



**Atrium Health**

# The Charlotte-Mecklenburg Hospital Authority (Atrium Health CMHA)

Basic Financial Statements and Other Financial Information  
As of and for the Year Ended December 31, 2023

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY**  
**(Atrium Health CMHA)**  
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## Report of Independent Auditors

The Board of Directors  
Advocate Health, Inc.

### Opinions

We have audited the financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of The Charlotte-Mecklenburg Hospital Authority (Atrium Health CMHA, the Organization), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the discretely presented component unit of Atrium Health CMHA, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 statement.



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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 Organization'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 Organization's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited), Schedule of Changes in Net Pension Liability and Related Ratios - Atrium Health Charlotte Defined Benefit Plan (unaudited), Schedule of Pension Contributions - Atrium Health Charlotte Defined Benefit Plan (unaudited), Schedule of Pension Plan Investment Returns - Atrium Health Charlotte Defined Benefit Plan (unaudited), Schedule of Changes in Net Pension Liability and Related Ratios - Atrium Health Navicent Defined Benefit Plan (unaudited), Schedule of Pension Contributions - Atrium Health Navicent Defined Benefit Plan (unaudited), Schedule of Pension Plan Investment Returns - Atrium Health Navicent Defined Benefit Plan (unaudited), Schedule of Changes in Net Pension Liability and Related Ratios - Atrium Health Floyd Defined Benefit Plan (unaudited), Schedule of Pension Contributions - Atrium Health Floyd Defined Benefit Plan (unaudited), Schedule of Pension Plan Investment Returns - Atrium Health Floyd Defined Benefit Plan (unaudited) as of July 1 and as of December 31, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atrium Health CMHA's basic financial statements. The supplementary combining information of Atrium Health CMHA (including CMHA Combined Group, Atrium Health Navicent and Atrium Health Floyd) are presented for purposes of additional analysis and are not a required part of the



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basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other information**

Management is responsible for the other information. The other information comprises the Atrium Health CMHA Annual Disclosure Statements but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Ernst + Young LLP*

April 22, 2024

# THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(Atrium Health CMHA)

Management's Discussion and Analysis - Unaudited

December 31, 2023

(in thousands)

This Management's Discussion and Analysis provides an overview of the financial position and results of activities of The Charlotte-Mecklenburg Hospital Authority (CMHA, Atrium Health CMHA) for the years ended December 31, 2023 and 2022. Atrium Health CMHA follows guidance from the Governmental Accounting Standards Board (GASB) as it is a governmental entity. This discussion and analysis has been prepared by management and is required supplemental information to the basic financial statements of Atrium Health CMHA and the notes that follow this section. Except as otherwise noted, the financial highlights in this analysis refer exclusively to Atrium Health CMHA's Primary Enterprise as described in note 1 of the notes to the basic financial statements, including Atrium Health Charlotte, Atrium Health Navicent and Atrium Health Floyd.

Certain information set forth in the following discussion contains "forward-looking statements" regarding the future oriented financial information, business plans and the future performance of Atrium Health CMHA and the health care industry that are based on the beliefs and assumptions of the management of Atrium Health CMHA and the information available to management at the time that these disclosures were prepared. Words such as "expects," "plans," "believes," "will" and other similar expressions are intended to identify these forward-looking statements. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Actual results may differ materially from those expressed in or implied by any forward-looking statements. Atrium Health CMHA undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

## Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to Atrium Health CMHA's basic financial statements and the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

GASB requires three financial statements: the statement of net position (balance sheet); the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The balance sheet; statement of revenue, expenses and changes in net position; and statement of cash flows are presented on an accrual basis, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This information provides an indication of Atrium Health CMHA's financial health. The balance sheet includes all of Atrium Health CMHA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other agreements. The statement of revenue, expenses, and changes in net position reports the revenue and expenses during the periods indicated. The statement of cash flows reports the cash provided and used by operating activities, as well as other cash sources, such as investment income, and other cash uses, such as repayment of debt and purchase of capital.

Atrium Health CMHA applies the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and how those activities should be reported. As a result, the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position for all Atrium Health CMHA defined benefit plans have been presented with the basic financial statements. Notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. Required supplementary information

relates to Atrium Health CMHA’s progress in funding its obligation to provide pension benefits to its employees.

### Financial Analysis and Results of Operations

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at December 31 are summarized in Table 1 and are discussed below:

**Table 1 – Summary Balance Sheet**

	2023	2022
Current assets	\$ 2,950,259	\$ 2,569,221
Property and equipment, net	5,180,810	4,891,477
Other noncurrent assets	7,949,122	7,364,623
Total assets	<u>16,080,191</u>	<u>14,825,321</u>
Deferred outflows of resources	253,502	224,046
Total assets and deferred outflows of resources	<u>\$ 16,333,693</u>	<u>\$ 15,049,367</u>
Current liabilities	2,697,943	2,630,520
Long-term liabilities	4,349,353	4,271,924
Total liabilities	<u>7,047,296</u>	<u>6,902,444</u>
Deferred inflows of resources	173,689	100,518
Net investment in capital assets	1,760,023	1,295,720
Restricted - by donor	36,774	34,557
Unrestricted	7,315,911	6,716,128
Total net position	<u>9,112,708</u>	<u>8,046,405</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,333,693</u>	<u>\$ 15,049,367</u>

Atrium Health CMHA classifies net position as either net investment in capital assets, restricted – by donor, or unrestricted. The change in net investment in capital assets over the prior year was driven by additional capital expenditures and debt principal payments. The unrestricted net position increase for the year ended December 31, 2023 was driven primarily by favorable operating performance and investment returns.

The net position of Atrium Health CMHA at December 31, 2023 increased \$1,066,303 from December 31, 2022. The increase in net position was due to positive results of operations of \$487,064 and nonoperating gains of \$565,374, and capital and other contributions of \$13,865.

Atrium Health CMHA’s unrestricted cash and investment position at December 31, 2023 and 2022 was \$7,626,134 and \$6,948,551, respectively.

Days cash on hand, as defined by the debt covenants, for the Atrium Health CMHA Combined Group (CMHA Combined Group), which consists of all entities that have either a direct obligation (Obligated Group) or



indirect obligation (Designated Affiliates, of which there are currently none) to pay amounts due on Atrium Health CMHA's bonds, was 303 and 307 at December 31, 2023 and 2022, respectively.

More detailed information about Atrium Health CMHA's cash, investments and other financial instruments is presented in notes 5 and 6 of the notes to the basic financial statements.

## Revenues and Expenses

Revenues, expenses and changes in net position are summarized in Table 2 and are discussed below:

**Table 2 – Statement of Revenues, Expenses, and Changes in Net Position**

	2023	2022
Revenue		
Patient service revenue	\$ 9,765,165	\$ 8,402,733
Other operating revenue	1,180,240	863,240
Total revenue	<u>10,945,405</u>	<u>9,265,973</u>
Expenses		
Salaries, wages, and benefits	6,010,182	5,531,415
Supplies and drugs	2,303,467	1,896,703
Purchased services and other expenses	1,584,587	1,465,686
Depreciation and amortization	560,105	506,321
Total expenses	<u>10,458,341</u>	<u>9,400,125</u>
Operating income (loss)	<u>487,064</u>	<u>(134,152)</u>
Nonoperating gains (losses)		
Interest expense	(165,796)	(132,249)
Stimulus grants	—	113,449
Net investment income (loss)	807,990	(989,968)
Other nonoperating loss, net	(76,820)	(6,494)
Total nonoperating gains (losses)	<u>565,374</u>	<u>(1,015,262)</u>
Excess (deficiency) of revenues over expenses before contributions	1,052,438	(1,149,414)
Capital and other contributions	<u>13,865</u>	<u>6,946</u>
Changes in net position	1,066,303	(1,142,468)
Beginning net position, beginning of year	8,046,405	9,188,873
Ending net position, end of year	<u>\$ 9,112,708</u>	<u>\$ 8,046,405</u>

## Operating Revenues

Operating revenues in 2023 increased 18.1% from 2022 largely due to increases in patient volumes, service line expansions and new healthcare operations, improved payor mix, and higher reimbursement rates. More detail of operating revenue can be found in notes 3 and 4 of the notes to basic financial statements.

## Operating Expenses

Operating expenses in 2023 increased 11.3% from the prior year. Salaries, wages, and benefits, comprising 57.5% of the total Atrium Health CMHA operating expenses in 2023, increased due to patient volume growth at hospital facilities and the medical group, and inflationary increases on wages and benefits. Other expenses, consisting primarily of pharmaceutical and supply costs, professional fees, rent and purchased services, increased 15.0%, primarily due to higher patient volumes, higher State supplemental plan costs and inflationary cost increases, including the cost of new technologies.

## Nonoperating Gains and Losses and Contributions

Nonoperating gains and losses, which consists primarily of realized and unrealized investment returns, was impacted favorably in 2023 by an increase in the market value of Atrium Health CMHA's investments.

Nonoperating activity from Atrium Health CMHA's investment return on equity, fixed income, and cash investments was a \$807,990 gain in 2023 and a \$(989,968) loss in 2022.

Interest and dividend income on Atrium Health CMHA's investment portfolio in 2023 was \$22,151 and net realized and unrealized gains on the portfolio were \$785,839. The net realized/unrealized gains were due to favorable market performance in 2023.

Other net nonoperating expenses were \$76,820 and \$6,494 for the years ended December 31, 2023 and 2022, respectively, including, in 2023, the funding of a \$47,000 academic endowment to Atrium Health Wake Forest Baptist.

## Property and Equipment and Debt Administration

### Property and Equipment

Property and equipment, net of depreciation, at December 31, 2023 and 2022 are summarized in Table 3 and are discussed below.

**Table 3 – Property and Equipment, Net of Depreciation**

	<u>2023</u>	<u>2022</u>
Land	\$ 441,468	\$ 330,929
Buildings and land improvements	5,651,966	5,422,679
Equipment	3,367,719	3,356,380
Construction in progress	881,127	758,349
Subtotal	10,342,280	9,868,337
Accumulated depreciation	(5,161,470)	(4,976,860)
Total	<u>\$ 5,180,810</u>	<u>\$ 4,891,477</u>

During the current fiscal year, significant additions to property and equipment in excess of \$20,000 included the following:

Carolinas Medical Center Tower and Infrastructure Upgrades	\$	176,572
Greater Charlotte & Wake Epic Electronic Health Record		39,027
Lake Norman New Hospital and Medical Office Buildings		36,871
Innovation District Site And Infrastructure		34,066
Proton Therapy and Gamma Knife		30,732
Floyd Cancer Center Building Acquisition		25,119

During the prior fiscal year, significant additions to property and equipment in excess of \$20,000 included the following:

Greater Charlotte Epic Electronic Health Record	\$	93,919
Carolinas Medical Center Tower and Infrastructure Upgrades		66,836
Union West New Hospital and Medical Office Buildings		38,743
Charlotte Rehabilitation Replacement Facility		32,472
Floyd Epic Electronic Health Record		26,670
Atrium Health Pineville New Bed Tower		22,559
Musculoskeletal Institute		21,982
Proton Therapy and Gamma Knife		21,198

Ongoing capital requirements are funded from a combination of operating cash, debt proceeds, and contributions. Cash outflows related to capital additions, net of retirements, for 2023 and 2022 totaled \$826,777 and \$618,293, respectively. Total depreciation expense on property and equipment was \$429,988 and \$409,508 for 2023 and 2022, respectively. At December 31, 2023, Atrium Health CMHA has planned future capital spending of approximately \$3,406,585 for 2024-2027 for ongoing routine and significant strategic IT and facility expansion projects. More detailed information about Atrium Health CMHA's property and equipment is presented in note 7 of the notes to the basic financial statements.

### **Long-Term Debt**

Atrium Health Charlotte can issue debt on behalf of the CMHA Combined Group members as established under its Second Amended and Restated Bond Order, as further amended (the Bond Order). Likewise, Atrium Health Navicent can borrow on behalf of its Obligated Group members as established under its Amended and Restated Master Trust Indenture, as further amended (the Master Trust Indenture).

Debt service for the CMHA Combined Group (scheduled principal and interest payments and net interest rate swap payments, excluding refinancing activity) for 2023 and 2022 totaled \$138,079 and \$137,376, respectively.

The actual annual debt service coverage ratio for the CMHA Combined Group, as defined in the Bond Order (and excluding net interest rate swap payments), for 2023 and 2022 was 8.54 and 5.95, respectively. The Bond Order requires an actual annual debt service coverage ratio of not less than 1.1.

In May 2023, the CMHA Combined Group remarketed the 2007 D and F in the weekly interest rate mode to the monthly interest rate mode with a new mandatory tender date of May 28, 2026.

More detailed information about Atrium Health CMHA's outstanding debt is presented in note 10 of the notes to the basic financial statements.

### **Events and Factors Expected to Impact Future Periods**

Healthcare is a capital-intensive industry requiring significant reinvestment to keep pace with patient care advancements and technology transformations. A healthcare entity's ability to reinvest to meet its longer-term capital and program needs hinges on its ability to perform well financially. Expense pressures, stemming from labor shortages and inflation, is among the top issues confronting healthcare leaders for the immediate future according to the *Healthcare Advisory Board*. By the end of 2023, most healthcare providers had returned to pre-pandemic patient volume levels, but the cost of patient care has dramatically increased since 2019 and has manifested itself as a significant driver of financial performance disruption. *Price Waterhouse Health Research Institute* is projecting a 7% year over year increase in the cost of treating patients, which is on the heels of 6.0% and 5.5%, respectively for 2023 and 2022. We believe that Atrium Health CMHA, with its geographic dispersion, world-class providers and services, experienced management team, and financial strength, balanced with its mission to provide health, hope and healing for all, is well positioned to combat the cost pressures on the horizon.

The cost of labor tops the list of immediate cost pressures. According to the *American College of Healthcare Executives*, hospital CEOs have, for the third year in a row, identified workforce challenges are their number one concern. While this concern traverses the spectrum of the healthcare workforce, including physicians and therapists, nurses and technicians are most critical. Hospital annual turnover rates, currently at 22.7%, remain very high and reflect a complete hospital staff turn at 105% over the past five years. The registered nurse vacancy rate, according to the *2023 Nursing Solutions, Inc. Retention and RN Staffing Report*, is currently at 17%, up seven points from the previous year. Recent information published by the *American Association of Colleges of Nursing* indicated a 1.4% decline from the prior year of entry-level students in baccalaureate nursing programs, while recent *Association of American Medical Colleges* data shows the total number of medical school graduates over the last 5 years has only grown by only 1.2% per year. These labor metrics, in the context of the *US Bureau of Labor Statistics* projecting demand for employment of nurses and physicians at 6% and 3% per year for the next ten years, explain why healthcare executives are concerned – the demand for labor exceeds the supply of healthcare workers.

The growing shortage of healthcare workers, which, according to the *American Hospital Association*, is expected to approach 124,000 physicians by 2034 and an annual need of 193,000 nurses over the next ten years, drives both increased reliance on contract employees as well as significant growth in both contract and employee labor rates. As of January 2024, the national average weekly pay rate for travel nurses, as published by *Vivian Health*, had dropped 9% from January 2023, but remains 27% higher than in January 2020, while the national average annual nursing salary over that same period has increased approximately 7.5%.

Higher supply costs have added to the economic challenges healthcare leaders face. Despite inflation rates coming down from the 40-year spikes experienced in 2022, supply costs continue to grow, largely led by inflationary increases in pharmaceuticals, which are expected to continue at double-digit rates. According to *Price Waterhouse Health Research Institute and the Healthcare Advisory Board*, much of the cost growth is due to the acceleration of approvals of new cell and gene therapies as well as ongoing drug shortages. In addition, the 340B program, which helps offset high drug costs by allowing hospitals to purchase drugs at reduced cost to support free care and vaccines for uninsured patients, medication management, community health programs, and mental health services, continues to face scrutiny from government and the pharmaceutical industry. Medical supply cost growth in hospitals in recent years can also be attributed to increases with the inpatient length of stay. *Moody's Investors Services*, in its September 2023 Sector Profile, reported a 3% average annual increase in length of stay over the last five years, while, at the same

time, the case mix index (a measure of patient acuity) rose only 1.5% per year. Coupled with the decline in percent of charge / per diem net revenue composition (19% to 16.7%) at hospitals, this translates to greater cost of care with less reimbursement.

Given the continuing cost pressures, industry leaders will need to increase their efforts to institute creative and effective cost-savings initiatives to improve financial performance. To reduce the cost of healthcare turnover, healthcare providers have implemented retention solutions such as investment in employee health and wellness programs, professional development plans, career growth opportunities, and scholarships and tuition assistance programs. To increase operational productivity, artificial intelligence and work flow redesign are being deployed to reduce low-value work and time-consuming tasks, to leverage patients in the registration and screening processes, to increase patient throughput, and to improve staffing and scheduling processes. Healthcare leaders will also be doubling their efforts to enhance evolving hybrid patient care models including virtual care through telemedicine, mobile clinics, and hospitals at home – all of which are amassing data indicating both improved patient outcomes and reduced cost. However, because of the unpredictable nature of the healthcare industry and volatility of the economy and clinical labor market, future financial impacts cannot fully be determined at this time.

Atrium Health CMHA remains committed to its mission to provide health, hope and healing for all. As a financially viable entity with a strong governing board; an experienced management team; a broad, growing and connected continuum of highly specialized world-class clinical services; and a commitment to superior levels of quality and safety, differentiated patient experience, operational and population health excellence, and teammate engagement; Atrium Health CMHA is positioned to meet the challenges in which we operate.

#### **Finance Contact**

Atrium Health CMHA's financial statements are designed to present users with a general overview of Atrium Health CMHA's finances and to demonstrate Atrium Health CMHA's accountability. If you have any questions about the report or need additional financial information, please contact the Vice President of Finance, Atrium Health CMHA, 1000 Blythe Boulevard, Charlotte, NC 28203.

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY**  
**(Atrium Health CMHA)**

**BALANCE SHEET**  
**December 31, 2023**

(in thousands)

<b>Assets</b>	<b>Primary Enterprise</b>	<b>Component Unit</b>
Current assets		
Cash and cash equivalents	\$ 953,812	\$ 5,995
Short term investments	11,727	27,233
Assets limited as to use	53,556	—
Patient accounts receivable, net	1,383,498	—
Other current assets	547,666	33,795
Total current assets	<u>2,950,259</u>	<u>67,023</u>
Other assets		
Assets limited as to use	6,910,477	369,130
Property and equipment, net	5,180,810	3,741
Right-to-use assets	541,682	—
Other noncurrent assets	496,963	56,608
Total other assets	<u>13,129,932</u>	<u>429,479</u>
 Total assets	 16,080,191	 496,502
 Deferred outflows of resources	 <u>253,502</u>	 <u>—</u>
 <b>Total assets and deferred outflows of resources</b>	 <b><u>\$ 16,333,693</u></b>	 <b><u>\$ 496,502</u></b>
 <b>Liabilities</b>		
Current liabilities		
Long-term debt, current portion	\$ 664,138	\$ —
Lease liabilities, current portion	78,029	—
Accrued salaries and employee benefits	674,913	—
Accounts payable and other accrued liabilities	985,228	3,974
Third-party payors payables	295,635	—
Total current liabilities	<u>2,697,943</u>	<u>3,974</u>
Noncurrent liabilities		
Long-term debt, less current portion	2,728,902	—
Lease liabilities, less current portion	510,536	—
Obligations under swap agreements	89,532	—
Other noncurrent liabilities	1,020,383	3,117
Total noncurrent liabilities	<u>4,349,353</u>	<u>3,117</u>
<b>Total liabilities</b>	<b><u>7,047,296</u></b>	<b><u>7,091</u></b>
 Deferred inflows of resources	 173,689	 —
 <b>Net position</b>		
Net investment in capital assets	1,760,023	3,741
Restricted, by donor	36,774	475,566
Unrestricted	7,315,911	10,104
<b>Total net position</b>	<b><u>9,112,708</u></b>	<b><u>489,411</u></b>
 <b>Total liabilities, deferred inflows of resources and net position</b>	 <b><u>\$ 16,333,693</u></b>	 <b><u>\$ 496,502</u></b>

See accompanying notes to basic financial statements.

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY**  
**(Atrium Health CMHA)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year Ended December 31, 2023**  
(in thousands)

	<u>Primary Enterprise</u>	<u>Component Unit</u>
<b>Revenue</b>		
Patient service revenue, net	\$ 9,765,165	\$ —
Other revenue	1,180,240	38,493
Total revenue	<u>10,945,405</u>	<u>38,493</u>
<b>Expenses</b>		
Salaries, wages and benefits	6,010,182	1,799
Supplies and drugs	2,303,467	—
Purchased services and other expenses	1,584,587	46,891
Depreciation and amortization	560,105	246
Total expenses	<u>10,458,341</u>	<u>48,936</u>
<b>Operating income (loss)</b>	<u>487,064</u>	<u>(10,443)</u>
<b>Nonoperating income</b>		
Interest expense	(165,796)	—
Investment income	807,990	44,514
Other nonoperating loss, net	(76,820)	(5,269)
Total nonoperating income — net	<u>565,374</u>	<u>39,245</u>
<b>Excess of revenues over expenses before capital and other contributions</b>	1,052,438	28,802
<b>Changes in net position</b>		
Capital and other contributions	13,865	4,588
Change in net position	1,066,303	33,390
Net position, beginning of year	8,046,405	456,021
Net position, end of year	<u>\$ 9,112,708</u>	<u>\$ 489,411</u>

See accompanying notes to basic financial statements.

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY  
(Atrium Health CMHA)**

**STATEMENT OF CASH FLOWS  
Year Ended December 31, 2023**

(in thousands)

	<u>Primary Enterprise</u>	<u>Component Unit</u>
<b>Cash flows from operating activities</b>		
Receipts from third party payors and patients	\$ 9,835,972	—
Payments to suppliers	(3,810,674)	(225)
Payments to employees	(6,002,104)	(1,555)
Other receipts (payments) - net	1,081,205	(5,456)
Net cash provided by (used in) operating activities	<u>1,104,399</u>	<u>(7,236)</u>
<b>Noncapital financing activities</b>		
Retirements of commercial paper	(100,000)	—
Academic support funds disbursed to affiliate	(57,000)	—
Other activities	(27,766)	(5,269)
Net cash used in noncapital financial activities	<u>(184,766)</u>	<u>(5,269)</u>
<b>Cash flows from investing activities</b>		
Investment earnings	13,413	39
Withdrawals from investments limited as to use	422,813	65,019
Contributions to investments and assets limited as to use	(46,457)	(55,819)
Purchase of equity method investments	(47,587)	—
Net cash provided by investing activities	<u>342,182</u>	<u>9,239</u>
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(825,353)	(16)
Interest payments on short- and long-term debt	(150,581)	—
Principal payments, refunding and retirements on short- and long-term debt	(279,020)	—
Proceeds from issuance of long-term debt	224,195	—
Contributions restricted for building and equipment purchases	—	(1,360)
Other contributions	13,865	5,267
Net cash (used in) provided by financing activities	<u>(1,016,894)</u>	<u>3,891</u>
<b>Net decrease in cash and cash equivalents</b>	244,921	625
<b>Cash and cash equivalents:</b>		
Beginning of year	740,098	5,370
End of year	<u>\$ 985,019</u>	<u>\$ 5,995</u>
<b>Reconciliation of cash and cash equivalents to the balance sheet</b>		
Cash and cash equivalents	953,812	5,995
Restricted cash in investments and assets whose use is limited	31,207	—
Total cash, cash equivalents and restricted cash	<u>\$ 985,019</u>	<u>\$ 5,995</u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities</b>		
Operating income (loss)	\$ 487,064	\$ (10,443)
Adjustments to reconcile operating income ( loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	560,105	246
Decrease in patient accounts receivable, net	10,928	—
(Increase) decrease in inventories and other current assets	(178,911)	2,828
(Increase) decrease in other assets affecting operating activities	(195,919)	7
Increase in accounts payable and other current liabilities	249,869	180
Increase (decrease) in other liabilities affecting operating activities	111,384	(54)
Increase in estimated third party payors payables	59,879	—
Net cash provided by (used in) operating activities	<u>\$ 1,104,399</u>	<u>\$ (7,236)</u>

See accompanying notes to basic financial statements.



**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY**  
**(Atrium Health CMHA)**  
**Statement of Fiduciary Net Position - Pension Trust Funds**  
**December 31, 2023**  
**(in thousands)**

<b>Assets</b>	
Cash and short-term investments	\$ 22,505
Investments at fair value:	
Corporate bonds and other debt securities	110,711
United States government obligations	48,132
Bond and other debt security funds	101,349
Equity securities	—
Equity funds	611,333
Real estate funds	114,805
Total investments at fair value	986,330
Investments at net asset value	239,767
Total assets	\$ 1,248,602
<b>Liabilities</b>	
Accounts payable and other liabilities	—
Total liabilities	—
<b>Net position restricted for pensions</b>	<b>\$ 1,248,602</b>

See accompanying notes to basic financial statements.

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY**  
**(Atrium Health CMHA)**  
**Statement of Changes in Fiduciary Net Position - Pension Trust Funds**  
**For the Year Ended December 31, 2023**  
**(in thousands)**

**Additions**

Employer contributions	\$	33,978
Investment income:		
Change in fair value of investments		128,448
Interest and dividends		17,729
		146,177
Less investment expense		2,532
Net investment income		143,645
Total additions		177,623

**Deductions**

Benefit payments		(117,833)
Administrative expense		(3,008)
Total deductions		(120,841)

Net increase in fiduciary net position		56,782
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**Fiduciary net position restricted for pensions:**

Beginning of year		1,191,820
End of year	\$	1,248,602

See accompanying notes to basic financial statements.

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY**  
**(Atrium Health CMHA)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(dollars in thousands)

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**1. ORGANIZATION AND BASIS OF PRESENTATION**

**Description of Organization**

The Charlotte-Mecklenburg Hospital Authority (Atrium Health CMHA or CMHA) was organized in 1943 under the North Carolina Hospital Authorities Act. It is a public body and a body corporate and politic and, therefore, has been determined by the Internal Revenue Service to be exempt from federal and state income taxes. Atrium Health CMHA is headquartered in Charlotte, North Carolina.

Atrium Health CMHA and the Wake Forest Baptist Health System (Atrium Health WFB), including Wake Forest School of Medicine, are part of a single enterprise (the Atrium Health Enterprise), governed and managed by Atrium Health, Inc. (AHI) pursuant to a health system integration agreement and related agreements. Atrium Health CMHA and Atrium Health WFB and their affiliates maintain their separate legal existence and continue to own their own assets. No sale, transfer or other conveyance of assets or assumption of debt and liabilities occurred in connection with the formation of the Atrium Health Enterprise.

Effective December 2022, AHI and Advocate Aurora Health, Inc. (AAH), a Delaware nonprofit nonstock corporation, entered into a joint operating agreement pursuant to which they created Advocate Health, Inc. (Advocate Health), a Delaware nonprofit corporation, to manage and oversee an integrated health care delivery and academic system that will focus on meeting patients' needs by redefining how, when and where care is delivered. AHI and AAH are the two corporate members of Advocate Health. AHI and the participants in the Atrium Health Enterprise maintain their separate legal existence and no sale, transfer or other conveyance of assets or assumption of debt and liabilities occurred in connection with the formation of Advocate Health.

For financial reporting purposes under Governmental Accounting (GASB) Standards, Atrium Health CMHA is divided into the "Primary Enterprise," "Discrete Component Unit," and "Fiduciary Activities." The Primary Enterprise consists of Atrium Health CMHA and all of its controlled affiliates (Atrium Health Charlotte) and two blended component units (Atrium Health Navicent and Atrium Health Floyd) described below. The Discrete Component Unit is The Atrium Health Foundation, Inc. (the Foundation), which raises and holds economic resources for the direct benefit of Atrium Health CMHA. The Foundation operates to raise funds to enhance, promote and support medical services, scientific education, and research. It solicits contributions for Atrium Health CMHA entities, and, in the absence of donor restrictions, its Board of Directors has discretionary control over the amounts to be distributed. Capital and operating contributions to Atrium Health CMHA from the Foundation included in the statement of revenues, expenses and changes in net position were \$53,501 for the year ended December 31, 2023. The Foundation is reported on a basis consistent with Atrium Health CMHA's calendar year and is discretely presented.

Atrium Health CMHA is the sole member of AH Georgia, Inc., which is the sole member of two non-profit hospital systems in Georgia: Navicent Health, Inc., which with its subsidiaries does business as Atrium Health Navicent in central and southern Georgia, and Floyd Healthcare Management, Inc., which with its affiliates does business as Atrium Health Floyd in northwest Georgia and northeast

Alabama. Each of Atrium Health Navicent and Atrium Health Floyd retains and appoints a majority of its Board of Directors, but Atrium Health CMHA holds customary approval rights, including approving budgets and any borrowings or discharging of debt. In addition, Atrium Health CMHA agrees to ensure, but does not formally guarantee, that neither Atrium Health Navicent nor Atrium Health Floyd defaults under any indebtedness agreements, notes or bonds, or other debt-related liabilities. Both Atrium Health Navicent and Atrium Health Floyd are component units of Atrium Health CMHA and, because a controlled subsidiary of Atrium Health CMHA is the sole member of each, financial information of both entities is blended with the Atrium Health CMHA Primary Enterprise as of and for the year ended December 31, 2023. Each of Atrium Health Navicent and Atrium Health Floyd has its own obligated group and is not part of the CMHA Combined Group described below.

Atrium Health CMHA issues revenue bonds (CMHA Bonds) under a Second Amended and Restated Bond Order adopted in 1997 (as amended, the Bond Order). Atrium Health CMHA and certain of its affiliates have formed an "Obligated Group" (CMHA Obligated Group) under the Bond Order. Members of the CMHA Obligated Group are jointly and severally liable for payment of CMHA Bonds and other obligations secured by the Bond Order (Parity Obligations). The Bond Order also authorizes the creation of a "Combined Group" (CMHA Combined Group), which consists of members of the CMHA Obligated Group and any affiliates designated by Atrium Health CMHA (Designated Affiliates). Only the CMHA Combined Group has a direct or indirect obligation to pay amounts due on bonds issued by Atrium Health CMHA. As of December 31, 2023, the members of the CMHA Combined Group were substantially all of the members of Atrium Health CMHA, with the exception of Atrium Health Navicent and Atrium Health Floyd, and the Foundation.

#### **Basis of Presentation**

The basic financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). All significant intercompany transactions have been eliminated in consolidation.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Use of Estimates**

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and amounts disclosed in the notes to the consolidated financial statements at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Although estimates are considered to be fairly stated at the time made, actual results could differ materially from those estimates.

#### **Cash Equivalents**

CMHA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Atrium Health Navicent, and Atrium Health Floyd maintain cash balances at various financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250. At times, the amounts on deposit with these financial institutions exceed the insured limit. Atrium Health Charlotte follows North Carolina General Statute 159-30, whereby all deposits of CMHA are held in depositories that are either insured or covered under statewide single financial institution collateral pools (the Pooling Method). Collateral is maintained for all the depositories' governmental units in the state. The North Carolina State Treasurer monitors the Pooling Method depositories for

adequate collateralization. Under the Pooling Method, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with CMHA. Because of the inability to measure the exact amount of collateral pledged for CMHA under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, each Pooling Method Depository is subject to financial stability standards and oversight by the State Treasurer of North Carolina.

### **Investments**

Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices or otherwise observable inputs. Investments in private equity limited partnerships and derivative products (hedge funds) are reported at fair value using net asset value as a practical expedient. Commingled funds are carried at fair value based on other observable inputs. Investment income or loss (including realized gains and losses, interest, dividends and unrealized gains and losses) is included in the nonoperating section of the accompanying statement of revenues, expenses and changes in net position, unless the income or loss is related to assets designated for self-insurance programs. Investment income on self-insurance trust funds is reported in other revenue in the accompanying statement of revenues, expenses and changes in net position.

### **Assets Limited as to Use**

Assets limited as to use consist of investments set aside by Atrium Health CMHA for future capital improvements and certain medical education and other health care programs. Atrium Health CMHA retains control of these investments and may, at its discretion, subsequently use them for other purposes. Additionally, assets limited as to use include investments held by trustees or in self-insurance trusts.

### **Patient Service Revenue and Accounts Receivable**

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

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount. Settlements with third-party payors for retroactive adjustments due to reviews and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Atrium Health CMHA's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such reviews and adjustments.

For the year ended December 31, 2023, adjustments arising from changes in Atrium Health CMHA's allowances for matters subject to final settlement were not significant.

### **Inventories**

Inventories, consisting primarily of medical supplies, pharmaceuticals and durable medical equipment, are stated at the lower of cost or net realizable value.

### **Goodwill and Intangible Assets, Net**

CMHA accounts for the acquisition of healthcare related businesses in accordance with GASB Statement No. 69. Any excess of purchase price over the net position acquired is recorded as a deferred outflow of resources and is attributed to future periods in a systematic manner based upon professional standards. Any purchase price in excess of net position acquired prior to January 1, 2013 is being amortized over periods that do not exceed 25 years.

### **Asset Impairment**

Atrium Health CMHA considers whether indicators of impairment are present and, if indicators are present, performs the necessary tests to determine if the carrying value of an asset is recoverable. Impairment write-downs are recognized in the accompanying statement of revenues, expenses and changes in net position as a component of operating expense at the time the impairment is identified. There were no material impairment charges recorded for the year ended December 31, 2023.

### **Property and Equipment, Net**

Property and equipment are reported at cost or, if donated, at fair value at the date of the gift. Atrium Health CMHA capitalizes expenditures for equipment when the unit of acquisition cost is twenty-five hundred dollars or greater and the estimated useful life is greater than three years. Costs of computer software developed or obtained for internal use, including external and internal direct costs of materials and labor directly associated with internal-use software development projects, are capitalized during the application development stage and included in property and equipment.

Depreciation is recorded on the straight-line method over the estimated useful life of each class or component of depreciable asset. Estimated lives range from three to 40 years. Depreciation is not recorded on land and construction in progress.

	<b>Estimated Useful Life in Years</b>
Land improvements	3-25
Buildings and other improvements	3-40
Fixed and movable equipment	3-25

### **Leases and Subscription-Based Information Technology Arrangements**

Atrium Health CMHA has leases for real estate and equipment. Atrium Health CMHA determines if an arrangement is a lease at the inception of a contract and has both leases under which it is obligated as a lessee and leases for which it is a lessor. Leases as a lessee are included in right-to-use assets and lease liabilities in the balance sheet. Balances related to lessor leases are included in other current assets, other noncurrent assets and deferred inflows of resources.

Atrium Health CMHA records right-to-use assets at the net present value of fixed lease payments over the lease term discounted using an appropriate incremental borrowing rate. right-to-use assets are amortized using the straight-line method over the related lease term. Amortization of right-to-use assets is included in other expenses and depreciation and amortization and interest in the accompanying statement of revenues, expenses and changes in net position.

Atrium Health CMHA contracts to use a vendor's information technology, alone or in combination with tangible property and equipment, as specified in the contract for a period of time. A subscription-based information technology arrangement (SBITA) liability is recognized at the commencement of the subscription term, which is when the subscription asset is placed into service.

### **Derivative Financial Instruments**

Atrium Health Charlotte has adopted an Interest Rate Exchange Agreement Policy (the Policy) that governs its use of derivative instrument agreements and restricts the use of such agreements to achieving desired interest cost savings, hedging interest rate risk in financing transactions, adjusting the mix of variable and fixed rate debt exposure to appropriate levels, providing flexibility to meet financial objectives not available under then-existing market conditions and improving cash flows. The Policy does not allow Atrium Health Charlotte to speculate using derivative instrument agreements. The changes in fair value of derivative instruments that meet the criteria of an effective hedge are deferred on the balance sheet.

### **General and Professional Liability Risks**

The provision for self-insured general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Atrium Health CMHA measures the cost of its unfunded obligations under such programs based upon actuarial calculations and records a liability on a discounted basis.

### **Net Position**

Net position is classified as either net investment in capital assets, restricted - by donor, or unrestricted. Net investment in capital assets consists of property and equipment, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of assets generated from revenues that have third-party limitations on their use. Unrestricted net position has no third-party restrictions on use. When both restricted and unrestricted resources are available for use, generally it is Atrium Health CMHA's policy to use restricted resources first and then unrestricted resources when they are needed.

### **Other Revenue**

Primary categories of other revenue include retail pharmacy revenue, medical education research grants and contracts, clinical integration revenue, managed care risk/quality shared savings revenue, and other miscellaneous revenue.

### **Nonoperating Income**

Revenues and expenses related to the delivery of health care services are reported in operations. Income and losses that arise from transactions that are peripheral or incidental to the CMHA's main purpose are included in other nonoperating income, net. Other components of nonoperating income,

net primarily consist of earnings of unconsolidated entities accounted for using the equity method and other incidental transactions.

### **Accounting Pronouncements Adopted**

In 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*, which addresses the proper accounting and financial reporting of PPPs and APAs. The provisions of this Statement were required to be adopted no later than the year ended December 31, 2023. The adoption of this Statement had no material impact on the basic financial statements.

Also in 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement addresses the proper classification, measurement, and financial disclosure of SBITAs. A SBITA is defined as a contract that conveys control of the right to use a vendor's information technology, alone or in combination with tangible property and equipment, as specified in the contract for a period of time in an exchange or exchange-like transaction. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The provisions of this Statement were required to be adopted no later than the year ended December 31, 2023. Atrium Health CMHA adopted this Statement in 2023. More detailed information is presented in note 8 of the notes to the financial statements.

In 2022, the GASB issued Statement No 99, *Omnibus 2022*, to enhance a variety of practice issues related to the application of certain GASB Statements. Those issues include a) the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63, which were required to be adopted upon issuance of the Statement; b) leases, PPPs, and SBITAs, which were required to be adopted no later than the year ended December 31, 2023; and c) financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53, which are required to be adopted no later than the year ended December 31, 2024. Atrium Health CMHA adopted the required components of this Statement in 2023 which had no material impact on the basic financial statements.

### **3. COMMUNITY BENEFIT**

Atrium Health CMHA provides health care services without charge or at discounted rates to patients who meet the criteria of its financial assistance policies. Charity care services provided under those policies are not reported as patient service revenue, because payment is not anticipated while the related costs to provide the health care are included in operating expenses. Qualifying patients can receive up to 100% discounts from charges as well as extended payment plans. Atrium Health CMHA's cost of providing charity care was \$285,915 for the year ended December 31, 2023, as determined using total cost to charge ratios.

In addition to the provision of charity care, Atrium Health CMHA provides significant financial support to its communities to sustain and improve health care services.

These activities include:

- The unreimbursed cost of providing care to patients covered by the Medicare and Medicaid programs.



- The cost of providing services that are not self-sustaining, for which patient service revenues are less than the costs required to provide the services. Such services benefit uninsured and low-income patients, as well as the broader community, but are not expected to be financially self-supporting.
- Other community benefits include the unreimbursed costs of community benefits programs and services for the general community, not solely for those demonstrating financial need, including the unreimbursed cost of medical education, health education, immunizations for children, support groups, health screenings and fairs.

#### 4. REVENUE AND RECEIVABLES

##### Patient service revenue

The composition of net patient service revenue by payor is as follows:

	December 31, 2023	
Managed care	\$ 4,582,871	47 %
Medicare	2,913,054	30 %
Medicaid	1,620,873	17 %
Self pay and other	648,367	6 %
	<u>\$ 9,765,165</u>	<u>100 %</u>

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the table above. Net patient service revenue is shown net of provision for uncollectible accounts of approximately \$799,784 for the year ended December 31, 2023.

For North Carolina operations, Atrium Health Charlotte receives Medicaid supplemental payments that can flow from three separate and distinct categories. Disproportionate Share Hospital (DSH) payments are intended to compensate hospitals for a portion of the cost of treating uninsured patients. Graduate Medical Education (GME) payments are intended to offset a portion of the costs incurred to operate various accredited residency programs. The Healthcare Access & Stabilization Program (HASP), which became effective in 2023, is designed to provide hospitals with enhanced Medicaid reimbursement rates to support the state's healthcare safety net and enable hospitals to pay for the non-federal share costs of Medicaid expansion. HASP pays hospitals the difference between their current Medicaid equivalent rates and the average commercial rate they would receive for those services. In 2023, with the implementation of HASP, the DSH payments were discontinued. Atrium Health Charlotte provides a portion of the state contribution needed to draw down the federal match needed to make these payments.

For Georgia operations, Atrium Health Navicent and Atrium Health Floyd receive Medicaid supplemental payments in the form of DSH, GME, Directed Payment Programs (DPP), and Upper Payment Limit (UPL). UPL payments provide enhancements to the existing Medicaid fee-for-service payment rates, raising overall payment levels to approximate Medicare payment levels. The state of Georgia's DPP program, Strengthening the Reinvestment of a Necessary-workforce in Georgia (GA-Strong) also enhances the current Medicaid fee for service rates beyond the current Medicare UPL equivalent.

For both North Carolina and Georgia, the state share consists of multiple sources including Certified Public Expenditures, Intergovernmental Transfers (IGT), and state legislated assessment payments. Under the assessment program, Atrium Health CMHA reports assessments within other operating

expenses and receipts and IGT's within patient service revenue in the accompanying statement of revenues, expenses and changes in net position.

The following is a summary of the funds recognized and assessments paid under these programs for the year ended December 31, 2023:

	Classification	Year Ended December 31, 2023
Reimbursement	Patient service revenue	\$ 477,707
Assessment	Purchased services and other expenses	\$ 146,626

There are no assurances regarding future reimbursement related to these Medicaid supplemental programs as they are subject to annual legislative and regulatory approvals that could be materially modified in the future.

### Patient accounts receivable

The composition of patient accounts receivable is summarized as follows:

	December 31, 2023	
Managed care	\$ 674,664	49 %
Medicare	250,605	18 %
Medicaid	153,125	11 %
Self-pay and other	305,104	22 %
	\$ 1,383,498	100 %

The self-pay patient accounts receivable above include amounts due from patients for co-insurance, deductibles, and amounts due from patients without insurance. Patient accounts receivable is recorded net of allowances for uncollectible accounts of approximately \$366,000.

## 5. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of December 31, 2023, Atrium Health Charlotte had cash and cash equivalents of \$669,071. Of the total cash and cash equivalents, \$655,867 was invested with the North Carolina Capital Management Trust's Government Portfolio, which has a rating of AAA from S&P Global Ratings and Aaa from Moody's Investor's Service, Inc.

As of December 31, 2023, Atrium Health Navicent had uncollateralized cash and cash equivalents of \$73,078 which consisted of cash on hand, deposits with banks and investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding assets limited as to use.

As of December 31, 2023, Atrium Health Floyd had uncollateralized cash and cash equivalents of \$211,669 which consisted of cash on hand, deposits with banks and investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding assets limited as to use.

Atrium Health CMHA may, for funds not required for immediate disbursement, make investments that are permissible for trustees, executors, and other fiduciaries under North Carolina and Georgia laws. Funds that are not needed for immediate operating needs and that have been designated by the governing boards for capital improvements, along with other trustee assets, are invested in short term investments, fixed income securities, equity securities and limited partnerships. Investments included in the portfolio are reflected at fair value at the balance sheet date, as noted in the table below, with

gains and losses reflected in nonoperating income in the accompanying statement of revenues, expenses and changes in net position.

Atrium Health CMHA Short term investments and Assets limited as to use – current and noncurrent (which includes investments designated for capital improvements and bond proceeds held by trustee), based on fair value as of December 31, 2023, and organized by investment type to provide an indication of the level of investment and deposit risks assumed, are as follows:

	<b>Ratings by nationally recognized agency</b>	<b>Effective duration in years</b>	<b>Designated for capital improvement</b>	<b>All other investments</b>
Short term investments			\$ 392,235	\$ 77,066
Fixed income:				
U.S. government treasuries and agencies	AA	5.99	\$ 215,391	\$ 10,621
Mortgage pass-throughs	AAA	2.04	21,023	828
	AAA	4.32	263,787	7,841
	A	2.97	6,935	242
	BBB	4.43	1,543	47
Collateralized mortgage obligations	AAA	2.53	6,590	—
	AA	2.39	8,381	—
Corporate bonds	AAA	6.04	22,506	887
	AA	6.74	55,066	1,566
	A	4.29	165,862	43,243
	BBB	4.99	80,921	2,316
	BB	4.81	1,374	—
Municipal bonds	AAA	5.47	12,781	733
	AA	5.07	34,000	565
Asset-backed securities	AAA	2.17	34,468	572
	AA	4.17	32,517	1,252
	A	2.49	4,549	83
Fixed income - funds	N/A	3.87	907,017	27,577
Total fixed income (weighted-average duration)			\$ 1,874,711	\$ 98,373
Domestic equities			\$ 1,832,571	\$ 72,341
International equities			1,008,998	32,549
Global equities			1,058,267	43,192
Total equity			\$ 3,899,836	\$ 148,082
Global asset allocation funds			\$ 151,361	\$ 7,508
Real assets funds			247,901	8,863
Multi-strategy hedge funds			—	2,175
Private equity funds			13,982	53,667
Total reported value			\$ 6,580,026	\$ 395,734

## **Custodial Credit Risk**

Custodial credit risk is the risk that Atrium Health CMHA will not be able to recover the value of its bank deposits, which are exposed to custodial credit risk if they are uninsured and uncollateralized. As of December 31, 2023, all of Atrium Health CMHA's bank deposits were either insured by federal depository insurance or collateralized by the Pooling Method. From time to time, Atrium Health Navicent deposits at banks exceed the federal deposit insurance corporation insurance limit. By policy, the amount of credit exposure to any one institution is limited.

Fixed income investments and equity securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of Atrium Health CMHA and are held by either the counterparty or the counterparty's trust department or agent, but not in Atrium Health CMHA's name. As of December 31, 2023, all of Atrium Health CMHA's fixed income investments and equity securities are held by Atrium Health Charlotte's, Atrium Health Navicent's or Atrium Health Floyd's custodial bank in Atrium Health Charlotte's, Atrium Health Navicent's or Atrium Health Floyd's name and are, therefore, not exposed to custodial credit risk.

## **Credit Risk**

With respect to fixed income investments, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations as required by the fixed income security. Atrium Health's investment policy requires that the overall average credit quality of the non-core fixed income portfolios must be maintained at A or higher, and the overall average credit quality of the core fixed income portfolios must be maintained at AA or higher. As of December 31, 2023, Atrium Health CMHA's fixed income portfolio met these overall average requirements. The quality ratings of Atrium Health CMHA's investments in fixed income securities (excluding diversifying strategies), as determined by nationally recognized statistical rating organizations, are disclosed in the preceding tables.

## **Concentration of Credit Risk**

Credit concentration risk results from not adequately diversifying investments. Per Atrium Health CMHA's investment policy, equity and fixed income restrictions include, (1) no more than 7% of any investment manager's equity portfolio may be invested in securities of any one issuing corporation, and (2) fixed income investments in any single issuer (excluding obligations of the U.S. government and its agencies) may not exceed 5% of any investment manager's portfolio market value at the time of purchase. Although exceptions to these policy restrictions are at times granted to investment managers, at no time may an investment in any one corporation exceed 5% of that corporation's outstanding shares while fixed income investments in any single issuer (excluding obligations of the U.S. government and its agencies) may not exceed 5% of the total issue at the time of purchase. At December 31, 2023, no investment in any one corporation or single issuer exceeded allowable thresholds.

## **6. FAIR VALUE**

Atrium Health CMHA accounts for certain assets and liabilities at fair value and categorizes assets and liabilities measured at fair value in the accompanying basic financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available under the circumstances.

The fair value of all assets and liabilities recognized or disclosed at fair value are classified based on the lowest level of significant inputs. Assets and liabilities that are measured at fair value are disclosed and classified in one of the three categories. Category inputs are defined as follows:

*Level 1* — Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date.

*Level 2* — Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* — Inputs that are unobservable for the asset or liability for which there is little or no market data.

*Net Asset Value (NAV)* - Certain investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying balance sheet.

The following section describes the valuation methodologies used by Atrium Health CMHA to measure financial assets and liabilities at fair value. In general, where applicable, Atrium Health CMHA uses quoted prices in active markets for identical assets and liabilities to determine fair value. This pricing methodology applies to Level 1 investments, such as domestic and international equities, exchange-traded funds and agency securities.

If quoted prices in active markets for identical assets and liabilities are not available to determine the fair value, then quoted prices for similar assets and liabilities or inputs other than quoted prices that are observable either directly or indirectly are used. These investments are included in Level 2 and consist primarily of corporate notes and bonds, foreign government bonds, mortgage-backed securities, fixed-income securities, including fixed-income government obligations, commercial paper and certain agency, United States and international equities, which are not traded on an active exchange. The fair value for the obligations under swap agreements included in Level 2 is estimated using industry-standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves. The fair values of the obligation under swap agreements include adjustments related to Atrium Health CMHA's credit risk.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities. In general, for Level 2, Level 3, and NAV investments, Atrium Health CMHA utilizes the investment manager of the asset to provide a valuation estimate based on disclosed techniques and processes, which have been reviewed by management for propriety and consistency with consideration given to type and investment strategy.

The fair value for the obligations under swap agreements included in Level 2 were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The spot rates used for discounting are further adjusted for the credit (nonpayment) risk

associated with the party that is a net debtor as of the measurement date. The swap valuations are considered Level 2 liabilities and were valued at \$89,532 at December 31, 2023.

The carrying values of cash and cash equivalents, accounts receivable and payable, other current assets and accrued liabilities are reasonable estimates of their fair values, due to the short-term nature of these financial instruments.

The fair values of financial assets and liabilities measured at fair value on a recurring basis are as follows:

	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
<b>Investments</b>				
Short-term investments	\$ 51,197	\$ 51,197	\$ —	\$ —
Corporate bonds and other debt securities	349,668	—	349,668	—
United States government bonds	645,648	—	645,648	—
Bond and other debt security funds	1,179,626	662,444	517,182	—
Non-government fixed-income obligations	—	—	—	—
Equity securities	1,468,551	1,468,551	—	—
Equity funds	2,038,176	1,096,213	941,963	—
	<u>5,732,866</u>	<u>\$ 3,278,405</u>	<u>\$ 2,454,461</u>	<u>\$ —</u>
<b>Investments at net asset value</b>				
Alternative investments	<u>1,242,894</u>			
<b>Total investments</b>	<u>\$ 6,975,760</u>			
<b>Liabilities</b>				
<b>Obligations under swap agreements</b>	<u>\$ (89,532)</u>		<u>\$ (89,532)</u>	

<sup>1</sup> Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2023.

## The Atrium Health Foundation's Investments

The Foundation's Investments at December 31, 2023 are as follows:

	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
<b>Investments</b>				
Short-term investments	\$ 30,282	\$ 30,282	\$ —	\$ —
Corporate bonds and other debt securities	11,072	—	11,072	—
United States government bonds	23,245		23,245	—
Bond and other debt security funds	47,074	18,460	28,614	—
Non-government fixed-income obligations	—		—	—
Equity securities	83,317	83,317		—
Equity funds	109,106	39,658	69,448	—
	<u>304,096</u>	<u>\$ 171,717</u>	<u>\$ 132,379</u>	<u>\$ —</u>
<b>Investments at net asset value</b>				
Alternative investments	92,267			
<b>Total investments</b>	<u>\$ 396,363</u>			

<sup>1</sup> Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2023.

## 7. PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net are summarized as follows as of December 31, 2023:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Depreciable property and equipment:					
Land improvements	\$ 131,145	\$ 90	\$ 704	\$ (404)	\$ 131,535
Buildings	5,291,534	(2,947)	246,508	(14,664)	5,520,431
Equipment	3,356,380	12,157	230,290	(231,108)	3,367,719
Depreciable property and equipment - gross	8,779,059	9,300	477,502	(246,176)	9,019,685
Accumulated depreciation	(4,976,860)	(428,806)	—	244,196	(5,161,470)
Depreciable property and equipment - net	3,802,199	(419,506)	477,502	(1,980)	3,858,215
Nondepreciable property and equipment:					
Land	330,929	—	110,749	(210)	441,468
Construction in progress	758,349	709,932	(587,154)	—	881,127
Net property and equipment	<u>\$ 4,891,477</u>	<u>\$ 290,426</u>	<u>\$ 1,097</u>	<u>\$ (2,190)</u>	<u>\$ 5,180,810</u>

Depreciation expense was \$429,988 for the year ended December 31, 2023.

## 8. OPERATING LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Atrium Health CMHA leases office and clinical space, land and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

The depreciable lives of assets are limited by the expected lease terms. The majority of leases do not provide an implicit rate; therefore, Atrium Health CMHA has elected to use its incremental borrowing rate, which is the interest rate Atrium Health CMHA would borrow on a collateralized basis over a similar term, as the discount rate. Atrium Health CMHA used its incremental borrowing rate on January 1, 2021 for operating leases that commenced prior to that date.

Operating leases are classified as follows within the accompanying balance sheet:

Leases	Classification	December 31, 2023
right-to-use assets:	Right-to-use assets	
Buildings		\$ 766,996
Accumulated amortization		(242,687)
Equipment		26,602
Accumulated amortization		(15,284)
Land		6,705
Accumulated amortization		(650)
Total lease assets, net		<u>\$ 541,682</u>
Lessors receivables:		
Current receivables	Accounts, grants and notes receivable, net	\$ 11,180
Long-term receivables	Other assets	62,925
Total lessor receivables		<u>\$ 74,105</u>
Lease liabilities:		
Current lease liabilities:	Current portion of operating lease liabilities	
Buildings		\$ 72,232
Equipment		5,703
Land		94
Total current lease liabilities		<u>\$ 78,029</u>
Long-term lease liabilities:	Operating lease liabilities, net of current portion	
Buildings		\$ 499,691
Equipment		4,483
Land		6,362
Total long-term lease liabilities		<u>\$ 510,536</u>
Total lease liabilities		<u>\$ 588,565</u>
Lessors deferred inflows:	Deferred inflows of resources	
Buildings		\$ 34,156
Land		34,208
Total lease deferred inflows		<u>\$ 68,364</u>



Future annual operating lease payments are as follows:

	Principal	Interest	Total
2024	\$ 78,029	\$ 15,561	\$ 93,590
2025	71,996	13,583	85,579
2026	63,333	11,787	75,120
2027	57,179	10,155	67,334
2028	51,738	8,659	60,397
Thereafter	266,290	34,815	301,105
	<u>\$ 588,565</u>	<u>\$ 94,560</u>	<u>\$ 683,125</u>

Atrium Health CMHA reported SBITA assets net of accumulated amortization of \$104,177 in other noncurrent assets, a short-term SBITA liability of \$33,209 in accounts payable and other accrued liabilities, and a long-term SBITA liability of \$53,059 in other noncurrent liabilities, at December 31, 2023.

Future annual SBITA payments are as follows:

	Principal	Interest	Total
2024	\$ 33,209	\$ 4,053	\$ 37,262
2025	35,565	2,672	38,237
2026	11,198	768	11,966
2027	6,296	325	6,621
2028	—	—	—
Thereafter	—	—	—
	<u>\$ 86,268</u>	<u>\$ 7,818</u>	<u>\$ 94,086</u>

## 9. DEFERRED OUTFLOWS OF RESOURCES AND INFLOWS OF RESOURCES

Atrium Health CMHA's deferred outflows of resources consists of the unamortized amounts related to long-term debt refunding transactions, which are being amortized over the remaining life of the debt, benefit plan differences between expected and actual investment earnings, benefit plan differences between expected and actual experience related to demographic factors, benefit plan assumption changes, and the excess cost of net position related to the acquisition of health-related businesses. The balance of the deferred outflows of resources at December 31, 2023 is composed of the following:

Refunding of Debt	\$ 142,021
Deferred outflows of resources related to Atrium Health Charlotte DB Plan (note 12)	59,686
Deferred outflows of resources related to Atrium Health Navicent DB Plan (note 12)	25,356
Deferred outflows of resources related to Atrium Health Floyd DB Plan (note 12)	8,062
Excess cost of net position acquired	18,377
	<u>\$ 253,502</u>

Atrium Health CMHA's deferred inflows of resources consists of the aggregate change in fair value of swaps that are effective hedges, benefit plan differences between expected and actual experience related to demographic factors, benefit plan assumption changes, benefit plan differences between expected and actual investment earnings, and the expected future receipts of lease payments, which are being amortized over the term of leases. The balance of the deferred inflows of resources at December 31, 2023 is composed of the following:

Aggregate change in fair value of swaps (note 11)	\$	69,583
Deferred inflows of resources related to Atrium Health Charlotte DB Plan (note 12)		31,206
Deferred inflows of resources related to Atrium Health Navicent DB Plan (note 12)		1,155
Deferred inflows of resources related to Atrium Health Floyd DB Plan (note 12)		3,381
GASB 87 lessor leases (note 8)		68,364
	<u>\$</u>	<u>173,689</u>

## 10. LONG-TERM DEBT

Atrium Health CMHA's long-term debt, including related issuance premiums and unamortized gains on debt-related derivative instrument agreements, consists of the following:

	<u>December 31, 2023</u>
Atrium Health Charlotte:	
Revenue bonds and revenue refunding bonds	
Series 2005B, C, and D Variable Rate Refunding Revenue Bonds, maturing 2024 through 2026, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2023 was 4.10%)	24,760
Series 2007B Variable Rate Refunding Revenue Bonds, maturing 2024 through 2038, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2023 was 3.11%)	72,335
Series 2007C Variable Rate Refunding Revenue Bonds, maturing 2027 through 2037, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2023 was 3.11%)	87,635
Series 2007D Variable Rate Revenue Bonds, maturing 2041 through 2043, bearing interest at variable rates which are adjusted monthly (weighted average rate for the year ended December 31, 2023 was 4.48%)	67,140
Series 2007E Variable Rate Revenue Bonds, maturing 2041 through 2044, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2023 was 3.11%)	77,220
Series 2007F Variable Rate Revenue Bonds, maturing 2030 through 2042, bearing interest at variable rates which are adjusted monthly (weighted average rate for the year ended December 31, 2023 was 4.48%)	57,055
Series 2007G Variable Rate Revenue Bonds, maturing 2032 through 2041, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2023 was 4.10%)	111,170
Series 2007H Variable Rate Revenue Bonds, maturing 2027 through 2045, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2023 was 4.29%)	166,050
Series 2013A Revenue and Refunding Revenue Bonds, maturing 2024 through 2039 bearing interest at 3.5% to 5.0%	103,115
Series 2016A Refunding Revenue Bonds, maturing 2023 through 2047 bearing interest at 3.0% to 5.0%	288,620
Series 2018A Refunding Revenue Bonds, maturing 2023 through 2039 bearing interest at 4.0% to 5.0%	149,110
Series 2018B Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at 1.95% through long-term rate period ending October 31, 2029	50,000
Series 2018C Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at 3.45% through long-term rate period ending October 30, 2025	50,000
Series 2018D Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at 3.625% through long-term rate period ending June 14, 2027	50,000
Series 2018E Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at 0.80% through long-term rate period ending October 30, 2025	50,000

	<u>December 31, 2023</u>
Series 2018F Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2023 was 3.38%)	100,000
Series 2018G Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2023 was 3.11%)	50,000
Series 2018H Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2023 was 3.11%)	50,000
Series 2021B Variable Rate Revenue Bonds, maturing 2050 bearing interest at 5.0% through the initial long-term rate period ending December 1, 2024	100,000
Series 2021C Variable Rate Revenue Bonds, maturing 2050 bearing interest at 5.0% through the initial long-term rate period ending November 30, 2028	100,000
Series 2021D Variable Rate Revenue Bonds, maturing 2050 bearing interest at 5.0% through the initial long-term rate period ending November 30, 2031	100,000
Series 2021E Variable Rate Refunding Revenue Bonds, maturing 2024 through 2042, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2023 was 3.11%)	119,455
Series 2022A Refunding Revenue Bonds, maturing 2024 through 2043 bearing interest at 4.0% to 5.0%	117,205
	<u>2,140,915</u>
Taxable bonds	
Series 2015A Taxable Refunding Revenue Bonds, maturing 2024 bearing interest at 2.64%	1,615
Series 2015B Taxable Commercial Paper Revenue Bonds (weighted average interest rate for the year ended December 31, 2023 was 5.26%)	300,000
Series 2021 A Taxable Revenue Bonds, maturing 2051 bearing interest at 3.20%	300,000
	<u>601,615</u>
Other long-term debt	54,293
Commercial paper original issue discount	(2,484)
Net unamortized premiums and other debt related costs	156,689
	<u>2,950,983</u>
Less amounts classified as current	
Current portion of long-term debt	(346,807)
Commercial paper, net of original issue discount	(297,516)
Current portion of unamortized premiums and other debt related costs	(7,447)
Long-term debt and commercial paper, current portion	<u>(651,770)</u>
Total Atrium Health Charlotte Long-term debt	<u>\$ 2,299,213</u>
Atrium Health Navicent:	
Revenue bonds and revenue refunding bonds:	
Series 2017A Revenue Anticipation Certificates, maturing 2042 through 2045 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2023 was 5.37%)	40,000
Series 2017B Revenue Anticipation Certificates, maturing 2024 through 2042 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2023 was 5.37%)	174,635
	<u>214,635</u>

	<b>December 31, 2023</b>
Other financing arrangements:	
Taxable Variable Term Loan, maturing 2038 through 2048 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2023 was 6.40%)	60,000
Less amounts classified as current:	
Current portion of long-term debt	(5,860)
Total Atrium Health Navicent Long-term debt	<u>268,775</u>
Atrium Health Floyd:	
Variable Term loan, (weighted average rate of 6.40% during 2023) principal payable in varying annual installments through August 2048	166,900
Interest Free Term Loan, principal payable in annual installments through November 2028	522
	<u>167,422</u>
Less amounts classified as current:	
Current portion of long-term debt	(6,508)
Total Atrium Health Floyd Long-term debt	<u>160,914</u>
Total Atrium Health CMHA Long-term debt	<u><u>\$ 2,728,902</u></u>

A summary of Atrium Health CMHA changes in long-term debt during 2023 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Atrium Health Charlotte:				
Fixed rate revenue bonds	\$ 980,550	\$ —	\$ (22,500)	\$ 958,050
Variable rate revenue bonds	1,061,765	100,000	(105,120)	1,056,645
Commercial paper revenue bonds	400,000	—	(100,000)	300,000
Direct placement revenue bonds	436,720	124,195	(133,125)	427,790
Notes from direct borrowings	57,110	—	(2,817)	54,293
	<u>2,936,145</u>	<u>224,195</u>	<u>(363,562)</u>	<u>2,796,778</u>
Atrium Health Navicent:				
Direct placement revenue anticipation certificates	220,220	—	(5,585)	214,635
Note from direct borrowings	60,325	—	(325)	60,000
	<u>280,545</u>	<u>—</u>	<u>(5,910)</u>	<u>274,635</u>
Atrium Health Floyd:				
Term loans	176,970	—	(9,548)	167,422
	<u>176,970</u>	<u>—</u>	<u>(9,548)</u>	<u>167,422</u>
Combined Total	<u><u>\$ 3,393,660</u></u>	<u><u>\$ 224,195</u></u>	<u><u>\$ (379,020)</u></u>	<u><u>\$ 3,238,835</u></u>

## **Atrium Health Charlotte Components of Debt**

Atrium Health Charlotte can issue debt on behalf of the CMHA Combined Group members as established under its the Bond Order. Debt issued under the Bond Order is payable solely from the CMHA Combined Group's revenues (as defined by the Bond Order). There are various financial covenants and restrictions contained in the Bond Order, Series Resolutions, and other debt agreements, including maintenance of a defined minimum level of annual long term debt service coverage.

Atrium Health Charlotte's Revenue Bonds (other than the Series 2015A, Series 2015B Revenue Bonds, and Series 2021A Revenue Bonds which are taxable) are tax exempt and are secured on a parity basis by and payable from Atrium Health Charlotte's revenues as defined in the Bond Order, the money and securities held in certain funds and accounts created by the applicable bond agreements and held by the bond trustee, and in the case of the CMHA Combined Group, amounts payable by the other members of the CMHA Combined Group under their respective Member Guaranty Agreement or Member Security Agreement. The tax-exempt fixed rate revenue bonds are redeemable at the option of Atrium Health Charlotte at par value upon the expiration of the 10 year no call period subsequent to their respective issuance date.

In December 2005, Atrium Health Charlotte issued Series 2005B, C and D Variable Rate Refunding Revenue Bonds. Interest on the Series 2005B, C, and D is payable monthly in arrears and principal is payable on January 15 of each year. In May 2023, Atrium Health Charlotte converted Series 2005B, C, and D from direct purchase bonds with weekly interest rate mode to direct purchase bonds with a daily interest rate mode with a new mandatory tender date of January 15, 2026.

In August 2007, Atrium Health Charlotte issued Series 2007B and C Variable Rate Refunding Revenue Bonds. Interest on the Series 2007B and C is payable monthly in arrears and principal is payable on January 15 of each year.

In September 2007, Atrium Health Charlotte issued Series 2007D, E and F Variable Rate Revenue Bonds insured by Financial Security Assurance, Inc., now known as Assured Guaranty Municipal Corp. (AGMC). Interest on the Series 2007D, E and F is payable monthly in arrears and principal is payable on January 15 of each year. In May 2023, Atrium Health Charlotte utilized a mandatory tender process to convert Series 2007D and F from direct purchase bonds with weekly interest rate mode to direct purchase bonds with a monthly interest rate mode with a new mandatory tender date of May 28, 2026. As a result of the mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance.

In September 2007, Atrium Health Charlotte issued Series 2007G Variable Rate Revenue Bonds insured by AGMC and Series 2007H Variable Rate Revenue Bonds. Interest on Series 2007G and Series 2007H is payable monthly in arrears. Principal is payable on January 15 of each year.

In May 2013, Atrium Health Charlotte issued Series 2013A Revenue and Refunding Revenue Bonds. Interest on Series 2013A is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In January 2015, Atrium Health Charlotte issued Series 2015A Taxable Refunding Revenue Bonds. Series 2015A Revenue Bonds were directly placed with a financial institution and will be held through their maturity on January 15, 2024. Interest on the Series 2015A is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In October 2015, Atrium Health Charlotte established a taxable commercial paper program providing for the issuance of up to \$200,000 in aggregate taxable commercial paper revenue bonds. In November 2018, the issuance limit was increased to \$400,000. The bonds issued under the commercial paper program currently carry short-term credit ratings of A-1+ from S&P Global Ratings and P-1 from Moody's Investors Service. Proceeds from the sale of commercial paper are used to pay for additional healthcare facilities or the costs of operating healthcare facilities, including general operating costs, routine capital expenditures and the acquisition and installation of healthcare equipment. Atrium Health Charlotte has established a self-liquidity program that will be used to repurchase any commercial paper that is not remarketed. Commercial paper may be issued with maturity dates from one to 270 days from the date of issuance. While management may elect to continuously roll over all or portions of the commercial paper, the principal amount of all commercial paper must be repaid by October 2055. At December 31, 2023, commercial paper totaling \$300,000, with a weighted average maturity and interest rate of 119 days and 5.59% respectively, was outstanding and included within current portion of debt.

In November 2016, Atrium Health Charlotte issued Series 2016A Refunding Revenue Bonds. Interest on Series 2016A is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In November 2018, Atrium Health Charlotte issued Series 2018A Refunding Revenue Bonds. Interest on Series 2018A is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In November 2018, Atrium Health Charlotte issued Series 2018B and 2018C Variable Rate Revenue Bonds. Interest on the Series 2018B and 2018C is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In November 2018, Atrium Health Charlotte issued Series 2018D and 2018E Variable Rate Revenue Bonds. Interest on Series 2018D and 2018E is payable monthly in arrears and principal is payable on January 15 of each year. Upon the initial mandatory tender of December 1, 2023, the Series 2018D bonds were converted to the long-term rate mode and interest on the bonds is payable semiannually on January 15 and July 15 of each year and bear interest at 3.63% through a new long-term rate period ending June 14, 2027.

In November 2018, Atrium Health Charlotte issued Series 2018F Variable Rate Revenue Bonds. Interest on Series 2018F is payable monthly in arrears and principal is payable on January 15 of each year. Atrium Health Charlotte has established a self-liquidity program that will be used to repurchase any Series 2018F Variable Rate Bonds that are not remarketed.

In December 2018, Atrium Health Charlotte issued Series 2018G and 2018H Variable Rate Revenue Bonds. Interest on the Series 2018 G and 2018 H Variable Rate Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year.

In May 2021, Atrium Health Charlotte issued Series 2021A Taxable Revenue Bonds. Interest on the Series 2021 A Taxable Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In May 2021, Atrium Health Charlotte issued Series 2021B, C, and D Variable Rate Revenue Bonds. Interest on Series 2021B, C, and D is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In July 2021, Atrium Health Charlotte issued Series 2021E Variable Rate Refunding Revenue Bonds. Interest on the Series 2021E Variable Rate Refunding Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year.

In February 2022, Atrium Health Charlotte issued Series 2022A Refunding Revenue Bonds. Interest on Series 2022A is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

Premiums, net of accumulated amortization, totaled \$156,689 as of December 31, 2023. These costs are being amortized over the estimated duration of the related debt using the effective interest method.

Atrium Health Charlotte's parity obligation revenue bonds totaling \$2,442,485 contain terms related to significant events of default with finance-related consequences. The principal of and accrued interest on all parity obligations may be accelerated if certain events of default under the Bond Order or the individual Series Resolutions occur, including: (i) failure to pay the principal of or interest on parity obligations when due and payable; (ii) failure to comply with any of the covenants, agreements, conditions or provisions of the Bond Order or any Series Resolution for a period of 30 days after receipt by Atrium Health Charlotte of a written notice from the Trustee specifying such default and requesting it be corrected; or (iii) any member of the CMHA Combined Group becomes insolvent, or the subject of insolvency proceedings, is unable or admits in writing its inability to pay its debts as they mature, makes a general assignment for the benefit of creditors to an authorized agent to liquidate any substantial amount of property or files a petition or other pleading seeking reorganization, composition, readjustment or liquidation of assets or requesting similar relief or applies to a court for the appointment of a receiver for any of its assets.

With respect to Atrium Health Charlotte's parity obligation variable rate revenue bonds totaling \$1,482,820, certain agreements contain terms related to significant termination events with finance-related consequences. For revenue bonds totaling \$259,970 that are supported by liquidity facilities, if certain events occur (event of insolvency, payment default, contest of validity, invalidity, and ratings downgrade below Baa3 and or BBB-), the financial institution's obligation to purchase tendered bonds of a series may be terminated immediately and without prior written notice to the owners of the bonds of that series or the Trustee. Atrium Health Charlotte will then be obligated to pay the purchase price of any bonds of a series tendered for purchase after an immediate termination of the liquidity facility for that series. In the event funds are not otherwise available on a purchase date for that series, Atrium Health Charlotte will have 90 days in which to arrange for the purchase of the tendered bonds. Atrium Health Charlotte's failure to arrange for purchase of the tendered bonds by the end of that 90-day period is an event of default under the Series Resolution for the applicable series. For revenue bonds totaling \$196,675 that are supported by direct pay letters of credit, the related reimbursement agreements set forth a number of events of default (including but not limited to failure to pay amounts due under the reimbursement agreement, failure to perform any covenant, restriction or agreement contained in the reimbursement agreement, ratings downgrade below A3 and A-, an involuntary case or other proceeding commenced against Atrium Health Charlotte seeking liquidation, reorganization or other relief with respect to bankruptcy or insolvency). If an event of default under the reimbursement agreement occurs and is continuing, the financial institution may: (i) terminate the letter of credit on a date at least 40 days after giving written notice to the Trustee that an event of default has occurred and is continuing, which will result in a mandatory purchase date; and (ii) declare all amounts due under the reimbursement agreement and all interest accrued thereon (other than payments of principal and redemption price and interest on bonds purchased with money furnished by the financial institution pursuant to the letter of credit) to be immediately due and payable.

With respect to Atrium Health Charlotte’s parity obligation direct placement revenue bonds totaling \$427,790, the continuing covenants agreements contain terms related to significant events of default with finance-related consequences. The principal of and accrued interest on such parity obligations may be accelerated and immediately due if certain events of default under the continuing covenants agreements occur as follows: (i) failure to pay the principal of or interest on parity obligations when due or failure to purchase the parity obligations from the financial institution on the purchase date; (ii) an event of default as defined in the Bond Order or Series Resolutions occurs and is continuing; (iii) default in the payment of any material debt when due; (iv) the credit ratings of Atrium Health Charlotte are withdrawn or reduced below Baa3 and BBB-; (iv) commencement of a voluntary case or other proceeding seeking liquidation, reorganization, arrangement, adjustment, winding-up, dissolution, composition or similar relief with respect to its debts; or (v) a representation or warranty proves to have been untrue or incomplete in any material respect. Other events of default such as the failure to observe or perform any covenant, restriction or agreement contained in the continuing covenants agreements for 30 days after receipt of written notice from the financial institutions do not allow the acceleration of parity obligations prior to a period of 180 days after notice is given by the financial institutions.

In the event bondholders elect to tender any or all of Series 2007B, C, and E Revenue Bonds, Series 2018 G and H Revenue Bonds, or Series 2021E Revenue Bonds for purchase and the bonds cannot be remarketed, liquidity facilities and a direct pay letter of credit provided by two financial institutions are utilized to purchase the unremarketed bonds. Bonds held by the liquidity facility and letter of credit providers generally require payment of a higher rate of interest. The terms of these liquidity facilities and direct pay letter of credit are described in the table below.

<b>Series</b>	<b>Facility type</b>	<b>Expiration year</b>	<b>Repayment period</b>
2007B	Liquidity facility	2026	3 year
2007C	Liquidity facility	2026	3 year
2007E	Direct pay letter of credit	2025	5 year
2018G	Liquidity facility	2024	3 year
2018H	Liquidity facility	2024	3 year
2021E	Direct pay letter of credit	2026	3 year

Atrium Health Charlotte’s Series 2005B, C, and D Variable Rate Refunding Revenue Bonds and Series 2007D, F, G, and H Revenue Bonds have been purchased by three financial institutions with holding periods noted in the table below that expire prior to the maturity of the respective bonds.

<b>Series</b>	<b>Facility type</b>	<b>Expiration year</b>
2005B, C, and D	Direct placement	2026
2007D	Direct placement	2026
2007F	Direct placement	2026
2007G	Direct placement	2026
2007H	Direct placement	2025



Atrium Health Charlotte’s Series 2018B, C, D, and E and Series 2021B, C, and D Variable Rate Revenue Bonds are subject to mandatory tender for purchase at the end of the long-term rate periods noted in the table below that expire prior to the maturity of the respective bonds.

Series	Facility type	Expiration year
2018B	Long-term rate period bonds	2029
2018C	Long-term rate period bonds	2025
2018D	Long-term rate period bonds	2027
2018E	Long-term rate period bonds	2025
2021B	Long-term rate period bonds	2024
2021C	Long-term rate period bonds	2028
2021D	Long-term rate period bonds	2031

In March 2013, Atrium Health Charlotte entered into an Amended and Restated Interlocal Agreement with Cleveland County, North Carolina for the purpose of more fully integrating CHS Cleveland with Atrium Health Charlotte and enhancing Atrium Health Charlotte’s ability to provide services to the residents of Cleveland County. Atrium Health Charlotte's payment to Cleveland County included an unsecured, non-interest bearing note in the original amount of \$77,000, payable through 2038 which is recorded as other long-term debt at its net present value of \$33,000 at December 31, 2023.

In October 2014, Atrium Health Charlotte became the sole member of Pineville LTACH/Rehab Hospital, LLC (the LLC), which owns and leases a facility to Atrium Health Charlotte. Previously, the LLC was a joint venture between Atrium Health - Charlotte and an unaffiliated entity. The loan, which was not issued under the Bond Order, is secured by a leasehold deed of trust and assignment of facility leases and rents. The balance of \$20,995 at December 31, 2023 is included on other long-term debt.

**Atrium Health Navicent Components of Debt**

Atrium Health Navicent can borrow on behalf of its Obligated Group members as established under its Amended and Restated Master Trust Indenture, as further amended (the Master Trust Indenture). There are various financial covenants and restrictions contained in the Master Trust Indenture and other debt agreements, including maintenance of a defined minimum level of annual long term debt service coverage.

Atrium Health Navicent’s tax-exempt Revenue Anticipation Certificates and taxable Variable Term Loan are secured on a parity basis by and payable from Atrium Health Navicent’s revenues as defined in the Master Trust Indenture, the money and securities held in certain funds and accounts created by the applicable bond agreements and held by the bond trustee. The Series 2017A and Series 2017B Certificates and taxable Variable Term Loan are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of each Bond to be redeemed plus accrued interest to the date fixed for redemption. The Variable Term Loan is also subject to mandatory prepayment in whole, without penalty, on January 16, 2027.

In December 2017, the Macon-Bibb County Hospital Authority issued Series 2017A and Series 2017B Revenue Anticipation Certificates. Interest on Series 2017A and 2017B is payable monthly in arrears and principal is payable on August 1 of each year.

In December 2017, Atrium Health Navicent entered into a taxable Variable Term Loan with a financial institution. Interest on the Variable Term Loan is payable monthly in arrears and principal is payable on August 1 of each year.

Atrium Health Navicent’s parity obligation revenue anticipation certificates and taxable variable term loan totaling \$274,635 contain terms related to significant events of default with finance-related consequences. The principal of and accrued interest on all parity obligations may be accelerated if certain events of default under the Navicent Master Trust Indenture occur, including: (i) failure to make due and punctual payment of principal and interest on parity obligations; (ii) income available for debt service is less than 1.00 times annual debt service for any two consecutive years; (iii) failure to observe or perform any covenants or agreement under the Master Trust Indenture for a period of 60 days after receipt by Atrium Health Navicent of a written notice from the Master Trustee requiring the failure to be remedied; (iv) default in the payment of other indebtedness whose grace, notice and / or cure period for such payments has expired; (v) a court decree or order for relief in an involuntary case under applicable federal / state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, or the winding up or liquidation of its affairs; (vi) commencement of a voluntary case under any applicable federal / state bankruptcy, insolvency or other similar law or consent to an order for relief in an involuntary case under such law; or (vii) an event of default under the Lease and Transfer Agreement with the Macon-Bibb County Hospital Authority.

With respect to Atrium Health Navicent’s direct placement revenue anticipation certificates and note from direct borrowings totaling \$274,635, the continuing covenant and credit agreement contains terms related to significant events of default with finance-related consequences. The principal of and accrued interest on such parity obligations may be accelerated and due within 7 days if certain events of default under the continuing covenant and credit agreement occurs including but not limited to the following: (i) failure to pay the principal of or interest on parity obligations when due or failure to purchase the parity obligations from the financial institution on the purchase date; (ii) default on parity debt and senior debt; (iii) invalidity of the obligations or pledge of gross revenues; (iv) an event of insolvency; or (v) termination of the Agreement and Member Substitution with Atrium Health CMHA. Other events of default such as the failure to perform any term, covenant, condition, or provision contained in the continuing covenant and credit agreement for 30 days or more do not allow the acceleration of the parity obligations prior to a period of 30 days after notice is given by the financial institution.

Atrium Health Navicent’s Series 2017A and Series 2017B Revenue Anticipation Certificates have been purchased by one financial institution with holding periods noted in the table below that expire prior to the maturity of the respective obligations.

<b>Series</b>	<b>Facility type</b>	<b>Expiration year</b>
2017A	Direct placement	2027
2017B	Direct placement	2027

**Atrium Health Floyd Components of Debt**

In December 2021, Atrium Health Floyd entered into a term loan with a financial institution. Interest is payable monthly in arrears while principal is payable on July 1 of each year with the final maturity of July 1, 2043. The Term Loan is subject to a Mandatory Prepayment Date of January 16, 2027. Neither

Atrium Health Charlotte nor Atrium Health Navicent have guaranteed the Atrium Health Floyd Term Loan.

There are various financial covenants and restrictions contained in the Bond Order, Series Resolutions, liquidity facilities, direct pay letter of credit and continuing covenants agreements for direct placements, Atrium Health Navicent’s Master Trust Indenture and continuing covenant and credit agreement for direct placements and term loan, and Atrium Health Floyd’s term loan agreement. As of December 31, 2023, Atrium Health Charlotte, Atrium Health Navicent, and Atrium Health Floyd were in compliance with these financial covenants.

There are no subjective acceleration clauses included in the debt agreements of Atrium Health Charlotte and Atrium Health Navicent.

For Atrium Health CMHA, interest expense was \$165,796 for the year ended December 31, 2023. Interest paid to bond holders and other lenders totaled \$150,581 for the year ended December 31, 2023.

Debt service requirements for Atrium Health CMHA long-term debt in future years, excluding commercial paper but including the impact of other long-term debt (note payable to a financial services company, note payable to Cleveland County and note payable to a financial institution) and interest rate swap transactions discussed in note 11, are shown in the table below. Debt service requirements, as reflected in the table, assume current interest rates on unhedged variable rate debt while net swap payments, are projected using the December 31, 2023 relationship between the Securities Information and Financial Markets Association (SIFMA) Municipal Swap Index and the one month Secured Overnight Financing Rate (SOFR). The use of LIBOR was abandoned on June 30, 2023.

	<b>Fixed Rate and Variable rate Revenue bonds</b>		<b>Notes from Direct Borrowings and Direct Placements</b>		<b>TOTAL</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 33,735	\$ 77,343	\$ 24,691	\$ 44,736	\$ 58,426	\$ 122,079
2025	35,370	72,749	24,036	43,700	59,406	116,449
2026	37,085	70,800	24,996	42,568	62,081	113,368
2027	40,920	68,887	24,084	41,457	65,004	110,344
2028	41,430	66,379	25,000	40,305	66,430	106,684
2029-2033	242,335	282,262	137,306	182,633	379,641	464,895
2034-2038	296,970	210,697	182,872	145,508	479,842	356,205
2039-2043	207,635	164,138	389,230	75,378	596,865	239,516
2044-2048	544,405	103,685	91,925	15,790	636,330	119,475
2049-2053	534,810	27,417	—	—	534,810	27,417
	<u>\$ 2,014,695</u>	<u>\$ 1,144,357</u>	<u>\$ 924,140</u>	<u>\$ 632,075</u>	<u>\$ 2,938,835</u>	<u>\$ 1,776,432</u>

## 11. INTEREST RATE SWAP PROGRAM

### Atrium Health Charlotte Interest Rate Swaps

The significant terms and features of Atrium Health Charlotte's interest rate swap program as of and for the year ended December 31, 2023, are summarized in the tables below. The notional amounts of the swaps effectively match the principal amounts of the associated debt. The swaps contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in the associated bonds.

Bond Series	Notional Amount	Swap Type	Issuance Date	Maturity Date	Rate Received	Rate Paid
2005B, C, and D	\$ 24,760	Floating-to-fixed	January 15, 2006	January 15, 2026	75% of SOFR	5.520 %
2007B	72,335	Floating-to-fixed	August 28, 2007	January 15, 2038	SIFMA	4.360 %
2007C	87,635	Floating-to-fixed	August 28, 2007	January 15, 2037	SIFMA	4.380 %
2007D	67,140	Floating-to-fixed	September 19, 2007	January 15, 2043	62.97% of SOFR + 0.29%	3.880 %
2007E	77,220	Floating-to-fixed	September 19, 2007	January 15, 2044	62.97% of SOFR + 0.29%	3.890 %
2007F	57,055	Floating-to-fixed	September 19, 2007	January 15, 2042	62.97% of SOFR + 0.29%	3.890 %
2007G	111,170	Floating-to-fixed	September 19, 2007	January 15, 2041	62.97% of SOFR + 0.29%	3.900 %
2007H	166,050	Floating-to-fixed	September 19, 2007	January 15, 2045	62.97% of SOFR if SOFR is equal to or greater than 3.5%; 77.5% of SOFR if SOFR is less than 3.5%	3.890 %
2021E	119,455	Floating-to-fixed	January 15, 2021	January 15, 2042	70% of SOFR	1.970 %

In the event Atrium Health Charlotte's credit ratings, as determined by S&P Global Ratings and Moody's Investors Service, fall below a level of A+ or A1, respectively, Atrium Health Charlotte must post collateral on these swap agreements equal to the amount of negative fair value in excess of thresholds.

In addition to the above requirement, with respect to the AGMC-insured swap agreements, should the financial strength ratings of AGMC, as determined by S&P Global Ratings and Moody's Investors Service, fall below A- or A3, respectively, upon the request of the counterparty, Atrium Health Charlotte, at its option, must either procure replacement swap insurance policies from counterparties rated at least AAA by S&P Global Ratings and Aaa by Moody's Investors Services, respectively, or agree to post collateral on those swap agreements equal to the amount of negative fair value in excess of the thresholds.

As of December 31, 2023, no collateral was required to be posted by Atrium Health Charlotte for these swap agreements.

**Fair Value at December 31, 2023**

	<b>Counterparty 1 (A+/Aa1)<sup>1</sup></b>		<b>Counterparty 2 (A+/Aa3)<sup>1</sup></b>		<b>Counterparty 3 (A+/Aa2)<sup>1</sup></b>		<b>Total</b>
	<b>Uninsured</b>	<b>AGMC Insured (AA/A2)<sup>2</sup></b>	<b>Uninsured</b>	<b>Uninsured</b>	<b>Uninsured</b>	<b>AGMC Insured (AA/A2)<sup>2</sup></b>	
Series 2005BCD	\$ (581)						\$ (581)
Series 2007B		(5,082)	(5,082)				(10,164)
Series 2007C		(5,230)	(5,230)				(10,460)
Series 2007D						(11,373)	(11,373)
Series 2007E		(6,712)				(6,721)	(13,433)
Series 2007F		(4,655)				(4,662)	(9,317)
Series 2007G		(8,320)				(8,335)	(16,655)
Series 2007H	(10,708)				(10,708)		(21,416)
Series 2021E				6,026			6,026
<b>Total Fair Value</b>	<b>\$ (581)</b>	<b>\$ (21,020)</b>	<b>\$ (19,687)</b>	<b>\$ (10,312)</b>	<b>\$ 6,026</b>	<b>\$ (10,708)</b>	<b>\$ (31,091)</b>
							<b>\$ (87,373)</b>

**Atrium Health  
Charlotte  
Ratings  
Thresholds<sup>3</sup>**

	<b>Collateral Posting Thresholds</b>						
A/A2	(25,000)	(25,000)	(25,000)	(25,000)	(55,000)	(50,000)	(50,000)
A-/A3	(5,000)	(5,000)	(5,000)	(5,000)	(20,000)	(10,000)	(10,000)

<sup>1</sup> S&P / Moody's Rating

<sup>2</sup> Credit Support Annex Posting Thresholds (in terms of posting, only applies to insured swaps where Atrium Health Charlotte has signed on to the Credit Support Annex when insurer is below A-/A3).

<sup>3</sup> The ratings threshold is triggered if Atrium Health Charlotte falls below A+/A1.

The fair value of the Atrium Health Charlotte swaps of \$87,373, at December 31, 2023 is reported as a long-term liability on the balance sheet. Certain mandatory tender processes undertaken with the associated bonds resulted in the termination of the related hedging relationships. Although hedging relationships have been subsequently re-established, the swaps are considered off-market swaps because the fixed rates of the swaps differed from the market rates for similar swaps at the time the hedging relationship was re-established. The negative fair values of the off-market swaps are being amortized using straight-line amortization. As of December 31, 2023, Atrium Health Charlotte has determined that its 15 interest rate swaps are effective hedging derivative instruments. Because the swaps are effective hedges, aggregate changes in their fair value are deferred and are reported on the balance sheet as a deferred inflow of resources. See note 6 for further discussion of the measurement techniques and inputs utilized in the measurement of the swaps' fair value.

Amounts recorded in the accompanying statement of revenues, expenses and changes in net position are as follows:

	<b>December 31, 2023</b>
Net cash payments on interest rate swap agreements (interest expense)	<u>\$ 2,035</u>

As of December 31, 2023, 14 of the 15 swaps had a negative fair value. The negative fair value may be countered by a reduction in total interest payments required under Atrium Health Charlotte's associated variable rate revenue bonds, creating a lower synthetic interest rate. Because the coupons on the variable rate revenue bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

As of December 31, 2023, Atrium Health Charlotte was exposed to slight credit risk as one of the swaps had a positive fair value. Atrium Health Charlotte's exposure to credit risk was \$6,026, the amount of the swap's fair value.

Atrium Health Charlotte's Series 2007B, C, and E and Series 2021E bonds bear interest at a rate that is equivalent to the SIFMA rate while the Series 2005B, C and D bonds and Series 2007 D, F, G and H bonds bear interest at SOFR plus a spread. For those swaps on the SIFMA-based variable rate revenue bonds for which it receives a variable rate based on SOFR, Atrium Health Charlotte is exposed to basis risk depending upon the relationship between SIFMA and SOFR. If that relationship changes, the effective synthetic rate on the SIFMA-based variable rate revenue bonds may be higher than the intended synthetic rate. As of December 31, 2023, the SIFMA rate was 3.87% and SOFR was 5.38%, resulting in a SIFMA to SOFR relationship of approximately 71.93%.

Atrium Health Charlotte or the counterparty may terminate any of the swaps if either party fails to perform under the terms of the agreement. If any of the swaps are terminated, the associated variable rate revenue bonds would no longer carry synthetic interest rates. Also, if the swap has a negative fair value at the time of termination, Atrium Health Charlotte would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at the time of termination, Atrium Health Charlotte would be entitled to a payment equal to the swap's fair value from the counterparty terminating the swap.

#### **Atrium Health Navicent Interest Rate Swap**

In August 2005, The Medical Center of Central Georgia, Inc. entered into an Ambac-insured floating-to-fixed interest rate swap agreement on its Series 2005 Revenue Anticipation Certificates, with an initial notional amount of \$52,000. Although the Series 2005 Certificates were refinanced in 2009, the insured interest rate swap agreement remains in place to create synthetic fixed rate debt on a portion of the Series 2017B Revenue Anticipation Certificates.

The significant terms and features of the above transaction, which were amended in April 2018 and again in April 2021, are summarized below as of and for the year ended December 31, 2023. The notional amount of the swap neither effectively match the principal amounts of the associated debt nor contain scheduled reductions to outstanding notional amounts that follow scheduled or anticipated reductions in the associated debt. The swap is not an effective hedging derivative instrument.

<b>Bond Series</b>	<b>Notional Amount</b>	<b>Swap Type</b>	<b>Issuance Date</b>	<b>Maturity Date</b>	<b>Rate Received</b>	<b>Rate Paid</b>
2017B	\$ 44,372	Floating-to-fixed	August 1, 2005	May 1, 2024	67% of SOFR	3.290 %

The fair value of the remaining Atrium Health Navicent swap of \$2,159, at December 31, 2023, is reported as a long-term liability on the balance sheet. See note 6 for further discussion of the measurement techniques and inputs utilized in the measurement of the swaps' fair value.

Amounts recorded in the accompanying statement of revenues, expenses and changes in net position are as follows:

	<b>December 31, 2023</b>
Net cash payments on interest rate swap agreements (interest expense)	\$ (52)
Change in fair value of interest rate swaps (other nonoperating loss, net)	\$ 9

As of December 31, 2023, the swap had a negative fair value. The negative fair value may be countered by a reduction in total interest payments required under Atrium Health Navicent’s associated variable rate revenue anticipation certificates, creating a lower synthetic interest rate. Because the coupons on the variable rate revenue anticipation certificates adjust to changing interest rates, the revenue anticipation certificates do not have corresponding fair value increases.

As of December 31, 2023, Atrium Health Navicent was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, Atrium Health Navicent would be exposed to credit risk in the amount of the swap’s fair value. Atrium Health Navicent’s interest rate swap is executed under one swap agreement with a counterparty that was rated A and A2 by S&P Global Ratings and Moody’s Investors Service, respectively, as of December 31, 2023.

In the event the swap agreement has a negative fair value of \$15,000 or more, then Atrium Health Navicent must post collateral on the swap agreement equal to the amount of fair value in excess of \$15,000. As of December 31, 2023, the fair value of this swap agreement was \$2,159. No collateral was required to be posted by Atrium Health Navicent for this swap agreement.

Atrium Health Navicent or the counterparty may terminate the swap if either party fails to perform under the terms of the agreements. If the swap is terminated, the associated variable rate revenue anticipation certificates would no longer carry synthetic interest rates. Also, if the swap has a negative fair value at the time of termination, Atrium Health Navicent would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at the time of termination, Atrium Health Navicent would be entitled to a payment equal to the swap’s fair value from the counterparty terminating the swap.

Debt service requirements of Atrium Health Charlotte’s outstanding hedged variable rate revenue bonds and related net swap payments and Atrium Health Navicent’s outstanding revenue anticipation certificates with a synthetic fixed rate and related net swap payments, assuming SIFMA and SOFR

interest rates as of the balance sheet date and the SIFMA and SOFR relationship remain the same, as of December 31, 2023, were as follows:

	<b>Variable Rate Bonds</b>			<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Interest Rate Swap - Net</b>	
2024	\$ 17,120	\$ 39,855	\$ 1,206	\$ 58,181
2025	17,895	39,136	1,187	58,218
2026	18,770	38,378	1,097	58,245
2027	26,225	37,319	1,057	64,601
2028	21,050	36,447	1,048	58,545
2029-2033	146,105	166,045	4,907	317,057
2034-2038	244,445	123,301	2,886	370,632
2039-2043	391,080	53,918	1,480	446,478
2043-2048	74,765	438	42	75,245
2049-2053	—	—	—	—
	<u>\$ 957,455</u>	<u>\$ 534,837</u>	<u>\$ 14,910</u>	<u>\$ 1,507,202</u>

## 12. RETIREMENT PLANS

The Atrium Health CMHA maintains various employee retirement benefit plans available to qualifying employees and retirees: the Atrium Health Charlotte Defined Benefit Pension Plan ("Charlotte Plan"), Atrium Health Navicent Defined Benefit Pension Plan ("Navicent Plan") and Atrium Health Floyd Defined Benefit Pension Plan ("Floyd Plan") are collectively referred to as the "Atrium Health CMHA Plans."

Atrium Health Charlotte has a defined benefit pension plan covering substantially all employees of Atrium Health Charlotte who were employed prior to January 1, 2014 and who have attained five or more years of service. These benefits are based on years of service and the teammates' compensation. Effective January 1, 2009, the Charlotte Plan became a cash balance plan and a small group of teammates meeting specified employment, age, and service criteria were grandfathered and accrued benefits under the Atrium Health Charlotte pre-cash balance formula. The Board of Commissioners of Atrium Health Charlotte or an authorized committee of the Board has the authority to amend benefit provisions.

Atrium Health Navicent has a defined benefit pension plan covering substantially all employees of Atrium Health Navicent who were employed prior to December 31, 2007 and who have attained more than five years of service. Effective January 1, 2008, plan participants under the age of 40 no longer accrue benefits under the Navicent Plan.

Atrium Health Floyd has a defined benefit pension plan covering substantially all employees of Atrium Health Floyd who were employed prior to September 30, 2005. The benefits are based on 1.75% of earnings for each year after January 1, 1998, with the total benefit subject to thirty-five years of benefit service maximum. Atrium Health Floyd's funding policy is to contribute annually an amount intended to provide not only for benefits attributed to service date but also for those expected to be earned in the future.

The Atrium Health CMHA Plans were frozen (effective the dates below) to new participants and participants ceased accruing additional pension benefits at that date.



	<b>Frozen Date</b>
Charlotte Plan	1/1/2018
Navicent Plan	12/31/2013
Floyd Plan	3/31/2014

**GASB 68 Accounting:**

The actuarial valuation establishing the net pension liability for the purposes of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was based on the Atrium Health CMHA Plan membership data as of January 1, 2023 and rolled forward to the measurement date of July 1, 2023. The Atrium Health CMHA Plans' participant data as of July 1, 2023 is as follows:

	<u>Charlotte Plan</u>	<u>Navicent Plan</u>	<u>Floyd Plan</u>
Retirees and beneficiaries receiving benefits	2,799	725	608
Previously employed plan members entitled to but not yet receiving benefits	7,822	1,426	223
Employed plan members	<u>13,815</u>	<u>1,140</u>	<u>354</u>
Total	24,436	3,291	1,185

Annual contributions to the Atrium Health CMHA Plans are based upon actuarial calculations. Atrium Health CMHA Plans utilize the entry age normal method to determine annual contributions. There are no teammate contributions to any of the Atrium Health CMHA Plans.

Atrium Health CMHA's funding policy is to contribute such actuarially determined amounts as are necessary to provide assets sufficient to meet the benefits to be paid to Atrium Health CMHA Plans' participants. In addition, since the freezing of the Atrium Health CMHA Plans, contributions have periodically been made to the plans in addition to the annual actuarially determined amounts in an effort to reduce the unfunded actuarially accrued liability in a systematic manner. Atrium Health CMHA's contribution rate for the year ended December 31, 2023 equaled 2.3% of covered payroll for Atrium Health Charlotte. This contribution rate was determined based on a measurement date of January 1, 2023.

Atrium Health CMHA made the below contributions to their respective plans and had the below ending net pension liability as of December 31, 2023:

	<u>Contribution</u>	<u>Net Pension Liability (Asset)</u>
Charlotte Plan	\$ 33,978	\$ 367,761
Navicent Plan	—	(35,367)
Floyd Plan	—	(1,408)
Total	<u>\$ 33,978</u>	<u>\$ 330,986</u>

Contributions subsequent to the July 1, 2023 measurement date are \$18,679 for Atrium Health Charlotte. Expected contributions to the Atrium Health CMHA Plans for 2024 are \$34,600 for Atrium Health Charlotte.

A summary of changes in the plan's assets, benefit obligation and the resulting funded status for the Atrium Health CMHA Plans, as of December 31, 2023, is as follows:

	<u>Charlotte Plan</u>	<u>Navicent Plan</u>	<u>Floyd Plan</u>
Plan's assets at fair value at beginning of period	\$ 898,363	\$ 296,266	\$ 74,432
Actual return on plan assets	78,880	13,389	4,297
Employer contributions	33,978	—	—
Expense paid	(219)	(1,974)	(878)
Benefits paid	(118,643)	(14,947)	(5,232)
Settlements	—	—	—
Plan's assets at fair value at end of period	<u>\$ 892,359</u>	<u>\$ 292,734</u>	<u>\$ 72,619</u>
Change in benefit obligation:			
Benefit obligation at beginning of period	\$ 1,300,190	\$ 257,988	\$ 73,263
Interest cost	93,065	16,283	4,630
Actuarial gain	17,983	(1,957)	221
Changes in assumptions	(32,475)	—	(1,671)
Benefits paid	(118,643)	(14,947)	(5,232)
Settlements	—	—	—
Benefit obligation at end of period	<u>\$ 1,260,120</u>	<u>\$ 257,367</u>	<u>\$ 71,211</u>
Plan assets (less than) greater than projected benefit obligation	<u>\$ (367,761)</u>	<u>\$ 35,367</u>	<u>\$ 1,408</u>
Net pension liability (asset) at beginning of period	\$ 401,827	\$ (38,278)	\$ (1,169)
Net pension liability (asset) at end of period	\$ 367,761	\$ (35,367)	\$ (1,408)

The actuarial gain for the Atrium Health CMHA Plans of \$16,247 was primarily driven by an increase in discount rates and an increase in the expected long-term rate of return on plan assets.

Pension plan expense included in salaries, wages and benefits in the accompanying statement of revenues, expenses, and changes in net position is as follows for the Atrium Health CMHA Plans for the year ended December 31, 2023:

	<u>Charlotte Plan</u>	<u>Navicent Plan</u>	<u>Floyd Plan</u>
Interest cost	\$ 93,065	\$ 16,283	\$ 4,630
Expected return on plan assets	(63,022)	(18,707)	(4,678)
Amortization of:			
Actuarial loss	17,335	14,819	(1,071)
Prior service cost	—	—	—
Settlement	219	1,974	878
Net pension expense (income)	<u>\$ 47,597</u>	<u>\$ 14,369</u>	<u>\$ (241)</u>

The following are the Atrium Health CMHA Plans' financial instruments at the July 1, 2023 measurement date, measured at fair value on a recurring basis by the valuation hierarchy defined in note 6. FAIR VALUE:

**Charlotte Plan**

Description	Charlotte Plan			
	July 1, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 22,840	\$ 22,840		\$ —
Corporate bonds and other debt securities	56,358	—	56,358	—
United States government obligations	14,102	—	14,102	—
Bond and other debt security funds	69,046	41,914	27,132	—
Equity securities	—	—	—	—
Equity funds	444,657	293,544	151,113	—
Real estate funds	32,415		32,415	—
	639,418	\$ 358,298	\$ 281,120	\$ —
<b>Investments at net asset value</b>				
Alternative investments	234,263			
<b>Total investments</b>	<u>\$ 873,681</u>			

**Navicent Plan**

Description	Navicent Plan			
	July 1, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 2,090	\$ 2,090	\$ —	\$ —
Corporate bonds and other debt securities	31,579	—	31,579	—
United States government obligations	14,249	—	14,249	—
Bond and other debt security funds	—	—	—	—
Equity securities	—	—	—	—
Equity funds	155,949	53,785	102,164	—
Real estate funds	73,402	—	73,402	—
	277,269	\$ 55,875	\$ 221,394	\$ —
<b>Investments at net asset value</b>				
Alternative investments	15,464			
<b>Total investments</b>	<u>\$ 292,733</u>			

**Floyd Plan**

Description	July 1, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 818	\$ 818	\$ —	\$ —
Corporate bonds and other debt securities	—	—	—	—
United States government obligations	14,640	—	14,640	—
Bond and other debt security funds	31,871	—	31,871	—
Equity securities	—	—	—	—
Equity funds	19,833	—	19,833	—
Real estate funds	5,457	—	5,457	—
	<u>72,619</u>	<u>\$ 818</u>	<u>\$ 71,801</u>	<u>\$ —</u>

**Investments at net asset value**

Alternative investments	—
<b>Total investments</b>	<u>\$ 72,619</u>

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in note 6. FAIR VALUE. Real estate commingled funds for which an active market exists are included in Level 2. Atrium Health CMHA opted to use the net asset value per share, or its equivalent, as a practical expedient for the fair value of the Atrium Health CMHA Plans' interest in hedge funds, private equity limited partnerships and real estate commingled funds. There is inherent uncertainty in such valuations and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed. Private equity limited partnerships and real estate commingled funds typically have finite lives ranging from five to ten years, at the end of which all invested capital is returned. For hedge funds, the typical lockup period is one year, after which invested capital can be redeemed on a quarterly basis with at least 30 days' but no more than 90 days' notice. The Atrium Health CMHA Plans' investment assets are exposed to the same kinds and levels of risk as described in note 6. FAIR VALUE.

The table below discloses the unfunded commitments, redemption frequency and redemption notice period for investments measured at net asset value as of the July 1, 2023 measurement date:

**Charlotte Plan**

	2023	Unfunded commitments as of July 1, 2023	Redemption frequency	Redemption notice period
Cash and short-term investments	\$ 46,056	\$ —	Monthly	5 days
Corporate bonds and other debt securities	33,391	—	Daily	1 day
United States government obligations	—	—	Daily	1 day
Bond and other debt security funds	—	—	N/A	N/A
Equity securities	61,457	—	Monthly	15 days
Equity funds	44,846	—	Monthly	10 days
Real estate funds	48,513	14,509	N/A	N/A
	<u>234,263</u>	<u>\$ 14,509</u>		

**Navicent Plan**

	2023	Unfunded commitments as of July 1, 2023	Redemption frequency	Redemption notice period
Domestic Equity	\$ —	\$ —	Monthly	5 days
Global asset allocation funds	—	—	Daily	1 day
Fixed Income-other	3,661	—	Daily	1 day
Multi-strategy hedge fund	—	—	N/A	N/A
Global Equity	—	—	Monthly	15 days
International Equity	—	—	Monthly	10 days
Private equity funds	11,802	7,595	N/A	N/A
	<u>15,463</u>	<u>\$ 7,595</u>		

The total Atrium Health CMHA Plans' pension liability (asset) based on the July 1, 2023, measurement date was determined using the following actuarial assumptions:

	Charlotte Plan	Navicent Plan	Floyd Plan
Investment rate of return (net of investment expenses, including inflation)	8.00 %	6.50 %	6.75 %
Lump sum interest rate	5.50 %	— %	— %

The 2023 mortality assumption for the Atrium Health CMHA Plans was the amounts-weighted aggregate rates from the Pri-2012 mortality study, with white-collar adjustments projected generationally from 2012 with Scale MP-2021. This change in mortality assumption as well as other assumption changes related to termination rates, retirement rates, benefit commencement age and form of payment resulted in a net increase in the total pension liability for Atrium Health Charlotte and Atrium Health Floyd of \$32,475 and \$1,671, respectively. The long-term investment rate of return on pension assets was determined using a combination of benchmark return information and a building-block method in which best-estimated expected real rates of return are developed for each major asset class. These expected real rates of return are weighted by the target asset allocation percentage to produce an overall expected real rate of return which is then increased by expected inflation to produce a long-term investment rate of return on pension assets of 8.00% for Atrium Health Charlotte, 6.50% for Atrium Health Navicent and 6.75% for Atrium Health Floyd.

The target allocation, expected nominal return (which includes inflation) and the best estimates of geometric or compounded real rates of return (which are net of inflation) for each major asset class

were established as of July 1, 2022, the beginning of the measurement period, and are summarized in the following table:

**Charlotte Plan**

<b>Asset Class</b>	<b>Target allocation</b>	<b>Expected nominal return</b>	<b>Expected real rate of return</b>
Cash and short-term investments	10.0 %	6.6 %	4.2 %
Corporate bonds and other debt securities	25.0 %	7.1 %	4.7 %
United States government obligations	11.2 %	7.3 %	4.9 %
Bond and other debt security funds	18.5 %	5.1 %	2.7 %
Equity securities	23.8 %	7.4 %	5.0 %
Equity funds	7.5 %	8.3 %	5.9 %
Real estate funds	4.0 %	6.1 %	3.7 %
Total target allocation	<u>100.0 %</u>		

**Navicent Plan**

<b>Asset Class</b>	<b>Target allocation</b>	<b>Expected nominal return</b>	<b>Expected real rate of return</b>
Cash and short-term investments	5.0 %	6.6 %	4.2 %
Corporate bonds and other debt securities	44.0 %	5.5 %	3.1 %
United States government obligations	12.4 %	7.3 %	4.9 %
Bond and other debt security funds	26.0 %	4.7 %	2.3 %
Equity securities	7.6 %	7.4 %	5.0 %
Equity funds	5.0 %	6.6 %	4.2 %
Real estate funds	— %	— %	(2.4)%
Total target allocation	<u>100.0 %</u>		

**Floyd Plan**

<b>Asset Class</b>	<b>Target allocation</b>	<b>Expected nominal return</b>	<b>Expected real rate of return</b>
Bond and other debt security funds	65.8 %	5.5 %	3.1 %
Equity securities	— %	— %	— %
Equity funds	26.6 %	7.2 %	4.8 %
Real estate funds	7.6 %	5.6 %	3.2 %
Total target allocation	<u>100.0 %</u>		

For the Atrium Health CMHA Plans fiscal year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 9.4% for Atrium Health Charlotte, 4.8% for Atrium Health Navicent, and 6.1% for Atrium Health Floyd. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The discount rate used to measure the total Atrium Health CMHA Plans' pension liability (asset) as of July 1, 2023 was 8.00% for Charlotte, 6.50% for Navicent and 6.75% for Floyd. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in amounts equal to the actuarially determined contributions. Based on those assumptions, the Atrium Health CMHA Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive teammates. Therefore, the long-term expected rate of

return on pension assets was applied to all periods of projected benefit payments to determine the total pension liability (asset).

The following table presents the net Atrium Health CMHA Plans pension liability (asset) as of the July 1, 2023 measurement date calculated using the discount rate and alternatively, as required by GASB 68, what the net pension liability (asset) would be under different scenarios assuming it were calculated using a discount rate that is 1% lower or 1% higher at July 1, 2023:

	<b>1% Decrease 7.0%</b>	<b>Current Rate 8.0%</b>	<b>1% Increase 9.0%</b>
Charlotte Plan	\$ 442,404	\$ 367,761	\$ 301,730
	<b>1% Decrease 5.50%</b>	<b>Current Rate 6.50%</b>	<b>1% Increase 7.50%</b>
Navicent Plan	\$ (7,952)	\$ (35,367)	\$ (58,844)
	<b>1% Decrease 5.75%</b>	<b>Current Rate 6.75%</b>	<b>1% Increase 7.75%</b>
Floyd Plan	\$ 5,861	\$ (1,408)	\$ (7,558)

At December 31, 2023, Atrium Health CMHA Plans reported deferred outflows and inflows of resources as follows based on July 1, 2023 measurement date:

	<b>Deferred outflows of resources</b>			<b>Deferred inflows of resources</b>		
	<b>Charlotte Plan</b>	<b>Navicent Plan</b>	<b>Floyd Plan</b>	<b>Charlotte Plan</b>	<b>Navicent Plan</b>	<b>Floyd Plan</b>
Difference between expected and actual experience related to demographic factors	\$ 23,462	\$ 6,266	\$ 273	\$ (5,765)	\$ (1,155)	\$ —
Assumption changes	10,673	6,482	—	(25,441)	—	(2,534)
Difference between expected and actual investment earnings	25,551	12,608	7,789	—	—	(847)
<b>Total</b>	<b>\$ 59,686</b>	<b>\$ 25,356</b>	<b>\$ 8,062</b>	<b>\$ (31,206)</b>	<b>\$ (1,155)</b>	<b>\$ (3,381)</b>

Amounts reported above as deferred outflows of resources and deferred inflows of resources related to the Atrium Health CMHA Plans at December 31, 2023 will be recognized as an increase or (decrease) in pension expense for the year ended December 31, as follows:

	<b>Charlotte Plan</b>	<b>Navicent Plan</b>	<b>Floyd Plan</b>
2024	\$ 10,713	\$ 14,440	\$ 133
2025	(9,901)	(2,814)	1,901
2026	32,334	11,512	2,571
2027	(4,666)	1,064	76
2028	—	—	—
<b>Total</b>	<b>\$ 28,480</b>	<b>\$ 24,202</b>	<b>\$ 4,681</b>

In addition to the defined benefit Plans, Atrium Health CMHA offers several defined contribution plans under IRS codes 401(k) and 403(b). These plans cover all full-time teammates of Atrium Health CMHA and are funded by voluntary teammate contributions and certain matching contributions by Atrium Health CMHA to their respective plans. Defined contribution plan assets are not recorded in Atrium Health CMHA's balance sheet but are held in participant-directed individual accounts and were \$5,710,260 at December 31, 2023.

Total matching contribution expense was \$229,669 for the year ended December 31, 2023.

Atrium Health Navicent also sponsors an unfunded postretirement health and dental plan which has a liability of \$19,478 as December 31, 2023 (based on July 1, 2023 measurement date).

**GASB 67 Accounting:**

The Atrium Health CMHA Plans are considered fiduciary pension trust funds. The following fiduciary fund information is provided as of December 31, 2023, the fiscal year end for the three plans, in addition to information previously provided for the three plans as of July 1, 2023 regarding plan administration, membership, benefit terms, contributions, investment policy and actuarial assumptions. This information is presented as required by GASB Statement No. 67, *Financial Reporting for Pension Plans*, as no separate financial statements for these plans are issued.

The Atrium Health CMHA plans' fiscal year end is December 31. The components of the net pension liability (asset) of the Atrium Health CMHA Plans on December 31, 2023 were as follows:

	<u>Charlotte Plan</u>	<u>Navicent Plan</u>	<u>Floyd Plan</u>
Total pension liability	\$ 1,251,778	\$ 245,484	\$ 78,068
Plan fiduciary net position	883,675	292,951	71,976
Net pension liability (asset)	<u>\$ 368,103</u>	<u>\$ (47,467)</u>	<u>\$ 6,092</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	70.6 %	119.3 %	92.2 %

The following table presents the net Atrium Health CMHA Plans pension liability (asset) as of the December 31, 2023 measurement date calculated using the discount rate and alternatively, as required by GASB 67, what the net pension liability (asset) would be under different scenarios assuming it were calculated using a discount rate that is 1% lower or 1% higher at December 31, 2023:

	<u>1% Decrease 7.0%</u>	<u>Current Rate 8.0%</u>	<u>1% Increase 9.0%</u>
Charlotte Plan	\$ 454,545	\$ 368,103	\$ 292,269
	<u>1% Decrease 6.5%</u>	<u>Current Rate 7.0%</u>	<u>1% Increase 8.0%</u>
Navicent Plan	\$ (22,344)	\$ (47,467)	\$ (68,835)
	<u>1% Decrease 4.75%</u>	<u>Current Rate 5.75%</u>	<u>1% Increase 6.75%</u>
Floyd Plan	\$ 14,592	\$ 6,092	\$ (1,043)

For the Atrium Health CMHA Plans fiscal year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 13.5% for Atrium Health Charlotte, 11.3% for Atrium Health Navicent, and 11.8% for Atrium Health Floyd. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.



The following are the Atrium Health CMHA Plans' financial instruments at December 31, 2023, measured at fair value on a recurring basis by the valuation hierarchy defined in note 6. FAIR VALUE:

<b>Charlotte Plan</b>				
<b>Description</b>	<b>December 31, 2023</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Other Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash and short-term investments	\$ 19,316	\$ 19,316	\$ —	\$ —
Corporate bonds and other debt securities	65,271	—	65,271	—
United States government obligations	23,917	—	23,917	—
Bond and other debt security funds	72,376	43,707	28,669	—
Equity securities	—	—	—	—
Equity funds	444,150	286,370	157,780	—
Real estate funds	33,381	—	33,381	—
	<u>658,411</u>	<u>\$ 349,393</u>	<u>\$ 309,018</u>	<u>\$ —</u>
<b>Investments at net asset value</b>				
Alternative investments	<u>225,264</u>			
<b>Total investments</b>	<u><u>\$ 883,675</u></u>			

<b>Navicent Plan</b>				
<b>Description</b>	<b>December 31, 2023</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Other Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash and short-term investments	\$ 1,929	\$ 1,929	\$ —	\$ —
Corporate bonds and other debt securities	43,338	—	43,338	—
United States government obligations	—	—	—	—
Bond and other debt security funds	—	—	—	—
Equity securities	—	—	—	—
Equity funds	156,522	—	156,522	—
Real estate funds	76,659	—	76,659	—
	<u>278,448</u>	<u>\$ 1,929</u>	<u>\$ 276,519</u>	<u>\$ —</u>
<b>Investments at net asset value</b>				
Alternative investments	<u>14,503</u>			
<b>Total investments</b>	<u><u>\$ 292,951</u></u>			

**Floyd Plan**

Description	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 1,260	\$ 1,260	\$ —	\$ —
Corporate bonds and other debt securities	2,102	—	2,102	—
United States government obligations	24,215	—	24,215	—
Bond and other debt security funds	28,973	—	28,973	—
Equity securities	—	—	—	—
Equity funds	10,661	—	10,661	—
Real estate funds	4,765	—	4,765	—
	<u>71,976</u>	<u>\$ 1,260</u>	<u>\$ 70,716</u>	<u>\$ —</u>

**Investments at net asset value**

Alternative investments	—
<b>Total investments</b>	<u>\$ 71,976</u>

The table below discloses the unfunded commitments, redemption frequency and redemption notice period for investments measured at net asset value as of the December 31, 2023 measurement date:

**Charlotte Plan**

	2023	Unfunded commitments as of December 31, 2023	Redemption frequency	Redemption notice period
Domestic Equity	\$ 47,826	\$ —	Monthly	5 days
Global asset allocation funds	34,672	—	Daily	1 day
Fixed Income-other	—	—	Daily	1 day
Multi-strategy hedge fund	—	—	N/A	N/A
Global Equity	57,225	—	Monthly	15 days
International Equity	42,324	—	Monthly	10 days
Private equity funds	43,219	12,868	N/A	N/A
	<u>225,266</u>	<u>\$ 12,868</u>		

**Navicent Plan**

	2023	Unfunded commitments as of December 31, 2023	Redemption frequency	Redemption notice period
Domestic Equity	\$ —	\$ —	Monthly	5 days
Global asset allocation funds	—	—	Daily	1 day
Fixed Income-other	3,214	—	Daily	1 day
Multi-strategy hedge fund	—	—	N/A	N/A
Global Equity	—	—	Monthly	15 days
International Equity	—	—	Monthly	10 days
Private equity funds	11,290	7,595	N/A	N/A
	<u>14,504</u>	<u>\$ 7,595</u>		

### **13. COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

Various federal and state agencies have initiated investigations, which are in various stages of discovery, relating to reimbursement, billing practices and other matters of Atrium Health CMHA. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have on Atrium Health CMHA. To foster compliance with applicable laws and regulations, Atrium Health CMHA maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

#### **Future Obligations**

Atrium Health CMHA has entered into contracts for various construction and capital projects for which remaining commitments totaled approximately \$1,112,117 at December 31, 2023.

Effective January 1, 2012, under the terms of an Agreement between Atrium Health CMHA and Union County, Atrium Health CMHA leases hospital real estate from, and makes annual payments to, Union County. The initial term of the Agreement remains in effect until December 31, 2061, unless earlier terminated, extended, or renewed in accordance with the provisions of the Agreement. Upon the expiration of the initial term, unless certain events of default exist, Atrium Health CMHA has the option to extend and renew the Agreement for an initial renewal term of 25 years. During the term of the Agreement, Union County has the right to require Atrium Health CMHA to purchase the hospital real estate at a stated price determined in accordance with the Agreement. If Union County elects to require Atrium Health CMHA to purchase the hospital real estate, Atrium Health CMHA will have no further obligations under the Agreement. As of December 31, 2023, the purchase price as stated in the Agreement was \$127,889. The present value of Atrium Health CMHA's obligation for the annual payments, discounted using an effective interest rate of 4.34%, was \$118,078 as of December 31, 2023, and is recorded on the balance sheet as a long-term liability. The liability and related interest are payable in annual installments of approximately \$6,000 per year through 2061.

Additionally, as part of the Agreement between Atrium Health CMHA and Union County, Atrium Health CMHA has committed to reinvest in healthcare facilities and operations in Union County. As measured in 15-year increments commencing January 1, 2012, Atrium Health CMHA has committed to spending in Union County no less than 75% of the capital spending ratio of Atrium Health CMHA as a whole (defined as capital investments divided by net operating revenues) but limited to 75% of the operating income of the Union Healthcare Enterprise as defined in the Agreement.

In connection with an Agreement and Member Substitution between Atrium Health CMHA and Atrium Health Navicent, Atrium Health CMHA has committed to make capital, strategic and other expenditures in its Central and Southern Georgia market totaling at least \$1 billion over a period of 10 years beginning in 2019.

In connection with an Agreement and Member Substitution between Atrium Health CMHA and Atrium Health Floyd, Atrium Health CMHA has committed to make capital, strategic and other expenditures in its market totaling at least \$650 million over a period of 11 years beginning in 2022.

In connection with the Health System Integration Agreement and related agreements between Atrium Health CMHA and Atrium Health WFB (see note 1), the Atrium Health Enterprise, which includes both Atrium Health WFB and Atrium Health CMHA, has committed to approximately \$3.4 billion in planned

investments into the Winston-Salem, North Carolina area over 10 years beginning in October 2020. The Enterprise has agreed to invest approximately \$2.8 billion to improve facilities and fund critical investments across the communities served by Atrium Health WFB. With Atrium Health WFB and the Wake Forest University School of Medicine forming the academic core of the Atrium Health Enterprise, the Atrium Health Enterprise also has agreed to invest nearly \$600,000 to advance the academic mission of Atrium Health WFB and further elevate its national reputation, including a \$150,000 academic endowment funded in March 2021 to fund additional education and research growth and a \$70,000 Academic Enrichment Fund (\$10,000 annually for seven years beginning in 2022) to accelerate academic initiatives. Atrium Health Charlotte and the Atrium Health Enterprise have committed to establish the academic endowment fund and to fund the Academic Enrichment Fund from non-Atrium Health WFB funds. See note 15 for more information regarding the funding of these commitments.

#### **14. GENERAL AND PROFESSIONAL LIABILITY RISKS**

Atrium Health CMHA is subject to legal proceedings and claims that arise in the course of providing healthcare services.

Atrium Health Charlotte has instituted a limited self-insurance program for professional liability and general liability claims. Self-insurance is limited to \$10 million per occurrence, with no aggregate limit for the year end December 31, 2023. General liability and professional liability are also covered by umbrella liability insurance policies. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for asserted and unasserted claims not covered by the policy and any other uninsured liability.

Atrium Health Navicent is currently insured for commercial general liability on an occurrence basis and professional liability on a claims-made basis by Centra Professional Indemnity (SPC), Ltd. or CPI, a wholly owned subsidiary of Atrium Health Navicent, and excess coverage by commercial insurance carriers through CPI. The excess coverage limits are \$40 million for 2023. The coverage for professional liability is limited to claims incurred and reported during its term. Actuarially determined funding is provided for losses.

Atrium Health Floyd has professional liability self-insurance retention limits for Floyd Medical Center of \$3 million per occurrence and \$6 million in aggregate. For Polk Medical Center, Inc. and Floyd Cherokee Medical Center, LLC, wholly owned subsidiaries of Atrium Health Floyd, claims are covered by a claims-made general and professional liability insurance policy for each with specified deductibles of \$50,000 per incident and limits of \$1 million per occurrence and \$3 million in aggregate. In both the self-insured and insured plans, malpractice claims above the self-insurance retention limits or policy limits of the underlying policies as applicable are insured through umbrella coverage with commercial insurance carriers on a claims-made basis. The umbrella policy covers malpractice claims up to \$30 million in aggregate.

#### **15. RELATED PARTY TRANSACTIONS**

As part of agreements that established Atrium Health Enterprise, Atrium Health CMHA promised to provide an Academic Enrichment Fund consisting of \$10,000 per year for seven years to Atrium Health WFB. Atrium Health CMHA contributed \$10,000 to Atrium Health WFB in 2023.

As part of the Advocate Health joint operating agreement, Atrium Health CMHA committed to fund an additional academic endowment at Atrium Health WFB of \$47,000, which was paid out in February

2023 and included in nonoperating income in the accompanying statement of revenues, expenses, and changes in net position.

As part of the Advocate Health joint operating agreement as described in note 1, Atrium Health CMHA and AAH share certain expenses related to the management of Advocate Health. As of December 31, 2023, Atrium Health CMHA has a net payable of \$11,000 due to Advocate Health in the accompanying balance sheet.

## **16. SUBSEQUENT EVENTS**

Atrium Health CMHA evaluated events and transactions subsequent to December 31, 2023 through April 22, 2024, the date of consolidated financial statement issuance.

**Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Charlotte Defined Benefit Plan (unaudited)**

	December 31,							
	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability:								
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 46,519	\$ 53,214
Interest cost	93,065	96,970	100,567	99,367	91,210	96,417	100,609	95,929
Plan amendments	—	—	—	7,538	—	—	—	—
Differences between expected and actual experiences	17,983	(7,416)	4,818	15,058	25,325	(14,720)	(23,718)	7,092
Changes of assumptions	(32,475)	4,039	6,103	21,607	5,138	(2,402)	(5,217)	20,252
Benefit payments	(118,643)	(172,599)	(146,316)	(122,465)	(150,638)	(146,796)	(108,339)	(106,420)
Net change in total pension liability	(40,070)	(79,006)	(34,828)	21,105	(28,965)	(67,501)	9,854	70,067
Total pension liability – beginning	1,300,190	1,379,196	1,414,024	1,392,952	1,291,461	1,358,962	1,349,108	1,279,041
Total pension liability – ending (a)	1,260,120	1,300,190	1,379,196	1,414,057	1,262,496	1,291,461	1,358,962	1,349,108
Plan fiduciary net position:								
Contributions – employer	33,978	32,777	36,570	37,378	37,473	78,526	124,181	132,884
Investment gains and other, net	78,880	(115,455)	295,675	13,096	31,478	76,644	118,972	(36,909)
Benefit payments	(118,643)	(172,599)	(146,316)	(122,465)	(150,638)	(146,796)	(108,339)	(106,420)
Administrative expense	(219)	(175)	(178)	(80)	(162)	(312)	(217)	(364)
Net change in plan fiduciary net position	(6,004)	(255,452)	185,751	(72,071)	(81,849)	8,062	134,597	(10,809)
Plan fiduciary net position – beginning	898,363	1,153,815	968,064	1,040,135	991,368	983,306	848,709	859,518
Plan fiduciary net position – ending (b)	892,359	898,363	1,153,815	968,064	909,519	991,368	983,306	848,709
Net pension liability – ending (a) – (b)	\$ 367,761	\$ 401,827	\$ 225,381	\$ 445,993	\$ 352,977	\$ 300,093	\$ 375,656	\$ 500,399
Plan fiduciary net position as a percentage of the total pension liability	70.8 %	69.1 %	83.7 %	68.5 %	72.0 %	76.8 %	72.4 %	62.9 %
Covered-employee payroll	\$1,451,363	\$1,530,991	\$1,665,998	\$1,688,456	\$1,642,381	\$1,804,814	\$1,796,876	\$1,959,073
Net pension liability as a percentage of covered-employee payroll	25.3 %	26.2 %	13.5 %	26.4 %	21.5 %	16.6 %	20.9 %	25.5 %

**Notes to schedule:**

Measurement date is July 1 of each fiscal year presented.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

Effective June 30, 2020, the Cleveland and Stanly DB Plans were merged with the Atrium DB Plan which increased the beginning total pension liability by approximately \$130 million and the beginning plan fiduciary net position by approximately \$131 million.

See accompanying independent auditors' report.

## Schedule of Pension Contributions - Atrium Health Charlotte Defined Benefit Plan (unaudited)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 33,978	\$ 33,978	\$ —	\$ 1,451,363	2.3 %
2022	32,777	32,777	—	1,530,991	2.1 %
2021	36,570	36,570	—	1,665,998	2.2 %
2020	37,378	37,378	—	1,688,456	2.2 %
2019	37,473	37,473	—	1,642,381	2.3 %
2018	36,326	78,526	(42,200)	1,804,814	4.4 %
2017	81,981	124,181	(42,200)	1,796,876	6.9 %
2016	90,684	132,884	(42,200)	1,959,073	6.8 %

### Notes to schedule:

Valuation date Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate for 2023:

Actuarial cost method Entry age normal with 20-year as level percent of pay, closed

Asset valuation method 5-year smoothed market

Cash balance interest credits Varying based on historical plan (3.52%-5.89%)

Salary increases Not applicable after 12/31/2017 due to benefit accrual freeze.

Investment rate of return 8.00%, net of pension plan investment expense, including inflation

Retirement rates Age-graded rates from 55 to 70

Mortality PRI-2012 sex-distinct mortality tables projected generationally with Scale

MP-2021. Prior to 1/1/2020, RP-2014 with generational projection using scale MP-2018

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

**Schedule of Pension Plan Investment Returns – Atrium Health Charlotte Defined Benefit Plan  
(unaudited)**

Defined Benefit Plan measurement date	Annual money-weighted rate of return net of investment expenses
July 1, 2023	9.4 %
July 1, 2022	(11.1)
July 1, 2021	32.6
July 1, 2020	1.6
July 1, 2019	3.8
July 1, 2018	8.0
July 1, 2017	15.0
July 1, 2016	(4.8)
July 1, 2015	2.4

**Notes to schedule:**

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.



**Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Navicent Defined Benefit Plan (unaudited)**

	December 31,			
	2023	2022	2021	2020
Total pension liability:				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	16,283	17,551	20,195	20,004
Differences between expected and actual experiences	(1,957)	23,915	(2,042)	2,382
Changes of assumptions	—	24,743	(1,221)	(1,507)
Benefit payments	(14,947)	(84,452)	(19,937)	(16,741)
Net change in total pension liability	(621)	(18,243)	(3,005)	4,138
Total pension liability – beginning	257,988	276,231	279,236	275,098
Total pension liability – ending (a)	257,367	257,988	276,231	279,236
Plan fiduciary net position:				
Contributions – employer	—	2,500	7,108	4,363
Investment gains and other, net	13,389	(25,086)	93,602	9
Benefit payments	(14,947)	(84,452)	(19,937)	(16,741)
Administrative expense	(1,974)	(1,973)	(2,202)	(2,756)
Net change in plan fiduciary net position	(3,532)	(109,011)	78,571	(15,125)
Plan fiduciary net position – beginning	296,266	405,277	326,706	341,831
Plan fiduciary net position – ending (b)	292,734	296,266	405,277	326,706
Net pension liability – ending (a) – (b)	\$ (35,367)	\$ (38,278)	\$ (129,046)	\$ (47,470)
Plan fiduciary net position as a percentage of the total pension liability	113.7 %	114.8 %	146.7 %	117.0 %
Covered-employee payroll	\$ 87,966	\$ 94,325	\$ 96,163	\$ 118,953
Net pension liability as a percentage of covered-employee payroll	(40.2)%	(40.6)%	(134.2)%	(39.9)%

**Note to schedule:**

Measurement date is July 1 of each fiscal year presented.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

## Schedule of Pension Contributions - Atrium Health Navicent Defined Benefit Plan (unaudited)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ —	\$ —	\$ —	\$ 87,966	— %
2022	—	2,500	(2,500)	94,325	2.7 %
2021	—	7,108	(7,108)	96,163	7.4 %
2020	4,135	4,363	(228)	118,953	3.7 %

### Notes to schedule:

Valuation date Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate for 2023:

Actuarial cost method	Traditional unit credit
Asset valuation method	2-year smoothed market
Salary increases	Not applicable after 12/31/2013 due to benefit accrual freeze.
Minimum required contribution	ERISA plan's minimum contribution is determined under Section 430 of the IRC.
Retirement rates	Age-graded rates from 55 to 70
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2021. Prior to 1/1/2020, RP-2014 with generational projection using scale MP-2018

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

**Schedule of Pension Plan Investment Returns – Atrium Health Navicent Defined Benefit Plan  
(unaudited)**

Defined Benefit Plan measurement date	Annual money-weighted rate of return net of investment expenses
July 1, 2023	4.8 %
July 1, 2022	(8.9)
July 1, 2021	29.9
July 1, 2020	0.5
July 1, 2019	5.4

**Notes to schedule:**

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

**Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Floyd Defined Benefit Plan (unaudited)**

	December 31,		
	2023	2022	2021
Total pension liability:			
Service cost	\$ —	\$ —	\$ —
Interest cost	4,630	4,414	2,221
Differences between expected and actual experiences	221	675	—
Changes of assumptions	(1,671)	(7,322)	—
Benefit payments	(5,232)	(5,164)	(2,518)
Net change in total pension liability	(2,052)	(7,397)	(297)
Total pension liability – beginning	73,263	80,660	80,957
Total pension liability – ending (a)	71,211	73,263	80,660
Plan fiduciary net position:			
Contributions – employer	—	614	1,114
Investment gains and other, net	4,297	(7,691)	4,446
Benefit payments	(5,232)	(5,164)	(2,518)
Administrative expense	(878)	(862)	(25)
Net change in plan fiduciary net position	(1,813)	(13,103)	3,017
Plan fiduciary net position – beginning	74,432	87,535	84,518
Plan fiduciary net position – ending (b)	72,619	74,432	87,535
Net pension liability – ending (a) – (b)	\$ (1,408)	\$ (1,169)	\$ (6,875)
Plan fiduciary net position as a percentage of the total pension liability	102.0 %	101.6 %	108.5 %
Covered-employee payroll	\$ 32,839	\$ 32,319	\$ 32,839
Net pension liability as a percentage of covered-employee payroll	(4.3)%	(3.6)%	(20.9)%

**Note to schedule:**

Measurement date is July 1 of each fiscal year presented.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

## Schedule of Pension Contributions - Atrium Health Floyd Defined Benefit Plan (unaudited)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ —	\$ —	\$ —	\$ 32,839	— %
2022	—	614	(614)	32,319	1.9 %
2021	—	1,114	(1,114)	32,839	3.4 %

### Notes to schedule:

Valuation date      Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate for 2023:

Actuarial cost method	Traditional unit credit
Asset valuation method	2-year smoothed market
Salary increases	Not applicable after 12/31/2014 due to benefit accrual freeze.
Minimum required contribution	ERISA plan's minimum contribution is determined under Section 430 of the IRC.
Retirement rates	Age-graded rates from 57 to 62+
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2021.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

## Schedule of Pension Plan Investment Returns – Atrium Health Floyd Defined Benefit Plan (unaudited)

Defined Benefit Plan measurement date	Annual money-weighted rate of return net of investment expenses
July 1, 2023	6.1 %
July 1, 2022	(10.1)
July 1, 2021	20.2

**Notes to schedule:**

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

**Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Charlotte Defined Benefit Plan (unaudited)**

	December 31,			
	2023	2022	2021	2020
Total pension liability:				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	93,887	94,717	98,735	99,191
Changes of benefit terms	—	—	—	7,811
Differences between expected and actual experiences	(9,632)	(7,986)	(146)	14,140
Changes of assumptions	(14,303)	1,591	11,803	28,432
Benefit payments	(97,188)	(160,383)	(151,854)	(144,489)
Net change in total pension liability	(27,236)	(72,061)	(41,462)	5,085
Total pension liability – beginning	1,279,014	1,351,075	1,392,537	1,387,452
Total pension liability – ending (a)	1,251,778	1,279,014	1,351,075	1,392,537
Plan fiduciary net position:				
Contributions – employer	33,978	32,777	36,570	37,378
Investment gains and other, net	106,616	(146,520)	157,404	131,318
Benefit payments	(97,188)	(160,383)	(151,854)	(144,489)
Administrative expense	(193)	(215)	(188)	(121)
Net change in plan fiduciary net position	43,213	(274,341)	41,932	24,086
Plan fiduciary net position – beginning	840,462	1,114,803	1,072,871	1,048,785
Plan fiduciary net position – ending (b)	883,675	840,462	1,114,803	1,072,871
Net pension liability – ending (a) – (b)	\$ 368,103	\$ 438,552	\$ 236,272	\$ 319,666
Plan fiduciary net position as a percentage of the total pension liability	70.6 %	65.7 %	82.5 %	77.0 %
Covered-employee payroll	\$ 1,451,363	\$ 1,530,991	\$ 1,665,998	\$ 1,688,456
Net pension liability as a percentage of covered-employee payroll	25.4 %	28.6 %	14.2 %	18.9 %

**Notes to schedule:**

Measurement date is December 31, 2023.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

The December 31, 2022 information reflects the merger of the Cleveland and Stanly DB plans into the Atrium DB plan effective June 30, 2021. The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

## Schedule of Pension Contributions - Atrium Health Charlotte Defined Benefit Plan (unaudited)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 33,978	\$ 33,978	\$ —	\$ 1,451,363	2.3 %
2022	32,777	32,777	—	1,530,991	2.1 %
2021	36,570	36,570	—	1,665,998	2.2 %
2020	37,378	37,378	—	1,688,456	2.2 %

### Notes to schedule:

Valuation date Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate for 2023:

Actuarial cost method Entry age normal with 20-year as level percent of pay, closed

Asset valuation method 5-year smoothed market

Cash balance interest credits Varying based on historical plan (4.38%-6.50%)

Salary increases Not applicable after 12/31/2017 due to benefit accrual freeze.

Investment rate of return 8.0%, net of pension plan investment expense, including inflation

Retirement rates Age-graded rates from 55 to 70

Mortality PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2021. Prior to 1/1/2020, RP-2014 with generational projection using scale MP-2018

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.



**Schedule of Pension Plan Investment Returns – Atrium Health Charlotte Defined Benefit Plan  
(unaudited)**

<b>Atrium Health Defined Benefit Plan measurement date</b>	<b>Annual money-weighted rate of return net of investment expenses</b>
December 31, 2023	13.5 %
December 31, 2022	(13.5)
December 31, 2021	15.0
December 31, 2020	14.0

**Notes to schedule:**

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

**Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Navicent Defined Benefit Plan (unaudited)**

	December 31,			
	2023	2022	2021	2020
Total pension liability:				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	16,188	16,910	19,987	20,084
Changes in benefit terms	—	—	23,969	—
Differences between expected and actual experiences	(1,896)	(1,041)	(1,852)	854
Changes of assumptions	(12,041)	23,914	321	(904)
Benefit payments	(15,422)	(14,525)	(86,284)	(19,426)
Net change in total pension liability	(13,171)	25,258	(43,859)	608
Total pension liability – beginning	258,655	233,397	277,256	276,648
Total pension liability – ending (a)	245,484	258,655	233,397	277,256
Plan fiduciary net position:				
Contributions – employer	—	2,500	6,960	4,363
Investment gains and other, net	29,848	(49,205)	55,294	36,807
Benefit payments	(15,422)	(14,525)	(86,284)	(19,426)
Administrative expense	(1,102)	(1,958)	(1,980)	(2,507)
Net change in plan fiduciary net position	13,324	(63,188)	(26,010)	19,237
Plan fiduciary net position – beginning	279,627	342,815	368,825	349,588
Plan fiduciary net position – ending (b)	292,951	279,627	342,815	368,825
Net pension liability – ending (a) – (b)	\$ (47,467)	\$ (20,972)	\$ (109,418)	\$ (91,569)
Plan fiduciary net position as a percentage of the total pension liability	119.3 %	108.1 %	146.9 %	133.0 %
Covered-employee payroll	\$ 87,966	\$ 94,325	\$ 96,163	\$ 112,865
Net pension liability as a percentage of covered-employee payroll	(54.0)%	(22.2)%	(113.8)%	(81.1)%

**Notes to schedule:**

Measurement date is December 31, 2023.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

## Schedule of Pension Contributions - Atrium Health Navicent Defined Benefit Plan (unaudited)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ —	\$ —	\$ —	\$ 87,966	— %
2022	2,500	2,500	—	94,325	2.6 %
2021	6,960	6,960	—	96,163	6.2 %
2020	4,135	4,363	(228)	112,865	3.9 %

### Notes to schedule:

Valuation date Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate for 2023:

Actuarial cost method	Traditional unit credit
Asset valuation method	2-year smoothed market
Salary increases	Not applicable after 12/31/2013 due to benefit accrual freeze.
Minimum required contribution	ERISA plan's minimum contribution is determined under Section 430 of the IRC.
Retirement rates	Age-graded rates from 55 to 70
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2021. Prior to 1/1/2020, RP-2014 with generational projection using scale MP-2018

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

**Schedule of Pension Plan Investment Returns – Atrium Health Navicent Defined Benefit Plan  
(unaudited)**

Defined Benefit Plan measurement date	Annual money-weighted rate of return net of investment expenses
December 31, 2023	11.3 %
December 31, 2022	(15.0)
December 31, 2021	15.6
December 31, 2020	11.2

**Notes to schedule:**

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

**Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Floyd Defined Benefit Plan (unaudited)**

	December 31,		
	2023	2022	2021
Total pension liability:			
Service cost	\$ —	\$ —	\$ —
Interest cost	4,659	4,432	4,432
Differences between expected and actual experiences	(100)	258	—
Changes of assumptions	7,135	(8,192)	—
Benefit payments	(5,222)	(5,204)	(5,088)
Net change in total pension liability	6,472	(8,706)	(656)
Total pension liability – beginning	71,596	80,302	80,958
Total pension liability – ending (a)	78,068	71,596	80,302
Plan fiduciary net position:			
Contributions – employer	—	614	1,114
Investment gains and other, net	7,180	(11,618)	8,345
Benefit payments	(5,222)	(5,204)	(5,088)
Administrative expense	(912)	(869)	(882)
Net change in plan fiduciary net position	1,046	(17,077)	3,489
Plan fiduciary net position – beginning	70,930	88,007	84,518
Plan fiduciary net position – ending (b)	71,976	70,930	88,007
Net pension liability – ending (a) – (b)	\$ 6,092	\$ 666	\$ (7,705)
Plan fiduciary net position as a percentage of the total pension liability	92.2 %	99.1 %	109.6 %
Covered-employee payroll	\$ 32,839	\$ 32,319	\$ 32,839
Net pension liability as a percentage of covered-employee payroll	18.6 %	2.1 %	(23.5)%

**Notes to schedule:**

Measurement date is December 31, 2023.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

## Schedule of Pension Contributions - Atrium Health Floyd Defined Benefit Plan (unaudited)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ —	\$ —	\$ —	\$ 32,839	— %
2022	—	614	(614)	32,319	1.9 %
2021	—	1,114	(1,114)	32,839	3.4 %

### Notes to schedule:

Valuation date Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate for 2023:

Actuarial cost method	Traditional unit credit
Asset valuation method	2-year smoothed market
Salary increases	Not applicable after 12/31/2014 due to benefit accrual freeze.
Minimum required contribution	ERISA plan's minimum contribution is determined under Section 430 of the IRC.
Retirement rates	Age-graded rates from 57 to 62+
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2021.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

## Schedule of Pension Plan Investment Returns – Atrium Health Floyd Defined Benefit Plan (unaudited)

Defined Benefit Plan measurement date	Annual money-weighted rate of return net of investment expenses
December 31, 2023	11.8 %
December 31, 2022	(13.3)
December 31, 2021	10.1

**Notes to schedule:**

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY COMBINED GROUP**  
**COMBINING BALANCE SHEET**  
**December 31, 2023**  
**(in thousands)**

	Primary Enterprise	Atrium Health Foundation	Eliminations	Subtotal	Exclude AH Navicent	Exclude AH Floyd	Exclude Non- Obligated Group Affiliates	Exclude Consolidating Eliminations	Total Combined Group
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	\$ 953,812	\$ 5,995	\$ —	\$ 959,807	\$ 73,078	\$ 211,669	\$ 13,101	\$ —	\$ 661,959
Short term investments	11,727	27,233	—	38,960	—	11,727	—	—	27,233
Assets limited as to use	53,556	—	—	53,556	—	3,289	—	—	50,267
Patient accounts receivable	1,383,498	—	—	1,383,498	170,494	86,234	8,733	—	1,118,037
Other current assets	547,666	33,795	(8,210)	573,251	89,827	39,697	(22,932)	(35,626)	502,285
Total current assets	2,950,259	67,023	(8,210)	3,009,072	333,399	352,616	(1,098)	(35,626)	2,359,781
<b>Other assets:</b>									
Assets limited as to use	6,910,477	369,130	—	7,279,607	788,833	153,416	79,325	—	6,258,033
Property and equipment, net	5,180,810	3,741	—	5,184,551	451,712	207,693	42,847	—	4,482,299
Right-to-use assets	541,682	—	—	541,682	10,389	34,395	—	—	496,898
Other noncurrent assets	496,963	56,608	(2,256)	551,315	116,733	6,394	6,880	(24,314)	445,622
Total other assets	13,129,932	429,479	(2,256)	13,557,155	1,367,667	401,898	129,052	(24,314)	11,682,852
Total assets	16,080,191	496,502	(10,466)	16,566,227	1,701,066	754,514	127,954	(59,940)	14,042,633
Deferred outflows of resources	253,502	—	—	253,502	36,495	8,062	—	—	208,945
Total assets and deferred outflows of resources	<u>\$ 16,333,693</u>	<u>\$ 496,502</u>	<u>\$ (10,466)</u>	<u>\$ 16,819,729</u>	<u>\$ 1,737,561</u>	<u>\$ 762,576</u>	<u>\$ 127,954</u>	<u>\$ (59,940)</u>	<u>\$ 14,251,578</u>



**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY COMBINED GROUP**  
**COMBINING BALANCE SHEET**  
**December 31, 2023**  
**(in thousands)**

	Primary Enterprise	Atrium Health Foundation	Eliminations	Subtotal	Exclude AH Navicent	Exclude AH Floyd	Exclude Non- Obligated Group Affiliates	Exclude Consolidating Eliminations	Total Combined Group
<b>Liabilities</b>									
Current liabilities									
Long-term debt, current portion	\$ 664,138	\$ —	\$ —	\$ 664,138	\$ 5,860	\$ 6,508	\$ 1,984	\$ —	\$ 649,786
Lease liabilities, current portion	78,029	—	—	78,029	1,584	3,050	—	—	73,395
Accrued salaries and employee benefits	674,913	—	—	674,913	38,914	37,083	4,622	—	594,294
Accounts payable and other accrued liabilities	985,228	3,974	(8,210)	980,992	162,529	30,357	843	(35,626)	822,889
Third-party payors payables	295,635	—	—	295,635	4,516	2,456	—	—	288,663
Total current liabilities	<u>2,697,943</u>	<u>3,974</u>	<u>(8,210)</u>	<u>2,693,707</u>	<u>213,403</u>	<u>79,454</u>	<u>7,449</u>	<u>(35,626)</u>	<u>2,429,027</u>
Noncurrent liabilities									
Long-term debt, less current portion	2,728,902	—	—	2,728,902	268,775	160,914	19,308	—	2,279,905
Lease liabilities, less current portion	510,536	—	—	510,536	9,332	34,069	—	—	467,135
Obligations under swap agreements	89,532	—	—	89,532	2,159	—	—	—	87,373
Other noncurrent liabilities	1,020,383	3,117	(2,256)	1,021,244	107,598	20,095	—	—	893,551
Total noncurrent liabilities	<u>4,349,353</u>	<u>3,117</u>	<u>(2,256)</u>	<u>4,350,214</u>	<u>387,864</u>	<u>215,078</u>	<u>19,308</u>	<u>—</u>	<u>3,727,964</u>
Total liabilities	<u>7,047,296</u>	<u>7,091</u>	<u>(10,466)</u>	<u>7,043,921</u>	<u>601,267</u>	<u>294,532</u>	<u>26,757</u>	<u>(35,626)</u>	<u>6,156,991</u>
Deferred inflows of resources	173,689	—	—	173,689	10,810	3,381	—	—	159,498
Net position									
Net investment in capital assets	1,760,023	3,741	—	1,763,764	164,736	37,547	21,555	—	1,539,926
Restricted, by donor	36,774	475,566	—	512,340	—	—	26,845	—	485,495
Unrestricted	7,315,911	10,104	—	7,326,015	960,748	427,116	52,797	(24,314)	5,909,668
Total net position	<u>9,112,708</u>	<u>489,411</u>	<u>—</u>	<u>9,602,119</u>	<u>1,125,484</u>	<u>464,663</u>	<u>101,197</u>	<u>(24,314)</u>	<u>7,935,089</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,333,693</u>	<u>\$ 496,502</u>	<u>\$ (10,466)</u>	<u>\$ 16,819,729</u>	<u>\$ 1,737,561</u>	<u>\$ 762,576</u>	<u>\$ 127,954</u>	<u>\$ (59,940)</u>	<u>\$ 14,251,578</u>

See accompanying independent auditors' report.

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY COMBINED GROUP**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Year Ended December 31, 2023  
(in thousands)

	Primary Enterprise	Atrium Health Foundation	Eliminations	Subtotal	Exclude AH Navicent	Exclude AH Floyd	Exclude Non- Obligated Group Affiliates	Exclude Consolidating Eliminations	Total Combined Group
<b>Revenue</b>									
Patient service revenue	\$ 9,765,165	\$ —	\$ —	\$ 9,765,165	\$ 990,161	\$ 592,976	\$ 58,244	\$ —	\$ 8,123,784
Other revenue	1,180,240	38,493	(49,748)	1,168,985	64,960	8,772	47,114	(196)	1,048,335
Total revenue	<u>10,945,405</u>	<u>38,493</u>	<u>(49,748)</u>	<u>10,934,150</u>	<u>1,055,121</u>	<u>601,748</u>	<u>105,358</u>	<u>(196)</u>	<u>9,172,119</u>
<b>Expenses</b>									
Salaries, wages and benefits	6,010,182	1,799	—	6,011,981	642,126	383,623	64,648	—	4,921,584
Supplies and drugs	2,303,467	—	—	2,303,467	214,287	83,765	6,791	—	1,998,624
Purchased services and other expenses	1,584,587	46,891	(44,147)	1,587,331	201,297	103,744	33,340	(196)	1,249,146
Depreciation and amortization	560,105	246	—	560,351	49,876	26,040	5,639	—	478,796
Total expenses	<u>10,458,341</u>	<u>48,936</u>	<u>(44,147)</u>	<u>10,463,130</u>	<u>1,107,586</u>	<u>597,172</u>	<u>110,418</u>	<u>(196)</u>	<u>8,648,150</u>
Operating income (loss)	487,064	(10,443)	(5,601)	471,020	(52,465)	4,576	(5,060)	—	523,969
<b>Nonoperating income</b>									
Interest expense	(165,796)	—	—	(165,796)	(16,006)	(12,070)	(1,623)	—	(136,097)
Investment income (loss)	807,990	44,514	—	852,504	87,879	20,094	(2,416)	—	746,947
Other nonoperating (loss) income, net	(76,820)	(5,269)	5,601	(76,488)	1,581	(3,135)	12	—	(74,946)
Total nonoperating income (loss), net	<u>565,374</u>	<u>39,245</u>	<u>5,601</u>	<u>610,220</u>	<u>73,454</u>	<u>4,889</u>	<u>(4,027)</u>	<u>—</u>	<u>535,904</u>
<b>Excess (deficiency) of revenue over expenses and losses before capital and other contributions</b>	1,052,438	28,802	—	1,081,240	20,989	9,465	(9,087)	—	1,059,873
<b>Changes in net position</b>									
Capital and other contributions	13,865	4,588	—	18,453	10,166	40,788	(1,362)	1,318	(32,457)
Changes in net position	1,066,303	33,390	—	1,099,693	31,155	50,253	(10,449)	1,318	1,027,416
Net position, beginning of year	8,046,405	456,021	—	8,502,426	1,094,329	414,410	111,646	(25,632)	6,907,673
Net position, end of year	<u>\$ 9,112,708</u>	<u>\$ 489,411</u>	<u>\$ —</u>	<u>\$ 9,602,119</u>	<u>\$ 1,125,484</u>	<u>\$ 464,663</u>	<u>\$ 101,197</u>	<u>\$ (24,314)</u>	<u>\$ 7,935,089</u>

See accompanying independent auditors' report.

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY COMBINED GROUP**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**Year Ended December 31, 2023**  
(in thousands)

	Primary Enterprise	Atrium Health Foundation	Eliminations	Subtotal	Exclude AH Navicent	Exclude AH Floyd	Exclude Non- Obligated Group Affiliates	Exclude Consolidating Eliminations	Total Combined Group
<b>Cash flows from operating activities</b>									
Receipts from third party payors and patients	\$ 9,835,972	\$ —	\$ —	\$ 9,835,972	\$ 1,083,942	\$ 643,953	\$ 58,454	\$ —	\$ 8,049,623
Payments to suppliers	(3,810,674)	(225)	—	(3,810,899)	(435,273)	(217,938)	(34,107)	—	(3,123,581)
Payments to employees	(6,002,104)	(1,555)	—	(6,003,659)	(654,330)	(387,558)	(63,338)	—	(4,898,433)
Other receipts (payments) - net	1,081,205	(5,456)	(5,601)	1,070,148	76,246	9,182	48,232	—	936,488
Net cash provided by (used in) operating activities	1,104,399	(7,236)	(5,601)	1,091,562	70,585	47,639	9,241	—	964,097
<b>Noncapital financing activities</b>									
Retirements of commercial paper	(100,000)	—	—	(100,000)	—	—	—	—	(100,000)
Academic support funds disbursed to affiliate	(57,000)	—	—	(57,000)	—	—	—	—	(57,000)
Other activities	(27,766)	(5,269)	5,601	(27,434)	—	—	—	—	(27,434)
Net cash (used in) provided by noncapital financial activities	(184,766)	(5,269)	5,601	(184,434)	—	—	—	—	(184,434)
<b>Cash flows from investing activities</b>									
Investment earnings	13,413	39	—	13,452	2,838	1,304	118	—	9,192
Withdrawals from investments and assets limited as to use	422,813	65,019	—	487,832	12,533	5,043	—	—	470,256
Contributions to investments and assets limited as to use	(46,457)	(55,819)	—	(102,276)	(2,100)	(5,043)	(35)	—	(95,098)
Purchase of equity method investments	(47,587)	—	—	(47,587)	—	—	—	—	(47,587)
Net cash provided by investing activities	342,182	9,239	—	351,421	13,271	1,304	83	—	336,763
<b>Cash flows from capital and related financing activities</b>									
Purchase of property and equipment	(825,353)	(16)	—	(825,369)	(37,490)	(51,821)	(9,405)	—	(726,653)
Interest payments on short- and long-term debt	(150,581)	—	—	(150,581)	(15,609)	(10,845)	(831)	—	(123,296)
Principal payments, refunding and retirements on short- and long-term debt	(279,020)	—	—	(279,020)	(5,910)	(9,548)	(1,196)	—	(262,366)
Proceeds from issuance of long-term debt	224,195	—	—	224,195	—	—	—	—	224,195
Contributions restricted for building and equipment purchases	—	(1,360)	—	(1,360)	—	40,917	(1,362)	—	(40,915)
Other contributions (distributions)	13,865	5,267	—	19,132	166	(129)	—	—	19,095
Net cash (used in) provided by financing activities	(1,016,894)	3,891	—	(1,013,003)	(58,843)	(31,426)	(12,794)	—	(909,940)
<b>Net increase (decrease) in cash and cash equivalents</b>	244,921	625	—	245,546	25,013	17,517	(3,470)	—	206,486
<b>Cash and cash equivalents:</b>									
Beginning of year	740,098	5,370	—	745,468	48,065	194,152	16,571	—	486,680
End of year	\$ 985,019	\$ 5,995	\$ —	\$ 991,014	\$ 73,078	\$ 211,669	\$ 13,101	\$ —	\$ 693,166

**THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY COMBINED GROUP**  
**COMBINING SCHEDULE OF CASH FLOWS**  
Year Ended December 31, 2023  
(in thousands)

	Primary Enterprise	Atrium Health Foundation	Eliminations	Subtotal	Exclude AH Navicent	Exclude AH Floyd	Exclude Non- Obligated Group Affiliates	Exclude Consolidating Eliminations	Total Combined Group
<b>Reconciliation of cash and cash equivalents to the balance sheet</b>									
Cash and cash equivalents	953,812	5,995	—	959,807	73,078	211,669	13,101	—	661,959
Restricted cash in investments and assets whose use is limited	31,207	—	—	31,207	—	—	—	—	31,207
Total cash, cash equivalents and restricted cash	<u>\$ 985,019</u>	<u>\$ 5,995</u>	<u>\$ —</u>	<u>\$ 991,014</u>	<u>\$ 73,078</u>	<u>\$ 211,669</u>	<u>\$ 13,101</u>	<u>\$ —</u>	<u>\$ 693,166</u>
<b>Reconciliation of operating income ( loss) to net cash provided by (used in) operating activities</b>									
Operating income (loss)	\$ 487,064	\$ (10,443)	\$ (5,601)	\$ 471,020	\$ (52,465)	\$ 4,576	\$ (5,060)	\$ —	\$ 523,969
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities									
Depreciation and amortization	560,105	246	—	560,351	49,876	26,040	5,639	—	478,796
Decrease (increase) in patient accounts receivable, net	10,928	—	—	10,928	62,972	16,388	210	—	(68,642)
(Increase) decrease in inventories and other current assets	(178,911)	2,828	(10,576)	(186,659)	(68,817)	(26,108)	11,127	—	(102,861)
(Increase) decrease in other assets affecting operating activities	(195,919)	7	—	(195,912)	(34,676)	(14,132)	1,314	—	(148,418)
Increase (decrease) in accounts payable and other current liabilities	249,869	180	10,576	260,625	67,532	7,613	(3,989)	—	189,469
Increase (decrease) in other liabilities affecting operating activities	111,384	(54)	—	111,330	15,354	(1,327)	—	—	97,303
Increase (decrease) in estimated third party payor settlements	59,879	—	—	59,879	30,809	34,589	—	—	(5,519)
Net cash provided by (used in) operating activities	<u>\$ 1,104,399</u>	<u>\$ (7,236)</u>	<u>\$ (5,601)</u>	<u>\$ 1,091,562</u>	<u>\$ 70,585</u>	<u>\$ 47,639</u>	<u>\$ 9,241</u>	<u>\$ —</u>	<u>\$ 964,097</u>

See accompanying independent auditors' report.

**ATRIUM HEALTH NAVICENT**  
**COMBINING BALANCE SHEET**  
**December 31, 2023**  
**(in thousands)**

	Carlyle Place	All Other Navicent	Atrium Health Navicent
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 123	\$ 72,955	\$ 73,078
Short term investments	—	—	—
Assets limited as to use	—	—	—
Patient accounts receivable	162	170,332	170,494
Other current assets	(1,445)	91,272	89,827
Total current assets	<u>(1,160)</u>	<u>334,559</u>	<u>333,399</u>
Other assets			
Assets limited as to use	91,819	697,014	788,833
Property and equipment, net	38,764	412,948	451,712
Right-to-use assets	—	10,389	10,389
Other noncurrent assets	—	116,733	116,733
Total other assets	<u>130,583</u>	<u>1,237,084</u>	<u>1,367,667</u>
Total assets	129,423	1,571,643	1,701,066
Deferred outflows of resources			
	—	36,495	36,495
Total assets and deferred outflows of resources	<u>\$ 129,423</u>	<u>\$ 1,608,138</u>	<u>\$ 1,737,561</u>
<b>Liabilities</b>			
Current liabilities			
Long-term debt, current portion	\$ 1,044	\$ 4,816	\$ 5,860
Lease liabilities, current portion	—	1,584	1,584
Accrued salaries and employee benefits	450	38,464	38,914
Accounts payable and other accrued liabilities	44,948	117,581	162,529
Third-party payors payables	—	4,516	4,516
Total current liabilities	<u>46,442</u>	<u>166,961</u>	<u>213,403</u>
Noncurrent liabilities			
Long-term debt, less current portion	30,072	238,703	268,775
Lease liabilities, less current portion	—	9,332	9,332
Obligations under swap agreements	—	2,159	2,159
Other noncurrent liabilities	125	107,473	107,598
Total noncurrent liabilities	<u>30,197</u>	<u>357,667</u>	<u>387,864</u>
Total liabilities	76,639	524,628	601,267
Deferred inflows of resources			
	—	10,810	10,810
Net position:			
Net investment in capital assets	7,648	157,088	164,736
Restricted - by donor	—	—	—
Unrestricted	45,136	915,612	960,748
Total net position	<u>52,784</u>	<u>1,072,700</u>	<u>1,125,484</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 129,423</u>	<u>\$ 1,608,138</u>	<u>\$ 1,737,561</u>

See accompanying independent auditors' report.

**ATRIUM HEALTH NAVICENT**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended December 31, 2023**  
**(in thousands)**

	Carlyle Place	All Other Navicent	Atrium Health Navicent
<b>Revenue</b>			
Patient service revenue	\$ 2,664	\$ 987,497	\$ 990,161
Other revenue	15,623	49,337	64,960
Total revenue	<u>18,287</u>	<u>1,036,834</u>	<u>1,055,121</u>
<b>Expenses</b>			
Salaries, wages and benefits	10,845	631,281	642,126
Supplies and drugs	2,036	212,251	214,287
Purchased services and other expenses	4,382	196,915	201,297
Depreciation and amortization	2,853	47,023	49,876
Total expenses	<u>20,116</u>	<u>1,087,470</u>	<u>1,107,586</u>
Operating loss	(1,829)	(50,636)	(52,465)
<b>Nonoperating income</b>			
Interest expense	(1,874)	(14,132)	(16,006)
Investment income	10,310	77,569	87,879
Other nonoperating income, net	—	1,581	1,581
Total nonoperating income, net	<u>8,436</u>	<u>65,018</u>	<u>73,454</u>
Excess of revenue over expenses and losses before capital and other contributions	6,607	14,382	20,989
<b>Changes in net position</b>			
Capital and other contributions	—	10,166	10,166
Change in net position	6,607	24,548	31,155
Net position, beginning of year	46,177	1,048,152	1,094,329
Net position, end of year	<u>\$ 52,784</u>	<u>\$ 1,072,700</u>	<u>\$ 1,125,484</u>

See accompanying independent auditors' report.

**ATRIUM HEALTH NAVICENT**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**Year Ended December 31, 2023**  
**(in thousands)**

	Carlyle Place	All Other Navicent	Atrium Health Navicent
<b>Cash flows from operating activities</b>			
Receipts from third party payors and patients	\$ 2,733	\$ 1,081,209	\$ 1,083,942
Payments to suppliers	(2,037)	(433,236)	(435,273)
Payments to employees	(10,817)	(643,513)	(654,330)
Other receipts - net	15,623	60,623	76,246
Net cash provided by operating activities	5,502	65,083	70,585
<b>Noncapital financing activities</b>			
Proceeds from the issuance of commercial paper	—	—	—
Retirements of commercial paper	—	—	—
Stimulus grants	—	—	—
Academic enrichment funds disbursed	—	—	—
Other activities	—	—	—
Net cash provided by noncapital financial activities	—	—	—
<b>Cash flows from investing activities</b>			
Investment earnings	—	2,838	2,838
Withdrawals from investments limited as to use	5,533	7,000	12,533
Contributions to investments and assets limited as to use	—	(2,100)	(2,100)
Purchase of equity method investments	—	—	—
Net cash provided by investing activities	5,533	7,738	13,271
<b>Cash flows from capital and related financing activities</b>			
Purchase of property and equipment	(8,490)	(29,000)	(37,490)
Interest payments on short- and long-term debt	(1,874)	(13,735)	(15,609)
Principal payments, refunding and retirements on short- and long-term debt	(994)	(4,916)	(5,910)
Proceeds from issuance of long-term debt	—	—	—
Contributions restricted for building and equipment purchases	—	—	—
Other contributions (distributions)	—	166	166
Net cash used in financing activities	(11,358)	(47,485)	(58,843)
<b>Net (decrease) increase in cash and cash equivalents</b>	(323)	25,336	25,013
<b>Cash and cash equivalents:</b>			
Beginning of year	446	47,619	48,065
End of year	<u>\$ 123</u>	<u>\$ 72,955</u>	<u>\$ 73,078</u>
<b>Reconciliation of cash and cash equivalents to the balance sheet</b>			
Cash and cash equivalents	123	72,955	73,078
Restricted cash in investments and assets whose use is limited	—	—	—
Total cash, cash equivalents and restricted cash	<u>\$ 123</u>	<u>\$ 72,955</u>	<u>\$ 73,078</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>			
Operating income	\$ (1,829)	\$ (50,636)	\$ (52,465)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation and amortization	2,853	47,023	49,876
Decrease in patient accounts receivable, net	69	62,903	62,972
Increase in inventories and other current assets	(28)	(68,789)	(68,817)
Increase in other assets affecting operating activities	—	(34,676)	(34,676)
Increase in accounts payable and other current liabilities	4,437	63,095	67,532
Increase in other liabilities affecting operating activities	—	15,354	15,354
Increase in estimated third party payor settlements	—	30,809	30,809
Net cash provided by operating activities	<u>\$ 5,502</u>	<u>\$ 65,083</u>	<u>\$ 70,585</u>

See accompanying independent auditors' report.

**ATRIUM HEALTH FLOYD**  
**COMBINING BALANCE SHEET**  
**December 31, 2023**  
**(in thousands)**

	Polk Medical Center, Inc.	Floyd Cherokee Medical Center, LLC	All Other Floyd	Atrium Health Floyd
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 43,377	\$ 7,740	\$ 160,552	\$ 211,669
Short term investments	—	—	11,727	11,727
Assets limited as to use	—	—	3,289	3,289
Patient accounts receivable	9,579	(7,069)	83,724	86,234
Other current assets	2,767	3,086	33,844	39,697
Total current assets	<u>55,723</u>	<u>3,757</u>	<u>293,136</u>	<u>352,616</u>
<b>Other assets</b>				
Assets limited as to use	26,776	—	126,640	153,416
Property and equipment, net	33,319	2,786	171,588	207,693
Right-to-use assets	—	—	34,395	34,395
Other noncurrent assets	—	—	6,394	6,394
Total other assets	<u>60,095</u>	<u>2,786</u>	<u>339,017</u>	<u>401,898</u>
Total assets	<u>115,818</u>	<u>6,543</u>	<u>632,153</u>	<u>754,514</u>
<b>Deferred outflows of resources</b>				
	—	—	8,062	8,062
Total assets and deferred outflows of resources	<u>\$ 115,818</u>	<u>\$ 6,543</u>	<u>\$ 640,215</u>	<u>\$ 762,576</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Long-term debt, current portion	\$ 3	\$ 64	\$ 6,441	\$ 6,508
Lease liabilities, current portion	—	—	3,050	3,050
Accrued salaries and employee benefits	710	347	36,026	37,083
Accounts payable and other accrued liabilities	816	171	29,370	30,357
Third-party payors payables	1,980	476	—	2,456
Total current liabilities	<u>3,509</u>	<u>1,058</u>	<u>74,887</u>	<u>79,454</u>
<b>Noncurrent liabilities</b>				
Long-term debt, less current portion	2,395	157	158,362	160,914
Lease liabilities, less current portion	—	—	34,069	34,069
Obligations under swap agreements	—	—	—	—
Other noncurrent liabilities	115	(102)	20,082	20,095
Total noncurrent liabilities	<u>2,510</u>	<u>55</u>	<u>212,513</u>	<u>215,078</u>
Total liabilities	<u>6,019</u>	<u>1,113</u>	<u>287,400</u>	<u>294,532</u>
<b>Deferred inflows of resources</b>				
	—	—	3,381	3,381
<b>Net position</b>				
Net investment in capital assets	30,921	2,565	4,061	37,547
Restricted - by donor	—	—	—	—
Unrestricted	78,878	2,865	345,373	427,116
Total net position	<u>109,799</u>	<u>5,430</u>	<u>349,434</u>	<u>464,663</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 115,818</u>	<u>\$ 6,543</u>	<u>\$ 640,215</u>	<u>\$ 762,576</u>

See accompanying independent auditors' report.



**ATRIUM HEALTH FLOYD**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended December 31, 2023**  
**(in thousands)**

	Polk Medical Center, Inc.	Floyd Cherokee Medical Center, LLC	All Other Floyd	Atrium Health Floyd
<b>Revenue</b>				
Patient service revenue	\$ 46,044	\$ 15,464	\$ 531,468	\$ 592,976
Other revenue	154	583	8,035	8,772
Total revenue	<u>46,198</u>	<u>16,047</u>	<u>539,503</u>	<u>601,748</u>
<b>Expenses</b>				
Salaries, wages and benefits	15,126	10,234	358,263	383,623
Supplies and drugs	2,940	1,956	78,869	83,765
Purchased services and other expenses	3,587	1,787	98,370	103,744
Depreciation and amortization	2,261	482	23,297	26,040
Total expenses	<u>23,914</u>	<u>14,459</u>	<u>558,799</u>	<u>597,172</u>
Operating income (loss)	22,284	1,588	(19,296)	4,576
<b>Nonoperating income</b>				
Interest expense	—	(11)	(12,059)	(12,070)
Investment income	2,992	1	17,101	20,094
Other nonoperating income (loss), net	507	20	(3,662)	(3,135)
Total nonoperating income, net	<u>3,499</u>	<u>10</u>	<u>1,380</u>	<u>4,889</u>
Excess (deficiency) of revenues over expenses and losses before	25,783	1,598	(17,916)	9,465
<b>Changes in net position</b>				
Capital and other contributions	1,996	5,116	33,676	40,788
Change in net position	27,779	6,714	15,760	50,253
Net position, beginning of year	82,020	(1,284)	333,674	414,410
Net position, end of year	<u>\$ 109,799</u>	<u>\$ 5,430</u>	<u>\$ 349,434</u>	<u>\$ 464,663</u>

See accompanying independent auditors' report.

**ATRIUM HEALTH FLOYD**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**Year Ended December 31, 2023**  
**(in thousands)**

	Polk Medical Center, Inc.	Floyd Cherokee Medical Center, LLC	All Other Floyd	Atrium Health Floyd
<b>Cash flows from operating activities</b>				
Receipts from third party payors and patients	\$ 44,573	\$ 26,061	\$ 573,319	\$ 643,953
Payments to suppliers	(17,136)	(10,755)	(190,047)	(217,938)
Payments to employees	(15,415)	(10,421)	(361,722)	(387,558)
Other receipts - net	230	1,087	7,865	9,182
Net cash provided by operating activities	<u>12,252</u>	<u>5,972</u>	<u>29,415</u>	<u>47,639</u>
<b>Noncapital financing activities</b>				
Proceeds from the issuance of commercial paper	—	—	—	—
Retirements of commercial paper	—	—	—	—
Stimulus grants	—	—	—	—
Academic enrichment funds disbursed	—	—	—	—
Other activities	—	—	—	—
Net cash provided by noncapital financial activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Cash flows from investing activities</b>				
Investment earnings	—	1	1,303	1,304
Withdrawals from investments limited as to use	5,043	—	—	5,043
Contributions to investments and assets limited as to use	—	—	(5,043)	(5,043)
Purchase of equity method investments	—	—	—	—
Net cash provided by (used in) investing activities	<u>5,043</u>	<u>1</u>	<u>(3,740)</u>	<u>1,304</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of property and equipment	(971)	(1,292)	(49,558)	(51,821)
Interest payments on short- and long-term debt	—	(11)	(10,834)	(10,845)
Principal payments, refunding and retirements on short- and long-term debt	(116)	(169)	(9,263)	(9,548)
Proceeds from issuance of long-term debt	—	—	—	—
Contributions restricted for building and equipment purchases	—	—	40,917	40,917
Other distributions	1,995	5,116	(7,240)	(129)
Net cash used in financing activities	<u>908</u>	<u>3,644</u>	<u>(35,978)</u>	<u>(31,426)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>18,203</b>	<b>9,617</b>	<b>(10,303)</b>	<b>17,517</b>
<b>Cash and cash equivalents:</b>				
Beginning of year	25,174	(1,877)	170,855	194,152
End of year	<u>\$ 43,377</u>	<u>\$ 7,740</u>	<u>\$ 160,552</u>	<u>\$ 211,669</u>
<b>Reconciliation of cash and cash equivalents to the balance sheet</b>				
Cash and cash equivalents	\$ 43,377	\$ 7,740	\$ 160,552	\$ 211,669
Restricted cash in investments and assets whose use is limited	—	—	—	—
Total cash, cash equivalents and restricted cash	<u>\$ 43,377</u>	<u>\$ 7,740</u>	<u>\$ 160,552</u>	<u>\$ 211,669</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 22,284	\$ 1,588	\$ (19,296)	\$ 4,576
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	2,261	482	23,297	26,040
(Increase) decrease in patient accounts receivable, net	(5,203)	9,572	12,019	16,388
Increase in inventories and other current assets	(2,157)	(6,914)	(17,037)	(26,108)
Decrease (increase) in other assets affecting operating activities	77	504	(14,713)	(14,132)
(Decrease) increase in accounts payable and other current liabilities	(362)	(328)	8,303	7,613
(Decrease) increase in other liabilities affecting operating activities	(8,380)	43	7,010	(1,327)
Increase in estimated third party payor settlements	3,732	1,025	29,832	34,589
Net cash provided by operating activities	<u>\$ 12,252</u>	<u>\$ 5,972</u>	<u>\$ 29,415</u>	<u>\$ 47,639</u>

See accompanying independent auditors' report.