lease payments have been excluded from the above table.

Note 14. Functional Expenses

The cost of providing the Corporation's programs and other activities is summarized on a functional basis. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Each year the basis on which costs are allocated is evaluated.

Management, general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide for the overall support of the Corporation.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 14. Functional Expenses (Continued)

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Corporation generally does not conduct its fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred.

The Corporation, as an integrated health care delivery system, provides and manages the health care needs of its patients. Aggregate direct expenses for these services as a percentage of total expenses were approximately 91% and 92% for the years ended December 31, 2022 and 2021, respectively. A summary of expense by function for the years ended December 31 is as follows:

	2022							
	Health Care Services					Support Services		
	Acute	Ambulatory	Physician	Post Acute	Health Plan	Management and General	Fundraising	Total
Salaries and benefits	\$ 352,063	\$ 458,042	\$ 510,360	\$ 52,121	\$ 2,587	\$ 144,736	\$ 574	\$ 1,520,483
Supplies	191,638	247,331	33,531	11,558	41	7,857	6	491,962
Purchased services	21,342	100,147	25,738	4,366	667	36,990	101	189,351
Utilities, repairs, and maintenance	14,210	46,682	3,873	291	15	14,009	4	79,084
Depreciation and amortization	58,570	49,925	12,119	2,878	86	115	-	123,693
Hospital assessment fee	49,136	41,883	-	2,414	-	-	-	93,433
Interest and financing costs	11,943	10,180	2,471	587	19	23	-	25,223
Other, net	8,553	22,451	31,813	1,456	116	35,216	470	100,075
	<u>\$ 707,455</u>	<u>\$ 976,641</u>	<u>\$ 619,905</u>	<u>\$ 75,671</u>	<u>\$ 3,531</u>	<u>\$ 238,946</u>	<u>\$ 1,155</u>	<u>\$ 2,623,304</u>

	2021							
	Health Care Services					Support Services		
	Acute	Ambulatory	Physician	Post Acute	Health Plan	Management and General	Fundraising	Total
Salaries and benefits	\$ 320,013	\$ 404,115	\$ 472,950	\$ 46,474	\$ 2,606	\$ 114,473	\$ 977	\$ 1,361,608
Supplies	169,574	229,256	28,662	11,187	42	5,193	20	443,934
Purchased services	20,695	92,018	19,037	3,322	691	26,009	34	161,806
Utilities, repairs, and maintenance	13,736	40,950	4,448	278	29	15,998	10	75,449
Depreciation and amortization	58,394	50,470	11,946	2,874	261	57	53	124,055
Hospital assessment fee	47,228	40,819	-	2,324	-	-	-	90,371
Interest and financing costs	12,560	10,856	2,570	618	56	12	11	26,683
Other, net	7,217	21,965	30,113	1,083	103	32,354	430	93,265
	<u>\$ 649,417</u>	<u>\$ 890,449</u>	<u>\$ 569,726</u>	<u>\$ 68,160</u>	<u>\$ 3,788</u>	<u>\$ 194,096</u>	<u>\$ 1,535</u>	<u>\$ 2,377,171</u>

Note 15. Indiana Medicaid Disproportionate Share

Under Indiana law (IC 12-15-16 (1-3)), health care providers qualifying as State of Indiana Medicaid Acute Disproportionate Share and Medicaid Safety Net Hospitals (DSH providers) are eligible to receive Indiana Medicaid Disproportionate Share (State DSH) payments. The amount of these additional State DSH funds is dependent on regulatory approval by agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. State DSH payments are paid according to the fiscal year of the state, which ends on June 30, of each year, and are based on the cost of uncompensated care provided by the DSH providers during their respective fiscal year ended during the state fiscal year.

In 2022, PH did not recognize any revenue from Indiana Medical Disproportionate State payments.

In 2021, PH recognized \$15,439 in revenue from Indiana Medical Disproportionate State payments, \$13,922 of which pertained to state fiscal year 2019 and \$1,517 of which pertained to state fiscal year 2018.

At December 31, 2022 and 2021, PH had \$2,493 and \$3,844 of deferred State DSH revenue, respectively.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 16. Indiana Hospital Assessment Fee Program

The Indiana Family and Social Services Administration (FSSA) implemented a Hospital Assessment Fee (HAF) program in accordance with Public Law 229-2011, Section 281, as enacted by the 2011 Session of the Indiana General Assembly. The initial HAF program was effective for the period of July 1, 2011, through June 30, 2013. House Enrolled Act (HEA) 1001 (2013) added Indiana Code IC 16-21-10, and subsequent legislation further extended the HAF program. The fee is currently in place through June 30, 2023. HAF includes both a payment to the hospitals from the state and an assessment against the hospitals, which is paid to the state in the same year.

Beginning in February 2017, the HAF payments to providers were incorporated into claim-by-claim payments from both Medicaid and the Medicaid Managed Care Entities. Therefore, payments to PH recognized for the years ended December 31, 2022 and 2021, cannot be separately identified. HAF assessments against PH for 2022 were \$93,433 and 2021 were \$90,371.

HAF payments to PH are included in patient care service revenue in the consolidated statements of operations and changes in net assets. HAF assessments against PH are included in operating expense in the consolidated statements of operations and changes in net assets.

Note 17. Commitments and Contingencies

PH is self-insured for employee health claims. At December 31, 2022 and 2021, PH had estimated liabilities for claims incurred that have not yet been reported based on historical claims experience, which were \$2,835 and \$5,462, respectively. These benefits are recorded in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Regulatory environment including fraud and abuse matters: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the PH is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or asserted at this time.

Note 18. Novel Coronavirus Disease 2019 (COVID-19) Pandemic and Relief Funding

On January 30, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The spread of COVID-19, a novel strain of coronavirus, has altered the behavior of business and people in a manner that has had negative effects on local, regional and global economies, including disrupting the healthcare industry.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 18. Novel Coronavirus Disease 2019 (COVID-19) Pandemic and Relief Funding (Continued)

The pandemic adversely impacted the Corporation's operations, including a decline in patient volumes and patient service revenue as local authorities shut down elective surgeries and other procedures from mid-March through mid-May 2020. Additionally, certain physician offices and ambulatory facilities were temporarily closed, and patients' desire to seek care was initially diminished. The Corporation has also incurred, and will continue to incur, significant costs to address COVID-19, which include increased supply costs, including for personal protective equipment, and additional labor costs. Although patient volumes have largely recovered since the onset of the pandemic, the potential future impact of the pandemic on the Corporation market and facilities is difficult to predict.

In response to the COVID-19 pandemic, Congress passed the CARES Act, which was signed into law on March 27, 2020. The CARES Act provides funding to fight the COVID-19 pandemic, stimulate the U.S. economy, and provide assistance to affected industries. The CARES Act clarifies that all COVID-19 testing, preventive services, and vaccines are to be provided by private insurance plans without cost sharing. The CARES Act also delays certain Medicare and Medicaid cuts (e.g. Medicare sequestration, disproportionate share hospital reductions) and extends certain other government programs. In addition, the U.S. Department of Health and Human Services, the Centers for Medicare and Medicaid Services, and the Health Resources and Services Administration all issued various waivers of regulations governing coverage of specific services and conditions of program participation.

In response to the COVID-19 pandemic, the Corporation received \$115,399 of accelerated and advance payments from the Medicare program during the year ended December 31, 2020. These advances were recouped from Medicare claims submitted beginning twelve months after the receipt of the funds (April 3, 2021, for the Corporation). Final payment of any outstanding balance was due by October 2, 2022. There is no remaining balance of accelerated and advance payments at December 31, 2022.

The CARES Act included emergency funding for health care expenses or lost revenues not otherwise reimbursed, for treating COVID-19 patients. The Corporation received \$58,110 and \$3,918 of Provider Relief Fund program distributions, all of which have been recorded as other revenue in the accompanying December 31, 2022 and 2021 consolidated statements of operations and changes in net assets, respectively. Provider Relief Fund distributions are not loans and, therefore, they are not subject to repayment unless funds received exceed qualifying health care related expenses and lost revenues. However, as a condition to receiving distributions, the Corporation agreed to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and COVID-related costs. Amounts recognized as revenue could change in the future based upon the evolving grant compliance guidance provided by the government.

Parkview received \$787 and \$23,764 of American Rescue Plan Rural (ARP) Distributions that have been recorded as other revenue in the accompanying December 31, 2022 and 2021, consolidated statements of operations and changes in net assets. The ARP distributions are not loans and, therefore, they are not subject to repayment unless funds received exceed qualifying health care related expenses and lost revenues. The Corporation has agreed to certain terms and conditions, including, among other things, that the funds are being used for COVID-related costs. The COVID-related costs must be reported on a Tax Identification Number-by-Tax Identification Number basis, according to the most recent guidance from HRSA.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Notes to Consolidated Financial Statements
(In Thousands)**

Note 18. Novel Coronavirus Disease 2019 (COVID-19) Pandemic and Relief Funding (Continued)

Additionally, Parkview billed \$350 and \$2,163 under the COVID-19 Testing for the Uninsured program, which is reported within patient care service revenue in the accompanying December 31, 2022 and 2021, consolidated statements of operations and changes in net assets.

Pursuant to the CARES Act, the employer share of the social security portion of FICA taxes due for the period beginning on March 27, 2020, and ended December 31, 2020, could be deferred, with payment of 50% of the deferred amount to be paid on December 31, 2021, and the remaining 50% of the deferred amount to be paid on December 31, 2022. As of December 31, 2022 and 2021, the Corporation has deferred \$0 and \$16,264, respectively, of FICA taxes, which is included in accrued salaries, wages and related liabilities in the accompanying consolidated balance sheets.

Note 19. Subsequent Events

PH has evaluated subsequent events for potential recognition and/or disclosure through April 18, 2023, the date the consolidated financial statements were issued.

On May 1, 2023, the Corporation is scheduled to close on the forward delivery of the \$29,595 Series 2023A Bond issue (see Note 8).

Supplementary Information

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet
December 31, 2022
(In Thousands)

	Parkview Hospital, Inc. ¹	Parkview Health System, Inc. ¹	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital ²	Parkview Wabash Hospital ²	Parkview DeKalb Hospital	Managed Care Services	Parkview Occupational Health Centers	Park Center, Inc.	Parkview Hospital Foundation	Parkview Huntington Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview LaGrange Hospital Foundation	Parkview Wabash Hospital Foundation	Parkview DeKalb Hospital Foundation	Obligated Group Eliminations ¹	Credit Group Eliminations ²	Other Eliminations	Consolidated
Assets																						
Current assets:																						
Cash and cash equivalents	\$ (718)	\$ 194,746	\$ 2	\$ 3	\$ 28	\$ 2	\$ 1	\$ 146	\$-	\$ (17)	\$ 4,101	\$ 859	\$ 140	\$ 4	\$ 14	\$ 11	\$ 130	\$ 7	\$ -	\$ -	\$ -	\$ 199,459
Short-term investments	-	19,932	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,932
Patient accounts receivable	251,217	56,808	8,738	11,701	8,861	6,760	9,149	9,273	-	1,154	2,728	-	-	-	-	-	-	-	-	-	(10,370)	356,019
Inventories	22,961	46,545	421	386	363	389	1,035	1,145	-	-	-	-	-	-	-	-	-	-	-	-	-	73,245
Prepaid expenses and other current assets	(96,444)	72,064	19,870	9,803	38,161	6,592	(21,279)	19,123	19,984	(16,011)	(792)	1,203	444	283	586	217	539	33	-	-	(3,444)	50,932
Due from investment brokers	-	41,144	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,144
Total current assets	177,016	431,239	29,031	21,893	47,413	13,743	(11,094)	29,687	19,984	(14,874)	6,037	2,062	584	287	600	228	669	40	-	-	(13,814)	740,731
Assets limited as to use and investments:																						
Investments - less short-term investments	28,812	1,501,780	44,214	64,852	-	-	-	-	-	-	1,622	13,498	2,456	403	1,697	223	4,714	49	-	-	-	1,664,320
Funds held by trustees	-	7,531	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,531
Other investments	-	2,694	-	-	-	-	-	-	-	-	-	-	-	140	-	-	690	-	-	-	-	3,524
	28,812	1,512,005	44,214	64,852	-	-	-	-	-	-	1,622	13,498	2,456	543	1,697	223	5,404	49	-	-	-	1,675,375
Property and equipment:																						
Cost	1,371,711	804,017	27,733	68,819	18,948	34,733	48,509	38,635	451	2,318	19,093	256	14	16	17	-	-	-	-	-	-	2,435,270
Less accumulated depreciation and amortization	660,366	422,142	17,097	22,325	14,148	22,584	16,851	7,107	397	1,381	2,846	164	14	16	17	-	-	-	-	-	-	1,187,455
	711,345	381,875	10,636	46,494	4,800	12,149	31,658	31,528	54	937	16,247	92	-	-	-	-	-	-	-	-	-	1,247,815
Other assets:																						
Finance lease right-of-use assets, net	10,274	2,009	455	688	581	351	541	519	-	-	51	-	-	-	-	-	-	-	-	-	-	15,469
Operating lease right-of-use assets, net	223	29,649	81	-	5	24	592	45	-	816	1,404	-	-	-	-	-	-	-	-	-	-	32,839
Investments in joint ventures	2,194	3,166	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,360
Goodwill and intangible assets, net	22,491	77,146	246	-	-	5,011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,894
Other assets	596	31,300	-	-	-	-	-	-	-	-	381	2	-	-	-	-	-	-	-	-	-	32,279
	35,778	143,270	782	688	586	5,386	1,133	564	-	816	1,836	2	-	-	-	-	-	-	-	-	-	190,841
Total assets	\$ 952,951	\$ 2,468,389	\$ 84,663	\$ 133,927	\$ 52,799	\$ 31,278	\$ 21,697	\$ 61,779	\$ 20,038	\$ (13,121)	\$ 25,742	\$ 15,654	\$ 3,040	\$ 830	\$ 2,297	\$ 451	\$ 6,073	\$ 89	\$ -	\$ -	\$ (13,814)	\$ 3,854,762

¹ Parkview Obligated Group entity.

² Parkview Credit Group entity.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet (Continued)
December 31, 2022
(In Thousands)

	Parkview Hospital, Inc. ¹	Parkview Health System, Inc. ¹	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital ²	Parkview Wabash Hospital ²	Parkview DeKalb Hospital	Managed Care Services	Parkview Occupational Health Centers	Park Center, Inc.	Parkview Hospital Foundation	Parkview Huntington Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview LaGrange Hospital Foundation	Parkview Wabash Hospital Foundation	Parkview DeKalb Hospital Foundation	Obligated Group Eliminations ¹	Credit Group Eliminations ²	Other Eliminations	Consolidated
Liabilities and Net Assets																						
Current liabilities:																						
Accounts payable and accrued expenses	\$ 68,740	\$ 124,810	\$ 1,436	\$ 6,919	\$ 1,313	\$ 1,223	\$ 1,871	\$ 2,046	\$ 151	\$ 199	\$ 2,135	\$ 2	\$ 1	\$ -	\$ 1	\$ -	\$ 14	\$ -	\$ -	\$ -	\$ (10,370)	\$ 200,491
Salaries, wages, and related liabilities	18,537	167,616	1,040	1,156	1,024	577	636	977	117	343	647	-	-	-	-	-	-	-	-	-	-	192,670
Accrued interest	-	3,539	-	-	-	40	113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,692
Estimated third-party payer settlements	40,341	1,012	2,862	2,321	2,615	1,149	5,201	76	-	265	-	-	-	-	-	-	-	-	-	-	-	55,842
Contract liability - Medicare Advance Payment Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing under revolving line of credit	-	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,000
Current portion of long-term debt	-	29,658	-	-	-	1,080	830	-	-	362	-	-	-	-	-	-	-	-	-	-	(362)	31,568
Current portion of finance lease liabilities	3,335	610	158	211	183	118	176	176	-	24	-	-	-	-	-	-	-	-	-	-	-	4,991
Current portion of operating lease liabilities	60	6,180	34	-	5	22	79	17	-	109	288	-	-	-	-	-	-	-	-	-	-	6,794
Due to investment brokers	-	55,483	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,483
Total current liabilities	131,013	438,908	5,530	10,607	5,140	4,209	8,906	3,292	268	651	3,721	2	1	-	1	-	14	-	-	-	(10,732)	601,531
Noncurrent liabilities:																						
Long-term debt, less current portion	-	668,078	-	-	-	12,080	20,345	-	-	-	10,555	-	-	-	-	-	-	-	-	-	(3,082)	707,976
Finance lease liabilities, less current portion	7,204	1,419	299	482	402	235	368	355	-	29	-	-	-	-	-	-	-	-	-	-	-	10,793
Operating lease liabilities, less current portion	172	24,594	35	-	-	2	534	28	-	712	1,203	-	-	-	-	-	-	-	-	-	-	27,280
Interest rate swaps	-	29,926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,926
Accrued pension obligations	-	46,602	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,602
Other	596	29,692	-	-	-	-	-	-	-	346	3	-	-	-	-	-	-	-	-	-	-	30,637
	7,972	800,311	334	482	402	12,317	21,247	383	-	712	12,133	3	-	-	-	-	-	-	-	-	(3,082)	853,214
Net assets:																						
Parkview Health System, Inc.	813,966	1,196,338	78,799	122,838	47,257	14,752	(8,456)	58,104	19,770	(14,484)	9,888	8,785	558	438	1,487	218	3,728	70	-	-	-	2,354,056
Noncontrolling interest in subsidiaries	-	32,832	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,832
Total net assets without donor restrictions	813,966	1,229,170	78,799	122,838	47,257	14,752	(8,456)	58,104	19,770	(14,484)	9,888	8,785	558	438	1,487	218	3,728	70	-	-	-	2,386,888
Net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-	-	6,864	2,481	392	809	233	2,331	19	-	-	-	13,129
Total net assets (deficit)	813,966	1,229,170	78,799	122,838	47,257	14,752	(8,456)	58,104	19,770	(14,484)	9,888	15,649	3,039	830	2,296	451	6,059	89	-	-	-	2,400,017
Total liabilities and net assets	\$ 952,951	\$ 2,468,389	\$ 84,663	\$ 133,927	\$ 52,799	\$ 31,278	\$ 21,697	\$ 61,779	\$ 20,038	\$ (13,121)	\$ 25,742	\$ 15,654	\$ 3,040	\$ 830	\$ 2,297	\$ 451	\$ 6,073	\$ 89	\$ -	\$ -	\$ (13,814)	\$ 3,854,762

¹ Parkview Obligated Group entity.

² Parkview Credit Group entity.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet
December 31, 2021
(In Thousands)

	Parkview Hospital, Inc. ¹	Parkview Health System, Inc. ¹	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital ²	Parkview Wabash Hospital ²	Parkview DeKalb Hospital	Managed Care Services	Parkview Occupational Health Centers	Park Center, Inc.	Parkview Hospital Foundation	Parkview Huntington Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview LaGrange Hospital Foundation	Parkview Wabash Hospital Foundation	Parkview DeKalb Hospital Foundation	Obligated Group Eliminations ¹	Credit Group Eliminations ²	Other Eliminations	Consolidated
Assets																						
Current assets:																						
Cash and cash equivalents	\$ (415)	\$ 183,018	\$ 2	\$ 4	\$ 20	\$ 2	\$ 1	\$ 87	\$ -	\$ (35)	\$ 538	\$ 905	\$ 136	\$ 69	\$ 42	\$ 238	\$ 800	\$ 49	\$ -	\$ -	\$ -	\$ 185,461
Short-term investments	-	50,035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,035
Patient accounts receivable	243,930	50,360	11,159	15,720	11,935	7,280	11,326	11,399	-	1,575	3,191	-	-	-	-	-	-	-	-	-	(8,365)	359,510
Inventories	28,326	28,710	313	540	361	396	904	880	-	-	29	-	-	-	-	-	-	-	-	-	-	60,459
Prepaid expenses and other current assets	(132,930)	91,708	16,082	43,929	35,185	5,793	(21,059)	5,950	18,044	(12,180)	(2,877)	940	347	249	499	195	484	16	-	-	(5,341)	45,034
Estimated third-party payer settlements	54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54
Due from investment brokers	-	20,160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,160
Total current assets	138,965	423,991	27,556	60,193	47,501	13,471	(8,828)	18,316	18,044	(10,640)	881	1,845	483	318	541	433	1,284	65	-	-	(13,706)	720,713
Assets limited as to use and investments:																						
Investments - less short-term investments	32,535	1,754,817	49,894	73,231	-	-	-	25,046	-	-	585	15,588	3,011	429	2,023	-	4,579	-	-	-	-	1,961,738
Funds held by trustees	-	7,707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,707
Other investments	-	3,061	-	-	-	-	-	-	-	-	-	-	-	298	-	-	841	-	-	-	-	4,200
	32,535	1,765,585	49,894	73,231	-	-	-	25,046	-	-	585	15,588	3,011	727	2,023	-	5,420	-	-	-	-	1,973,645
Property and equipment:																						
Cost	1,333,344	732,533	27,168	43,833	16,840	34,892	48,107	32,492	818	2,612	21,972	249	14	16	17	-	-	-	-	-	-	2,294,907
Less accumulated depreciation and amortization	614,143	385,818	15,723	20,325	12,207	21,861	13,420	4,875	761	1,583	6,037	164	14	16	17	-	-	-	-	-	-	1,096,964
	719,201	346,715	11,445	23,508	4,633	13,031	34,687	27,617	57	1,029	15,935	85	-	-	-	-	-	-	-	-	-	1,197,943
Other assets:																						
Finance lease right-of-use assets, net	14,675	1,107	643	2,445	322	423	685	431	-	-	101	-	-	-	-	-	-	-	-	-	-	20,832
Operating lease right-of-use assets, net	561	32,827	120	-	5	44	1,035	43	-	1,142	1,457	-	-	-	-	-	-	-	-	-	-	37,234
Interest rate swaps	-	2,643	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,643
Investments in joint ventures	2,096	3,920	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,016
Goodwill and intangible assets, net	22,491	76,766	246	-	-	5,011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,514
Other assets	551	39,163	-	-	-	-	-	-	-	-	437	7	-	-	-	-	-	-	-	-	-	40,158
	40,374	156,426	1,009	2,445	327	5,478	1,720	474	-	1,142	1,995	7	-	-	-	-	-	-	-	-	-	211,397
Total assets	\$ 931,075	\$ 2,692,717	\$ 89,904	\$ 159,377	\$ 52,461	\$ 31,980	\$ 27,579	\$ 71,453	\$ 18,101	\$ (8,469)	\$ 19,396	\$ 17,525	\$ 3,494	\$ 1,045	\$ 2,564	\$ 433	\$ 6,704	\$ 65	\$ -	\$ -	\$ (13,706)	\$ 4,103,698

¹ Parkview Obligated Group entity.

² Parkview Credit Group entity.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet (Continued)
December 31, 2021
(In Thousands)

	Parkview Hospital, Inc. ¹	Parkview Health System, Inc. ¹	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital ²	Parkview Wabash Hospital ²	Parkview DeKalb Hospital	Managed Care Services	Parkview Occupational Health Centers	Park Center, Inc.	Parkview Hospital Foundation	Parkview Huntington Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview LaGrange Hospital Foundation	Parkview Wabash Hospital Foundation	Parkview DeKalb Hospital Foundation	Obligated Group Eliminations ¹	Credit Group Eliminations ²	Other Eliminations	Consolidated
Liabilities and Net Assets																						
Current liabilities:																						
Accounts payable and accrued expenses	\$ 72,668	\$ 86,038	\$ 1,357	\$ 3,995	\$ 1,377	\$ 1,570	\$ 2,225	\$ 3,194	\$ 40	\$ 199	\$ 1,945	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,365)	\$ 166,243
Salaries, wages, and related liabilities	17,920	171,345	1,023	1,207	970	664	653	886	128	398	511	-	-	-	-	-	-	-	-	-	-	195,705
Accrued interest	-	3,638	-	-	-	8	118	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,764
Estimated third-party payer settlements	87,309	2,569	2,789	4,008	3,593	1,949	6,834	1,353	-	-	238	-	-	-	-	-	-	-	-	-	-	110,642
Contract liability - Medicare Advance Payment Program	45,847	8,092	2,180	2,206	2,925	1,214	3,023	2,613	-	-	98	-	-	-	-	-	-	-	-	-	-	68,198
Current portion of long-term debt	-	26,800	-	377	-	1,035	800	-	-	-	356	-	-	-	-	-	-	-	-	-	-	27,471
Current portion of finance lease liabilities	4,160	703	228	438	112	116	179	206	-	-	45	-	-	-	-	-	-	-	-	-	-	6,187
Current portion of operating lease liabilities	317	7,028	33	-	5	22	239	19	-	137	255	-	-	-	-	-	-	-	-	-	-	8,055
Due to investment brokers	-	40,569	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,569
Total current liabilities	228,221	346,782	7,610	12,231	8,982	6,578	14,071	8,271	168	734	3,448	-	-	-	-	-	-	-	-	-	(10,262)	626,834
Noncurrent liabilities:																						
Long-term debt, less current portion	-	692,002	-	9,323	-	13,152	21,169	-	-	-	3,444	-	-	-	-	-	-	-	-	-	-	735,646
Finance lease liabilities, less current portion	10,701	712	417	2,012	211	307	509	368	-	-	60	-	-	-	-	-	-	-	-	-	-	15,297
Operating lease liabilities, less current portion	248	26,735	69	-	-	22	829	24	-	1,010	1,217	-	-	-	-	-	-	-	-	-	-	30,154
Interest rate swaps	-	72,474	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,474
Accrued pension obligations	-	122,960	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	122,960
Other	551	34,658	-	-	-	-	-	-	-	-	438	3	-	-	-	-	-	-	-	-	-	35,650
	11,500	949,541	486	11,335	211	13,481	22,507	392	-	1,010	5,159	3	-	-	-	-	-	-	-	-	(3,444)	1,012,181
Net assets:																						
Parkview Health System, Inc.	691,354	1,363,116	81,808	135,811	43,268	11,921	(8,999)	62,790	17,933	(10,213)	10,789	10,055	726	511	1,694	222	4,206	43	-	-	-	2,417,035
Noncontrolling interest in subsidiaries	-	33,278	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,278
Total net assets without donor restrictions	691,354	1,396,394	81,808	135,811	43,268	11,921	(8,999)	62,790	17,933	(10,213)	10,789	10,055	726	511	1,694	222	4,206	43	-	-	-	2,450,313
Net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-	-	7,467	2,768	534	870	211	2,498	22	-	-	-	14,370
Total net assets (deficit)	691,354	1,396,394	81,808	135,811	43,268	11,921	(8,999)	62,790	17,933	(10,213)	10,789	17,522	3,494	1,045	2,564	433	6,704	65	-	-	-	2,464,683
Total liabilities and net assets	\$ 931,075	\$ 2,692,717	\$ 89,904	\$ 159,377	\$ 52,461	\$ 31,980	\$ 27,579	\$ 71,453	\$ 18,101	\$ (8,469)	\$ 19,396	\$ 17,525	\$ 3,494	\$ 1,045	\$ 2,564	\$ 433	\$ 6,704	\$ 65	\$ -	\$ -	\$ (13,706)	\$ 4,103,698

¹ Parkview Obligated Group entity.

² Parkview Credit Group entity.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Statement of Operations and Changes in Net Assets
Year Ended December 31, 2022
(In Thousands)

	Parkview Hospital, Inc. ¹	Parkview Health System, Inc. ¹	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital ²	Parkview Wabash Hospital ²	Parkview DeKalb Hospital	Managed Care Services	Parkview Occupational Health Centers	Park Center, Inc.	Parkview Hospital Foundation	Parkview Huntington Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Hospital Foundation	Parkview LaGrange Hospital Foundation	Parkview Wabash Hospital Foundation	Parkview DeKalb Hospital Foundation	Obligated Group Eliminations ¹	Credit Group Eliminations ²	Other Eliminations	Consolidated
Revenues:																						
Patient care service revenue	\$ 1,881,729	\$ 204,862	\$ 79,486	\$ 104,799	\$ 74,884	\$ 46,551	\$ 63,513	\$ 79,037	\$ -	\$ 8,526	\$ 28,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (114,620)	\$ 2,457,046
Other revenue	229,959	36,730	2,376	3,090	1,862	583	948	9,285	6,206	5,828	15,830	(798)	(56)	(137)	(305)	25	(518)	27	(14,084)	(4,435)	(64,918)	227,498
	2,111,688	241,592	81,862	107,889	76,746	47,134	64,461	88,322	6,206	14,354	44,109	(798)	(56)	(137)	(305)	25	(518)	27	(14,084)	(4,435)	(179,538)	2,684,544
Expenses:																						
Salaries and benefits	1,016,677	356,427	44,332	53,696	38,349	21,482	24,450	47,596	2,519	11,687	28,678	496	-	2	46	-	38	-	-	-	(125,992)	1,520,483
Supplies	408,872	59,165	7,864	11,607	7,588	3,489	7,087	14,843	42	1,103	948	6	-	-	-	-	-	1	-	-	(30,653)	491,962
Purchased services	95,274	59,045	7,135	8,005	7,252	6,122	13,094	7,278	824	7,252	13,094	125	-	-	-	-	-	-	(1)	(3,528)	(13,934)	189,351
Utilities, repairs and maintenance	31,639	34,106	1,974	2,587	1,668	1,374	1,667	2,626	12	201	1,227	3	-	-	-	-	-	-	-	-	-	79,084
Depreciation and amortization	67,944	40,517	2,099	2,733	1,651	1,559	3,587	2,493	3	158	949	-	-	-	-	-	-	-	-	-	-	123,693
Hospital assessment fee	73,150	1,968	2,519	3,693	2,835	2,337	3,268	2,880	-	-	783	-	-	-	-	-	-	-	-	-	-	93,433
Interest and financing costs	413	23,679	5	34	7	249	707	15	-	-	114	-	-	-	-	-	-	-	-	-	-	25,223
Other, net	281,295	(252,673)	13,260	20,930	13,793	7,429	10,130	13,579	969	3,896	10,763	300	92	87	121	10	38	5	(14,083)	(907)	(8,959)	100,075
	1,975,264	322,234	79,188	103,285	73,143	44,041	63,990	91,310	4,369	18,608	44,559	930	92	89	167	10	76	6	(14,084)	(4,435)	(179,538)	2,623,304
Operating income (loss)	136,424	(80,642)	2,674	4,604	3,603	3,093	471	(2,988)	1,837	(4,254)	(450)	(1,728)	(148)	(226)	(472)	15	(594)	21	-	-	-	61,240
Nonoperating income (expense):																						
Interest, dividends and realized gains (losses) on sales of investments, net	485	26,277	762	1,125	(3)	(3)	(4)	236	-	-	-	-	-	-	-	-	-	-	-	-	-	28,875
Unrealized losses on investments, net	(4,225)	(220,880)	(6,446)	(9,509)	-	-	-	(3,932)	-	-	-	-	-	-	-	-	-	-	-	-	-	(244,992)
Unrealized gain on interest rate swaps, net	-	39,905	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,905
Net periodic benefit other than service cost	-	497	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	497
Other, net	(149)	(330)	1	2,814	(5)	-	2	(10)	-	-	(340)	-	-	-	-	-	-	-	-	-	-	1,983
Excess (deficit) of revenues over expenses	132,535	(235,173)	(3,009)	(966)	3,595	3,090	469	(6,694)	1,837	(4,254)	(790)	(1,728)	(148)	(226)	(472)	15	(594)	21	-	-	-	(112,492)
Excess (deficit) of revenues over expenses attributable to:																						
Noncontrolling interest in subsidiaries	-	28,639	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,639
Parkview Health System, Inc. and subsidiaries	132,535	(263,812)	(3,009)	(966)	3,595	3,090	469	(6,694)	1,837	(4,254)	(790)	(1,728)	(148)	(226)	(472)	15	(594)	21	-	-	-	(141,131)
Other changes in net assets attributable to:																						
Distributions to noncontrolling interest in subsidiaries	-	(29,085)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,085)
Parkview Health System, Inc. and subsidiaries	(9,923)	97,034	-	(12,007)	394	(259)	74	2,008	-	(17)	(111)	(145)	(307)	11	204	3	(51)	3	-	-	-	76,911
Increase (decrease) in net assets	122,612	(167,224)	(3,009)	(12,973)	3,989	2,831	543	(4,686)	1,837	(4,271)	(901)	(1,873)	(455)	(215)	(268)	18	(645)	24	-	-	-	(64,666)
Net assets (deficit):																						
Beginning of year	691,354	1,396,394	81,808	135,811	43,268	11,921	(8,999)	62,790	17,933	(10,213)	10,789	17,522	3,494	1,045	2,564	433	6,704	65	-	-	-	2,464,683
End of year	\$ 813,966	\$ 1,229,170	\$ 78,799	\$ 122,838	\$ 47,257	\$ 14,752	\$ (8,456)	\$ 58,104	\$ 19,770	\$ (14,484)	\$ 9,888	\$ 15,649	\$ 3,039	\$ 830	\$ 2,296	\$ 451	\$ 6,059	\$ 89	\$ -	\$ -	\$ -	\$ 2,400,017

¹ Parkview Obligated Group entity.

² Parkview Credit Group entity.

**Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health**

**Details of Consolidated Statement of Operations and Changes in Net Assets
Year Ended December 31, 2021
(In Thousands)**

	Parkview Hospital, Inc. ¹	Parkview Health System, Inc. ¹	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital ²	Parkview Wabash Hospital ²	Parkview DeKalb Hospital	Managed Care Services	Parkview Occupational Health Centers	Park Center, Inc.	Parkview Hospital Foundation	Parkview Huntington Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview LaGrange Hospital Foundation	Parkview Wabash Hospital Foundation	Parkview DeKalb Hospital Foundation	Obligated Group Eliminations ¹	Credit Group Eliminations ²	Other Eliminations	Consolidated
Revenues:																						
Patient care service revenue	\$ 1,776,665	\$ 201,888	\$ 79,642	\$ 111,784	\$ 77,434	\$ 44,907	\$ 66,870	\$ 78,137	\$ -	\$ 9,521	\$ 22,558	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (106,292)	\$ 2,363,114
Other revenue	148,192	22,598	4,431	4,035	2,987	2,013	2,537	9,670	17,186	5,038	16,327	2,043	361	99	249	56	786	31	(12,681)	(4,230)	(51,879)	169,849
	<u>1,924,857</u>	<u>224,486</u>	<u>84,073</u>	<u>115,819</u>	<u>80,421</u>	<u>46,920</u>	<u>69,407</u>	<u>87,807</u>	<u>17,186</u>	<u>14,559</u>	<u>38,885</u>	<u>2,043</u>	<u>361</u>	<u>99</u>	<u>249</u>	<u>56</u>	<u>786</u>	<u>31</u>	<u>(12,681)</u>	<u>(4,230)</u>	<u>(158,171)</u>	<u>2,532,963</u>
Expenses:																						
Salaries and benefits	891,045	342,851	40,116	46,733	33,627	20,689	23,045	39,121	2,342	11,353	24,039	642	77	70	52	-	61	22	-	-	(114,277)	1,361,608
Supplies	364,216	50,422	7,945	11,381	7,319	3,211	6,368	13,077	41	1,058	3,211	19	-	-	-	-	1	-	-	-	(22,825)	443,934
Purchased services	82,793	41,466	6,785	7,817	6,727	5,965	12,945	7,074	867	1,554	3,031	42	-	-	-	-	-	-	(18)	(3,410)	(11,832)	161,806
Utilities, repairs and maintenance	29,909	33,065	1,732	2,391	1,643	1,243	1,503	2,486	20	223	1,225	6	1	1	-	-	-	-	-	-	-	75,449
Depreciation and amortization	68,502	39,857	2,139	3,120	1,506	1,811	3,673	2,126	6	197	1,118	-	-	-	-	-	-	-	-	-	-	124,055
Hospital assessment fee	70,955	1,740	2,737	3,804	2,801	1,362	2,946	3,276	-	-	750	-	-	-	-	-	-	-	-	-	-	90,371
Interest and financing costs	203	25,116	3	119	2	142	731	276	-	-	91	-	-	-	-	-	-	-	-	-	-	26,683
Other, net	276,390	(241,851)	12,153	22,541	11,909	7,406	8,294	10,271	663	3,075	4,362	609	45	(7)	82	33	13	(3)	(12,663)	(820)	(9,237)	93,265
	<u>1,784,013</u>	<u>292,666</u>	<u>73,610</u>	<u>97,906</u>	<u>65,534</u>	<u>41,829</u>	<u>59,505</u>	<u>77,707</u>	<u>3,939</u>	<u>17,460</u>	<u>36,317</u>	<u>1,318</u>	<u>123</u>	<u>64</u>	<u>135</u>	<u>33</u>	<u>74</u>	<u>20</u>	<u>(12,681)</u>	<u>(4,230)</u>	<u>(158,171)</u>	<u>2,377,171</u>
Operating income (loss)	140,844	(68,180)	10,463	17,913	14,887	5,091	9,902	10,100	13,247	(2,901)	2,568	725	238	35	114	23	712	11	-	-	-	155,792
Nonoperating income (expense):																						
Interest, dividends and realized gains (losses) on sales of investments, net	1,951	102,156	2,995	4,414	(5)	(6)	(6)	1,634	-	-	-	-	-	-	-	-	-	-	-	-	-	113,133
Unrealized gains on investments, net	1,210	51,621	1,846	2,722	-	-	-	1,009	-	-	-	-	-	-	-	-	-	-	-	-	-	58,408
Unrealized losses on interest rate swaps, net	-	16,053	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,053
Net periodic expense other than service cost	-	(1,521)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,521)
Other, net	(535)	47	2	25	(777)	(7)	(50)	(12)	-	(8)	(7)	-	-	-	-	-	-	-	-	-	-	(1,322)
Excess (deficit) of revenues over expenses	143,470	100,176	15,306	25,074	14,105	5,078	9,846	12,731	13,247	(2,909)	2,561	725	238	35	114	23	712	11	-	-	-	340,543
Excess (deficit) of revenues over expenses attributable to:																						
Noncontrolling interest in subsidiaries	-	31,625	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,625
Parkview Health System, Inc. and subsidiaries	143,470	68,551	15,306	25,074	14,105	5,078	9,846	12,731	13,247	(2,909)	2,561	725	238	35	114	23	712	11	-	-	-	308,918
Other changes in net assets attributable to:																						
Distributions to noncontrolling interest in subsidiaries	-	(35,829)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,829)
Parkview Health System, Inc. and subsidiaries	(547)	20,400	217	241	(25)	25	(2)	-	-	(1)	804	232	10	37	6	21	13	-	-	-	(237)	21,194
Increase (decrease) in net assets	142,923	84,747	15,523	25,315	14,080	5,103	9,844	12,731	13,247	(2,909)	2,560	1,529	470	45	151	29	733	24	-	-	(237)	325,908
Net assets (deficit):																						
Beginning of year	548,431	1,311,647	66,285	110,496	29,188	6,818	(18,843)	50,059	4,686	(7,304)	8,229	15,993	3,024	1,000	2,413	404	5,971	41	-	-	237	2,138,775
End of year	\$ 691,354	\$ 1,396,394	\$ 81,808	\$ 135,811	\$ 43,268	\$ 11,921	\$ (8,999)	\$ 62,790	\$ 17,933	\$ (10,213)	\$ 10,789	\$ 17,522	\$ 3,494	\$ 1,045	\$ 2,564	\$ 433	\$ 6,704	\$ 65	\$ -	\$ -	\$ -	\$ 2,464,683

¹ Parkview Obligated Group entity.

² Parkview Credit Group entity.