



# Atrium Health Enterprise

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Atrium Health Charlotte-Mecklenburg Hospital Authority and  
Atrium Health Wake Forest Baptist  
(under the common management of Atrium Health, Inc.)

Combined Financial Statements and Other Financial Information  
(With Independent Auditors' Report Thereon)

December 31, 2021

**Atrium Health Enterprise**  
**Combined Financial Statements**  
**December 31, 2021**

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## Independent Auditors' Report

The Board of Directors  
Atrium 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 combined financial statements of Wake Forest University Baptist Medical Center and Affiliates, North Carolina Baptist Hospital and Affiliates and Wake Forest University Health Sciences and Affiliates (collectively, Atrium Health Wake Forest Baptist), and the combined financial statements of Atrium Health CMHA and Atrium Health Wake Forest Baptist (collectively, Atrium Health Enterprise), as of and for the year ended December 31, 2021, and the related notes to the financial statements for each respective entity, which collectively comprise the basic financial statements for each respective entity as listed in the table of contents.

### *Unmodified Opinion on U.S. Generally Accepted Accounting Principles – Atrium Health CMHA*

In our opinion, the accompanying financial statements referred to above of Atrium Health CMHA present fairly, in all material respects, the respective financial position of the business type activities, fiduciary activities, and the aggregate discretely presented component unit of Atrium Health CMHA as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

### *Unmodified Opinion on U.S. Generally Accepted Accounting Principles – Atrium Health Wake Forest Baptist*

In our opinion, the accompanying combined financial statements referred to above of Atrium Health Wake Forest Baptist present fairly, in all material respects, the financial position of Atrium Health Wake Forest Baptist as of December 31, 2021, and the results of its operations and changes in net assets, and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

### *Unmodified Opinion on Accounting Principles as Promulgated by the Financial Accounting Standards Board (FASB) – Atrium Health Enterprise*

In our opinion, the accompanying combined financial statements referred to above of Atrium Health Enterprise present fairly, in all material respects, the financial position of Atrium Health Enterprise as of December 31, 2021, and the results of its operations and changes in net assets and its cash flows for the year then ended in accordance with accounting principles as promulgated by FASB.



### *Adverse Opinion on U.S. Generally Accepted Accounting Principles – Atrium Health Enterprise*

In our opinion, because of the significance of the matter discussed in the Matter Giving Rise to Adverse Opinion section of our report, the combined financial statements of Atrium Health Enterprise referred to above do not present fairly the financial position of Atrium Health Enterprise as of December 31, 2021, or the results of its operations and changes in net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Unmodified and Adverse Opinions*

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

### *Matter Giving Rise to Adverse Opinion – Atrium Health Enterprise*

As described in Note 1 to the combined financial statements, Atrium Health CMHA is a governmental entity as defined by the Governmental Accounting Standards Board (GASB) and represents 73.7% and 69.4% of Atrium Health Enterprise's total assets and revenues, respectively. Accordingly, accounting principles as promulgated by GASB are the appropriate accounting principles for Atrium Health CMHA to follow. However, Atrium Health Enterprise, which includes Atrium Health CMHA, has prepared its combined financial statements in accordance with accounting principles as promulgated by FASB. The effects on the combined financial statements of Atrium Health Enterprise of the variances between the accounting policies described in Note 1 and U.S. generally accepted accounting principles for governmental entities, although not reasonably determinable, are presumed to be material and pervasive.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the respective financial statements of Atrium Health CMHA, Atrium Health Wake Forest Baptist, and Atrium Health Enterprise in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the respective financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the respective financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Atrium Health CMHA's, Atrium Health Wake Forest Baptist's and Atrium Health Enterprise's ability to continue as a going concern for one year after the date that the respective financial statements are available to be issued.

### *Auditors' Responsibilities for the Audits of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the respective financial statements as a whole for each entity are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 respective financial statements. In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the respective 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 each of the respective financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of Atrium Health CMHA's, Atrium Health Wake Forest Baptist's, and Atrium Health Enterprise's internal control. Accordingly, no such opinions are 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 respective financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Atrium Health CMHA's, Atrium Health Wake Forest Baptist's, and Atrium Health Enterprise'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 5 through 14, the schedules of changes in the net pension liability and related ratios – Atrium Health Charlotte Defined Benefit Plan, the schedules of pension contributions – Atrium Health Charlotte Defined Benefit Plan, the schedules of pension plan investment returns – Atrium Health Charlotte Defined Benefit Plan, the schedules of changes in the net pension liability and related ratios – Atrium Health Navicent Defined Benefit Plan, the schedules of pension contributions – Atrium Health Navicent Defined Benefit Plan, the schedules of pension plan investment returns – Atrium Health Navicent Defined Benefit Plan, the schedules of changes in the net pension liability and related ratios – Atrium Health Floyd Defined Benefit Plan, the schedules of pension contributions – Atrium Health Floyd Defined Benefit Plan, and the schedules of pension plan investment returns – Atrium Health Floyd Defined Benefit Plan on pages 113-130 be presented to supplement the basic financial statements of Atrium Health CMHA. Such information is the responsibility of management and, although not a part of the basic financial statements of Atrium Health CMHA, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements of Atrium Health CMHA 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 of Atrium Health CMHA, and other knowledge we obtained during our audit of the basic financial statements of Atrium Health CMHA. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



*Supplementary Information*

Our audits were conducted for the purpose of forming opinions on the respective financial statements as a whole of Atrium Health CMHA, Atrium Health Wake Forest Baptist, and Atrium Health Enterprise.

The supplementary combining information of Atrium Health CMHA (including CMHA Combined Group, Atrium Health Navicent and Atrium Health Floyd) on pages 131 – 139 is presented for purposes of additional analysis and is not a required part of the financial statements of Atrium Health CMHA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements of Atrium Health CMHA. The information has been subjected to the auditing procedures applied in the audit of the financial statements of Atrium Health CMHA and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements of Atrium Health CMHA or to the financial statements themselves of Atrium Health CMHA, 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 financial statements of Atrium Health CMHA as a whole.

The supplementary combining information of Atrium Health Wake Forest Baptist on pages 140 – 141 is presented for purposes of additional analysis and is not a required part of the combined financial statements of Atrium Health Wake Forest Baptist. 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 combined financial statements of Atrium Health Wake Forest Baptist. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements of Atrium Wake Forest Baptist and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements of Atrium Health Wake Forest Baptist or to the combined financial statements themselves of Atrium Health Wake Forest Baptist, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements of Atrium Health Wake Forest Baptist.

*KPMG LLP*

Charlotte, North Carolina  
May 19, 2022



## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2021

*Dollars in thousands.*

This Management's Discussion and Analysis provides an overview of the financial position and results of activities of Atrium Health Charlotte-Mecklenburg Hospital Authority (Atrium Health CMHA) for the years ended December 31, 2021 and 2020. 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 combined 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.

### **Atrium Health CMHA Overview**

- In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. COVID-19 has continued to affect Atrium Health CMHA and the communities it serves through 2021. In response to the pandemic and to preserve resources for patients infected with COVID-19, Atrium Health CMHA, at various times throughout the pandemic depending on regional surges of COVID-19 infections and the implementation of local and state "stay at home" orders, ceased or curtailed non-essential procedural patient care such elective surgeries, resulting in significant unexpected revenue declines. Throughout the pandemic, Atrium Health CMHA has continued to make financial commitments to ensure the safety of its patients and the well-being of its teammates. As a result, the financial impact of the pandemic to Atrium Health CMHA has been decreases in volumes and revenues from non-COVID patients while simultaneously increasing the cost of care for all patients. Revenue losses from the pandemic were partially, but not completely, offset by Federal stimulus funding recorded as nonoperating income. For more information on the impact of COVID-19, see note 1 of the notes to the combined financial statements.
- In October 2020, Atrium Health CMHA and Wake Forest Baptist Health (Atrium Health WFB) became part of the Enterprise pursuant to an Enterprise Agreement among AHI, Atrium Health CMHA and Wake Forest University Baptist Medical Center (WFUBMC), which is the joint operating company for North Carolina Baptist Hospital (NCBH) and affiliates and Wake Forest University Health Sciences (WFUHS) and affiliates, and related agreements, which included a Health System Integration Agreement between AHI, Atrium Health CMHA, WFUBMC, Wake Forest University Health Sciences, North Carolina Baptist Hospital, and Wake Forest University (WFU) (collectively, the Enterprise

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(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

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*Dollars in thousands.*

agreements). Each Enterprise participant and its affiliates maintain their separate legal existence and continue to own their assets. Each Enterprise participant retains all power, authorities, rights and remedies necessary or appropriate to allow it to comply with its pre-existing debt instruments and any new debt instruments. Nothing in the Enterprise agreements is intended to constitute the actual or implied assumption or guaranty by any Enterprise participant of any other Enterprise participant's debt or other liabilities, and all debt and other liabilities of each Enterprise participant will remain the debt and liabilities of such Enterprise participant regardless of when incurred, except as otherwise expressly agreed in writing.

- Effective July 2021, AH Georgia, Inc., a Georgia not-for-profit corporation of which Atrium Health CMHA is the sole member, became the sole corporate member of Floyd Healthcare Management, Inc. (Floyd), which with its affiliates does business as Atrium Health Floyd in northwest Georgia and northeast Alabama, pursuant to a Member Substitution Agreement among Atrium Health CMHA, AH Georgia, Inc., and Floyd. The financial information of Atrium Health Floyd has been blended within Atrium Health CMHA for all periods presented in this discussion and analysis. For more information on the arrangement, see note 1 of the notes to combined financial statements.

## **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.

The Governmental Accounting Standards Board (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.

## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2021

*Dollars in thousands.*

### 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**

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
| Current assets  | \$ 2,584,506         | \$ 2,457,811         |
| Capital assets – net  | 4,684,832            | 4,287,914            |
| Other noncurrent assets   | 8,619,941            | 7,376,624            |
| Total assets  | 15,889,279           | 14,122,349           |
| Deferred outflows of resources                                    | 396,387              | 464,512              |
| Total assets and deferred outflows of resources                   | <u>\$ 16,285,666</u> | <u>\$ 14,586,861</u> |
|   | <b>2021</b>          | <b>2020</b>          |
| Current liabilities   | \$ 2,959,159         | \$ 2,620,414         |
| Long-term liabilities   | 3,844,074            | 3,751,902            |
| Total liabilities   | 6,803,233            | 6,372,316            |
| Deferred inflows of resources                                     | 277,416              | 41,232               |
| Net investment in capital assets                                  | 1,628,733            | 1,471,247            |
| Restricted – by donor   | 35,919               | 76,861               |
| Unrestricted  | 7,540,365            | 6,625,205            |
| Total net position  | 9,205,017            | 8,173,313            |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 16,285,666</u> | <u>\$ 14,586,861</u> |

Atrium Health CMHA classifies net position as net investment in capital assets, restricted – by donor, and unrestricted. The change in net investment in capital assets over the prior year was driven by debt principal payments and additional capital expenditures. The unrestricted net position increase for the year ended December 31, 2021 was driven primarily by operating performance, and favorable investment returns.

The net position of Atrium Health CMHA at December 31, 2021 increased \$1,031,704 from December 31, 2020. The increase in net position was due to positive results of operations of \$322,279 and nonoperating gains of \$830,981, offset by capital and other contributions of \$121,556.

Atrium Health CMHA's cash and investment position at December 31, 2021 and 2020 was \$8,410,364 and \$7,921,561, respectively.

## **ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY**

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2021

*Dollars in thousands.*

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Days cash on hand for the Atrium Health 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 393 and 409 at December 31, 2021 and 2020, respectively.

More detailed information about Atrium Health CMHA's cash, investments and other financial instruments is presented in notes 2, 4 and 5 of the notes to the combined financial statements.

### **Revenues and Expenses**

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

**ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY**

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2021

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

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Operating revenues and support:                       |                     |                     |
| Net patient service revenue                           | \$ 8,120,786        | \$ 6,973,229        |
| Other operating revenue                               | 851,750             | 795,500             |
| Total operating revenues                              | <u>8,972,536</u>    | <u>7,768,729</u>    |
| Operating expenses:                                   |                     |                     |
| Personnel costs                                       | 5,119,128           | 4,686,855           |
| Supplies  | 1,772,428           | 1,607,038           |
| Purchased services                                    | 635,616             | 637,920             |
| Other operating expenses                              | 728,597             | 611,197             |
| Depreciation and amortization                         | 394,488             | 383,311             |
| Total operating expenses                              | <u>8,650,257</u>    | <u>7,926,321</u>    |
| Operating income (loss)                               | <u>322,279</u>      | <u>(157,592)</u>    |
| Nonoperating gains (losses):                          |                     |                     |
| Interest expense                                      | (107,429)           | (88,033)            |
| Stimulus grants                                       | 181,510             | 305,526             |
| Interest and dividend income                          | 96,180              | 74,288              |
| Net change in the fair value of investments           | 664,512             | 692,305             |
| WFBH academic endowment and enrichment funds          | -                   | (220,000)           |
| Other, net  | (3,792)             | (23,396)            |
| Total nonoperating gains                              | <u>830,981</u>      | <u>740,690</u>      |
| Excess of revenues over expenses before contributions | 1,153,260           | 583,098             |
| Capital contributions                                 | 7,748               | 19,419              |
| Other contributions                                   | (129,304)           | (5,594)             |
| Increase in net position                              | 1,031,704           | 596,923             |
| Beginning net position                                | <u>8,173,313</u>    | <u>7,576,390</u>    |
| Ending net position                                   | <u>\$ 9,205,017</u> | <u>\$ 8,173,313</u> |

**Operating Revenues**

Operating revenues in 2021 increased 15.5% from 2020 largely due to increases in hospital and physician practice patient volumes, and growth of other operating revenues. Other operating revenues increased 7.1%, primarily as a result of retail pharmacy sales. More detail of operating revenue can be found in notes 1 and 14 of the notes to combined financial statements.

**Operating Expenses**

Operating expenses in 2021 increased 9.1% from the prior year. Personnel costs, comprising 59.2% of the total Atrium Health CMHA operating expenses in 2021, increased due to volume growth at hospital facilities, increases in physician practice providers and staffing support, continued COVID-related salaries

## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

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*Dollars in thousands.*

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and benefits and annual market adjustments across Atrium Health CMHA. Other expenses, consisting primarily of pharmaceutical and supply costs, professional fees, rent and purchased services, increased 9.8%, primarily due to higher patient volumes, continued COVID-related expenses 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 2021 by the market value appreciation of Atrium Health CMHA's investments. As a governmental entity, Atrium Health CMHA is required to record all investment market value changes as a component of nonoperating gains (losses).

Nonoperating activity from Atrium Health CMHA's investment return on equity, fixed income, and cash investments was a \$760,692 gain in 2021 and a \$766,593 gain in 2020.

Interest and dividend income on Atrium Health CMHA's investment portfolio in 2021 was \$96,180 and net realized and unrealized gains on the portfolio were \$664,512. The net realized/unrealized gains were due to positive performance of investments throughout 2021.

Management presents portfolio performance to the respective regional Committees and Boards that maintain oversight over investment and financial performance on a quarterly basis. Management meets regularly with investment consultants to review portfolio and investment manager performance and to identify and recommend changes to the investment strategy for consideration by the respective Finance or Investment Oversight Committees. Investment expenses consist of fees paid to Atrium Health CMHA's investment managers, investment consultants, and custodians.

Nonoperating gains and losses in 2021 also included \$181,510 in grant revenues related to Federal stimulus legislation. Other net nonoperating expenses were \$3,792 and \$23,396 for the years ended December 31, 2021 and 2020, respectively. The decrease was due primarily to contract termination and settlement expenses that were not related to ongoing operations in 2020.

Other contributions of \$129,304 consisted primarily of payments made to the Floyd-Polk Healthcare Foundation in connection with the closing of the strategic combination with Atrium Health Floyd in July, 2021.

## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2021

*Dollars in thousands.*

### Capital Assets and Debt Administration

#### Capital Assets

Capital assets, net of depreciation and impairment at December 31, 2021 and 2020 are summarized in Table 3 and are discussed below.

**Table 3 – Capital Assets, Net of Depreciation and Impairment**

|                                 | <u>2021</u>         | <u>2020</u>         |
|---------------------------------|---------------------|---------------------|
| Land                            | \$ 328,477          | \$ 327,763          |
| Buildings and land improvements | 5,145,764           | 4,753,826           |
| Equipment                       | 2,965,945           | 3,080,013           |
| Construction in progress        | 984,472             | 703,488             |
| Subtotal                        | 9,424,658           | 8,865,090           |
| Accumulated depreciation        | (4,739,826)         | (4,577,176)         |
| Total                           | <u>\$ 4,684,832</u> | <u>\$ 4,287,914</u> |

During the current fiscal year, significant additions to capital assets in excess of \$10,000 included the following:

|  |            |
|--|------------|
| Union West New Hospital and Medical Office Buildings       | \$ 103,462 |
| Atrium Health Pineville New Bed Tower                      | 69,708     |
| Greater Charlotte Epic Electronic Health Record            | 63,336     |
| Carolinas Medical Center Tower and Infrastructure Upgrades | 59,387     |
| Land Acquisition in Center City Charlotte Market           | 56,053     |
| Navicent Epic Electronic Health Record and Revenue Cycle   | 48,628     |
| Carolinas Rehabilitation Replacement Facility              | 47,613     |
| Musculoskeletal Institute                                  | 21,807     |
| Information and Analytics Services OneCloud                | 14,370     |
| Wake Forest Baptist Oracle Implementation                  | 14,145     |
| Kenilworth Medical Office Buildings I & II                 | 11,525     |

## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2021

*Dollars in thousands.*

During the prior fiscal year, significant additions to capital assets in excess of \$10,000 included the following:

|  |    |        |
|--|----|--------|
| Carolinas Medical Center Tower and Infrastructure Upgrades | \$ | 60,983 |
| Kenilworth Medical Office Buildings I & II                 |    | 56,797 |
| Land Acquisition in Center City Charlotte Market           |    | 44,647 |
| Greater Charlotte Epic Electronic Health Record            |    | 41,684 |
| Union West New Hospital and Medical Office Buildings       |    | 34,163 |
| Atrium Health Pineville New Bed Tower                      |    | 31,308 |
| Atrium Health Pineville Medical Office Building            |    | 29,075 |
| Navicent Epic Electronic Health Record and Revenue Cycle   |    | 27,357 |
| Oracle Enterprise Resource Planning                        |    | 23,391 |
| Musculoskeletal Institute                                  |    | 17,259 |
| Information and Analytics Services OneCloud                |    | 16,350 |
| Strategic Land Acquisitions                                |    | 14,494 |

Ongoing capital requirements are funded from a combination of operating cash, debt proceeds, and contributions. Atrium Health CMHA's annual capital budget for 2021 and 2020 was \$795,659 and \$937,561, respectively. Cash outflows related to capital additions, net of retirements, for 2021 and 2020 totaled \$788,946 and \$665,767, respectively. Total depreciation expense on capital assets was \$388,396 and \$381,862 for 2021 and 2020, respectively. At December 31, 2021, Atrium Health CMHA has planned future capital spending of approximately \$4,274,369 for 2022-2026 for ongoing routine and significant strategic IT and facility expansion projects. More detailed information about Atrium Health CMHA's capital assets is presented in note 7 of the notes to the combined 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 2021 and 2020 totaled \$80,331 and \$158,881, 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 2021 and 2020 was 15.10 and 5.33, respectively. The Bond Order requires an actual annual debt service coverage ratio of not less than 1.1.

In February 2022, the CMHA Combined Group refunded the outstanding 2012A bonds with proceeds from the issuance of the 2022A bonds.

In January 2022, Atrium Health Navicent extended the holding periods of its Series 2017 A and Series 2017 B Revenue Anticipation Certificates aggregating \$225,530 and its \$60,000 taxable Variable Term Loan to January 2027.



## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2021

*Dollars in thousands.*

In December 2021, Atrium Health Floyd entered into a Variable Term Loan with a financial institution for \$179,000 maturing in 2043 with an initial holding period expiring in January 2027.

More detailed information about Atrium Health CMHA's outstanding debt is presented in note 9 of the notes to the combined financial statements.

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

Healthcare is a capital-intensive industry that requires significant reinvestment to keep pace with patient care advancements and technology transformations occurring in the marketplace. An entity's ability to reinvest to meet its longer-term capital and program needs hinges on its ability to perform well financially. Healthcare providers, given the on-going COVID-19 pandemic, have experienced significant disruption to financial performance and capital reinvestment plans. We believe that Atrium Health CMHA, with its geographic dispersion; world-class providers and services; financial strength; balanced with its mission to provide health, hope and healing for all is well positioned to meet the demands of our fast-changing industry as well as to navigate the disruptions of the on-going pandemic.

Financial performance disruption due to the COVID-19 pandemic has primarily occurred due to patient volume decreases coupled with increased costs of patient care. Healthcare facilities have reacted to continuing surges of COVID-19 patients by "scaling down and ramping up" non-essential patient care services, which negatively impacts financial performance through reductions in higher margin services as well as impeding healthcare providers' abilities to appropriately flex costs. The high transmissibility of COVID-19 variants continues to impact consumer confidence, such that when providers do "ramp up" non-essential patient care services, many patients are still choosing to forgo preventative care, elective procedures, and other traditional outpatient services. A January 2022 study from The Hartford, found 43% of US workers have delayed routine care citing "fear of contracting COVID-19" as the highest reason. In their recent Not-For-Profit Outlook, Moody's Investor Services noted, "Recovery in patient volumes will continue to be choppy" in 2022. The magnitude of future COVID-19 patient surges and the return of consumer confidence are unknowns in the months and years ahead, but the negative financial impacts of both are expected to continue for health care providers.

Aside from the COVID-19 pandemic, healthcare providers expect an increase in reimbursement pressures in the future. Lower margins for insurance companies, along with the recently implemented federal rules requiring hospitals to make negotiated rates publicly available, will likely result in tougher contract negotiations yielding lower than inflation reimbursement rate increases. As the population continues to age, the shift away from commercial payers to lower reimbursement governmental payers is anticipated to drive healthcare revenues lower. Additionally, Medicare sequestration, the process designed to annually reduce federal government healthcare spending by 2% is expected to resume in the second quarter of 2022 and CARES Act funding is unlikely to continue in 2022 as most of the designated government funds have been distributed and it is doubtful, given other priorities, that Congress would allocate more. External pressures on revenue streams are not new to the industry, but they are expected to intensify as governmental and commercial payers continue to try to bend the growth curve in healthcare spending.

## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2021

*Dollars in thousands.*

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Moody's Investor Services cites, "labor costs indeed are the challenge that the sector is facing over the next year and will result, in our opinion, in driving expenses at a rate higher than revenue growth". At the start of the pandemic, some providers initially chose to lay-off or furlough staff during periods of non-essential services shut-downs. Others took the opposite stance, anticipating high staffing needs for impending COVID-19 patient surges. Regardless of the initial responses, staffing costs across almost all providers have increased compared to pre-pandemic periods due to higher overtime rates and premium pay, wages paid to employees unable to work due to quarantine, wages for additional staff for screening and testing centers, and most notably, utilization of more expensive contract staff. While labor concerns were on the horizon prior to the pandemic, it is quite clear that COVID-19 exacerbated and accelerated the industry's significant shortage of clinical labor. According to the National Institutes of Health, the United States faced a shortage of roughly 1 million nurses in 2020, and since then, that shortage has only grown as many nurses continue to leave the field due to burnout and fatigue associated with COVID-19. To fill the gaps in staff, many hospitals have had to turn to travel nurses, which is more costly now than ever before.

All health care providers must meet the challenges of fluctuating patient volumes, changing consumer confidence, reimbursement pressures, and the on-going shortage of clinical care givers. Atrium Health CMHA remains committed to its mission to provide health, hope and healing for all. With its history of meeting past challenges, 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 demands of this on-going pandemic and the fast-changing industry 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, 1000 Blythe Boulevard, Charlotte, NC 28203.

## Atrium Health Enterprise

Combined Balance Sheets - Atrium Health Enterprise

December 31, 2021

Dollars in thousands.

|   | Atrium Health<br>Charlotte-<br>Mecklenburg<br>Hospital Authority | Atrium Health<br>Wake Forest<br>Baptist | Atrium Health<br>Enterprise |
|---|--|---|-----------------------------|
| <b>Assets</b>   |  |   |                             |
| Current assets:   |  |   |                             |
| Cash and cash equivalents   | \$ 799,598   | \$ 332,481                              | \$ 1,136,105                |
| Short term investments  | 39,326   | —                                       | 50,868                      |
| Patient receivables – net   | 1,291,751  | 357,037                                 | 1,648,788                   |
| Accounts, grants and notes receivable, net                                | 141,561  | 148,390                                 | 307,741                     |
| Assets limited as to use – investments                                    | 47,321   | —                                       | 47,321                      |
| Other current assets  | 264,949  | 111,089                                 | 372,170                     |
| Total current assets  | 2,584,506  | 948,997                                 | 3,562,993                   |
| Property and equipment – net  | 4,684,832  | 1,284,201                               | 6,155,850                   |
| Investments and assets limited as to use                                  | 8,355,490  | 2,448,262                               | 11,275,504                  |
| Operating lease right-of-use assets, net                                  |  | 196,476                                 | 730,166                     |
| Other assets  | 264,451  | 185,931                                 | 391,897                     |
| Total assets  | 15,889,279   | \$ 5,063,867                            | \$ 22,116,410               |
| Deferred outflows of resources  | 396,387  |   |                             |
| Total assets and deferred outflows of resources                           | \$ 16,285,666  |   |                             |
| <b>Liabilities</b>  |  |   |                             |
| Current liabilities:  |  |   |                             |
| Accounts payable  | \$ 411,803   | \$ 184,895                              | \$ 588,151                  |
| Salaries and benefits payable   | 786,877  | 365,586                                 | 1,154,593                   |
| Other liabilities and accruals  | 666,881  | 219,185                                 | 881,006                     |
| Estimated third party payer settlements                                   | 321,328  | 75,810                                  | 397,137                     |
| Operating lease liabilities   |  | 40,833                                  | 119,543                     |
| Current portion of long-term debt   | 772,270  | 158,130                                 | 934,956                     |
| Total current liabilities   | 2,959,159  | 1,044,439                               | 4,075,386                   |
| Notes payable, finance leases and line of credit – net of current portion | 229,282  | 88,557                                  | 354,831                     |
| Bonds payable – net of current portion                                    | 2,620,184  | 727,959                                 | 3,344,100                   |
| Operating lease liabilities – less current portion                        |  | 162,934                                 | 643,230                     |
| Interest rate swap liability  | 263,120  | 3,525                                   | 266,645                     |
| Retirement benefits   | 90,622   | 96,260                                  | 986,597                     |
| Other liabilities   | 640,866  | 123,256                                 | 677,818                     |
| Total liabilities   | 6,803,233  | 2,246,930                               | 10,348,607                  |
| <b>Net assets</b>   |  |   |                             |
| Without donor restrictions  |  | 2,402,597                               | 10,835,128                  |
| With donor restrictions   |  | 414,340                                 | 932,675                     |
| Total net assets  |  | 2,816,937                               | 11,767,803                  |
| Total liabilities and net assets  |  | \$ 5,063,867                            | \$ 22,116,410               |
| Deferred inflows of resources   | 277,416  |   |                             |
| <b>Net position</b>   |  |   |                             |
| Net investment in capital assets  | 1,628,733  |   |                             |
| Restricted – by donor   | 35,919   |   |                             |
| Unrestricted  | 7,540,365  |   |                             |
| Total net position  | 9,205,017  |   |                             |
| Total liabilities and deferred inflows and net position                   | \$ 16,285,666  |   |                             |

See accompanying notes to combined financial statements.

## Atrium Health Enterprise

Combined Statements of Revenues, Expenses and Changes in Net Position and Net Assets – Atrium Health Enterprise

Year Ended December 31, 2021

Dollars in thousands.

|  | Atrium Health<br>Charlotte-<br>Mecklenburg<br>Hospital Authority | Atrium Health<br>Wake Forest<br>Baptist | Atrium Health<br>Enterprise |
|--|--|---|-----------------------------|
| <b>Operating revenues and support</b>  |  |   |                             |
| Patient service revenue  | \$ 8,120,786   | \$ 3,228,061                            | \$ 11,092,481               |
| Gifts, grants and contracts  | 82,527   | 244,329                                 | 441,650                     |
| Student tuition and fees – net   | 11,694   | 43,618                                  | 57,300                      |
| Investment return designated for current operations  |  | 32,523                                  | 32,523                      |
| Net assets released from restrictions  |  | 37,672                                  | 92,227                      |
| Other sources  | 757,529  | 492,502                                 | 1,219,672                   |
| Total operating revenues   | <u>8,972,536</u>   | <u>4,078,705</u>                        | <u>12,935,853</u>           |
| <b>Operating expenses</b>  |  |   |                             |
| Personnel costs  | 5,119,128  | 2,417,071                               | 7,410,086                   |
| Supplies   | 1,772,428  | 977,563                                 | 2,708,165                   |
| Purchased services   | 635,616  | 149,472                                 | 767,177                     |
| Other operating expenses   | 728,597  | 349,536                                 | 1,077,128                   |
| Depreciation and amortization  | 394,488  | 143,903                                 | 532,570                     |
| Financing costs  |  | 30,023                                  | 114,431                     |
| Total operating expenses   | <u>8,650,257</u>   | <u>4,067,568</u>                        | <u>12,609,557</u>           |
| Operating income   | 322,279  | 11,137                                  | 326,296                     |
| <b>Nonoperating gains</b>  |  |   |                             |
| Interest expense   | (107,429)  |   |                             |
| Stimulus grants  | 181,510  |   |                             |
| Net investment gains   | 757,608  | 169,655                                 | 928,795                     |
| Net gains on interest rate swap valuation  | 3,084  | 1,208                                   | 66,569                      |
| Net assets released from restriction   |  | 150,000                                 | —                           |
| Pension and postretirement costs   |  | (4,945)                                 | 42,883                      |
| Gains from equity method affiliates  |  | 12,025                                  | 39,839                      |
| Contribution from business combinations, net   |  | 10,709                                  | 260,454                     |
| Other, net   | (3,792)  | 12,657                                  | 46,371                      |
| Total nonoperating gains   | <u>830,981</u>   | <u>351,309</u>                          | <u>1,384,911</u>            |
| Excess of revenues and support over expenses and losses before capital and other contributions | \$ 1,153,260   | \$ 362,446                              | \$ 1,711,207                |
| <b>Changes in net position:</b>  |  |   |                             |
| Capital contributions  | 7,748  |   |                             |
| Other contributions  | (129,304)  |   |                             |
| Change in net position   | <u>1,031,704</u>   |   |                             |
| Net position, beginning of year  | 8,173,313  |   |                             |
| Net position, end of year  | <u>\$ 9,205,017</u>  |   |                             |
| <b>Changes in net assets without donor restrictions:</b>                                       |  |   |                             |
| Pension and postretirement net adjustments   |  | 40,775                                  | 252,314                     |
| Other  |  | —                                       | 14,008                      |
| Changes in net assets without donor restrictions   |  | <u>403,221</u>                          | <u>1,977,529</u>            |
| <b>Changes in net assets with donor restrictions:</b>  |  |   |                             |
| Contributions  |  | 38,933                                  | 143,874                     |
| Investment return in excess of amounts designated for current operations                       |  | 8,532                                   | 8,532                       |
| Net assets released from restrictions  |  | (187,672)                               | (92,211)                    |
| Net investment gains   |  | 32,109                                  | 79,256                      |
| Other  |  | (2,955)                                 | (3,540)                     |
| Change in net assets with donor restrictions   |  | <u>(111,053)</u>                        | <u>135,911</u>              |
| Change in total net assets   |  | 292,168                                 | 2,113,440                   |
| Net assets, beginning of year  |  | 2,524,769                               | 9,654,363                   |
| Net assets, end of year  |  | <u>\$ 2,816,937</u>                     | <u>\$ 11,767,803</u>        |

See accompanying notes to combined financial statements.

## Atrium Health Enterprise

Combined Statements of Cash Flows - Atrium Health Enterprise

December 31, 2021

Dollars in thousands.

|   | Atrium Health<br>Charlotte-<br>Mecklenburg<br>Hospital Authority | Atrium Health<br>Wake Forest<br>Baptist | Atrium Health<br>Enterprise |
|---|--|---|-----------------------------|
| Cash flows from operating activities:   |  |   |                             |
| Receipts from third-party payers and patients   | \$ 7,894,877   | \$ 3,215,423                            | \$ 10,861,431               |
| Payments to suppliers   | (2,946,106)  | (1,405,478)                             | (4,409,786)                 |
| Payments to employees   | (5,172,323)  | (2,324,340)                             | (7,174,156)                 |
| Other receipts – net  | 657,050  | 685,144                                 | 1,342,592                   |
| Net cash provided by operating activities   | <u>433,498</u>   | <u>170,749</u>                          | <u>620,081</u>              |
| Cash flows from financing activities:   |  |   |                             |
| Cash flows from noncapital financing activities:  |  |   |                             |
| Proceeds from the issuance of commercial paper  | 250,000  |   |                             |
| Retirements of commercial paper   | (100,000)  |   |                             |
| Stimulus grants   | 181,510  |   |                             |
| Academic endowment and enrichment funds disbursed                                       | (160,000)  |   |                             |
| Other activities  | (107,523)  |   |                             |
| Net cash provided by noncapital financing activities                                    | <u>63,987</u>  |   |                             |
| Cash flows from capital and related financing activities:                               |  |   |                             |
| Purchase of capital assets  | (797,112)  |   |                             |
| Proceeds from sale of capital assets  | 8,166  |   |                             |
| Interest payments on short- and long-term debt  | (100,451)  |   |                             |
| Principal payments, refunding and retirements on short- and long-term debt              | (330,683)  | (47,421)                                | (314,225)                   |
| Proceeds from issuance of long-term debt  | 985,807  | —                                       | 1,233,506                   |
| Contributions restricted for building and equipment purchases                           | 18,510   | —                                       | 7,748                       |
| Other contributions   | —  | 160,000                                 | 119,424                     |
| Net cash (used in) provided by capital and related financing activities                 | <u>(215,763)</u>   | <u>112,579</u>                          | <u>1,046,453</u>            |
| Net cash (used in) provided by financing activities                                     | <u>(151,776)</u>   | <u>112,579</u>                          | <u>1,046,453</u>            |
| Cash flows from investing activities:   |  |   |                             |
| Investment earnings   | 19,821   | —                                       | 26,315                      |
| Purchases of investments and assets limited as to use                                   | (54,071)   | (1,496,242)                             | (7,068,528)                 |
| Sales of investments and assets limited as to use                                       | 124,233  | 1,128,649                               | 6,648,034                   |
| Purchase of capital assets  |  | (127,650)                               | (910,013)                   |
| Proceeds from sale of capital assets  |  | 14,450                                  | 15,879                      |
| Acquisition of health-related businesses, net of cash acquired                          | —  | (19,925)                                | (150,481)                   |
| Purchase of equity method investments   | —  | —                                       | (1,063)                     |
| Net cash provided by (used in) investing activities                                     | <u>89,983</u>  | <u>(500,718)</u>                        | <u>(1,439,857)</u>          |
| Net increase (decrease) in cash and cash equivalents                                    | <u>371,705</u>   | <u>(217,390)</u>                        | <u>226,677</u>              |
| Cash and cash equivalents:  |  |   |                             |
| Beginning of year   | 978,709  | 555,907                                 | 1,466,280                   |
| End of year   | <u>\$ 1,350,414</u>  | <u>\$ 338,517</u>                       | <u>\$ 1,692,957</u>         |
| Reconciliation of cash and cash equivalents to the balance sheet:                       |  |   |                             |
| Cash and cash equivalents   | 799,598  | 332,481                                 | 1,136,105                   |
| Restricted cash in investments and assets whose use is limited                          | 550,816  | 6,036                                   | 556,852                     |
| Total cash and cash equivalents   | <u>\$ 1,350,414</u>  | <u>\$ 338,517</u>                       | <u>\$ 1,692,957</u>         |
| Reconciliation of operating income to net cash provided by operating activities:        |  |   |                             |
| Operating income  | \$ 322,279   |   |                             |
| Adjustments to reconcile operating income to net cash provided by operating activities: |  |   |                             |
| Depreciation and amortization   | 394,488  |   |                             |
| Increase in patient accounts receivable – net   | (262,175)  |   |                             |
| Increase in inventories and other current assets  | (39,274)   |   |                             |
| Decrease in other assets affecting operating activities                                 | 46,112   |   |                             |
| Increase in accounts payable and other current liabilities                              | 271,923  |   |                             |
| Decrease in other liabilities affecting operating activities                            | (336,121)  |   |                             |
| Increase in estimated third party payer settlements                                     | 36,266   |   |                             |
| Net cash provided by operating activities   | <u>\$ 433,498</u>  |   |                             |

See accompanying notes to combined financial statements.

## Atrium Health Foundation, Inc.

(a component unit of Atrium Health Charlotte-Mecklenburg Hospital Authority)

Balance Sheet

December 31, 2021

*Dollars in thousands.*

| <b>Assets</b>   |            |
|---|------------|
| Current assets:   |            |
| Cash and cash equivalents                               | \$ 4,026   |
| Short term investments                                  | 11,542     |
| Accounts, grants and notes receivable, net              | 33,540     |
| Other current assets                                    | 422        |
| Total current assets                                    | 49,530     |
| Property and equipment – net                            | 4,181      |
| Investments and assets limited as to use                | 378,369    |
| Other assets  | 61,188     |
| Total assets  | 493,268    |
| Deferred outflows of resources                          | —          |
| Total assets and deferred outflows of resources         | \$ 493,268 |
| <b>Liabilities</b>                                      |            |
| Current liabilities:                                    |            |
| Accounts payable  | \$ 13      |
| Other liabilities and accruals                          | 2,148      |
| Total current liabilities                               | 2,161      |
| Other liabilities                                       | 3,385      |
| Total liabilities                                       | 5,546      |
| Deferred inflows of resources                           | —          |
| Net position:   |            |
| Net investment in capital assets                        | 4,181      |
| Restricted – by donor                                   | 473,725    |
| Unrestricted  | 9,816      |
| Total net position                                      | 487,722    |
| Total liabilities and deferred inflows and net position | \$ 493,268 |

See accompanying notes to combined financial statements.

## Atrium Health Foundation, Inc.

(a component unit of Atrium Health Charlotte-Mecklenburg Hospital Authority)

Statement of Revenues, Expense and Changes in Net Position

Year Ended December 31, 2021

*Dollars in thousands.*

### Operating revenues and support

|                             |    |               |
|-----------------------------|----|---------------|
| Gifts, grants and contracts | \$ | 50,432        |
| Other sources               |    | 973           |
| Total operating revenues    |    | <u>51,405</u> |

### Operating expenses

|                               |  |               |
|-------------------------------|--|---------------|
| Personnel costs               |  | 4,610         |
| Other operating expenses      |  | 28,149        |
| Depreciation and amortization |  | 262           |
| Total operating expenses      |  | <u>33,021</u> |
| Operating income              |  | <u>18,384</u> |

### Nonoperating gains

|  |  |               |
|--|--|---------------|
| Net investment gains   |  | 50,514        |
| Total nonoperating gains   |  | <u>50,514</u> |
| Excess of revenues over expenses and losses before capital and other contributions |  | 68,898        |

|                                 |    |                       |
|---------------------------------|----|-----------------------|
| Capital contributions           |    | 23,607                |
| Other contributions             |    | 905                   |
| Changes in net position         |    | <u>93,410</u>         |
| Net position, beginning of year |    | <u>394,312</u>        |
| Net position, end of year       | \$ | <u><u>487,722</u></u> |

See accompanying notes to combined financial statements.

## Atrium Health Foundation, Inc.

(a component unit of Atrium Health Charlotte-Mecklenburg Hospital Authority)

### Statement of Cash Flows

December 31, 2021

*Dollars in thousands.*

|  |                    |
|--|--------------------|
| Cash flows from operating activities:  |                    |
| Payments to suppliers  | \$ (8,317)         |
| Other payments – net   | (2,606)            |
| Net cash used in operating activities  | <u>(10,923)</u>    |
| Cash flows from capital and related financing activities:                          |                    |
| Purchase of capital assets   | (74)               |
| Contributions restricted for building and equipment purchases                      | 7,878              |
| Other contributions  | 1,099              |
| Net cash provided by capital and related financing activities                      | <u>8,903</u>       |
| Cash flows from investing activities:  |                    |
| Investment earnings  | 1,934              |
| Purchases of investments and assets limited as to use                              | (2)                |
| Net cash provided by investing activities  | <u>1,932</u>       |
| Net decrease in cash and cash equivalents  | (88)               |
| Cash and cash equivalents:   |                    |
| Beginning of year  | 4,114              |
| End of year  | <u>\$ 4,026</u>    |
| Reconciliation of cash and cash equivalents to the balance sheet:                  |                    |
| Cash and cash equivalents  | 4,026              |
| Restricted cash in investments and assets whose use is limited                     | —                  |
| Total cash and cash equivalents  | <u>\$ 4,026</u>    |
| Reconciliation of operating income to net cash provided by operating activities:   |                    |
| Operating income   | \$ 18,384          |
| Adjustments to reconcile operating income to net cash used in operating activities |                    |
| Depreciation and amortization  | 262                |
| Increase in patient accounts receivable – net                                      | —                  |
| Decrease in inventories and other current assets                                   | (26,875)           |
| Decrease in other assets affecting operating activities                            | (188)              |
| Decrease in accounts payable and other current liabilities                         | (2,420)            |
| Decrease in other liabilities affecting operating activities                       | (86)               |
| Net cash used in operating activities  | <u>\$ (10,923)</u> |

See accompanying notes to combined financial statements.



# Atrium Health Charlotte-Mecklenburg Hospital Authority

## Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2021

*Dollars in thousands.*

| <b>Assets</b>                               |                     |
|---|---------------------|
| Cash and cash equivalents                   | \$ 45,717           |
| Investments at fair value:                  |                     |
| Fixed income:                               |                     |
| U.S. government treasuries and agencies     | 18,313              |
| Corporate bonds                             | 17,047              |
| Fixed income - other                        | 181,473             |
| Asset-backed securities                     | 13,266              |
| Total fixed income                          | <u>230,099</u>      |
| Equity:                                     |                     |
| Domestic equities                           | 413,247             |
| International equities                      | 144,845             |
| Global equities                             | 228,216             |
|   | <u>786,308</u>      |
| Global asset allocation funds               | 31,513              |
| Real asset funds                            | 53,810              |
| Total investments at fair value level       | <u>1,101,730</u>    |
| Investments at net asset value:             |                     |
| Fixed income - other                        | 39,727              |
| Global asset allocation funds               | 58,371              |
| Long/short fixed income                     | 92,871              |
| Multi-strategy hedge funds                  | 242                 |
| Private equity funds                        | 83,187              |
| International equity                        | 43,253              |
| Global equity                               | 80,527              |
|   | <u>398,178</u>      |
| Total investments                           | <u>1,499,908</u>    |
| Total assets                                | <u>\$ 1,545,625</u> |
| <b>Liabilities</b>                          |                     |
| Accounts payable and other liabilities      | <u>—</u>            |
| Total liabilities                           | <u>—</u>            |
| <b>Net position restricted for pensions</b> | <u>\$ 1,545,625</u> |

See accompanying notes to combined financial statements.

## Atrium Health Charlotte-Mecklenburg Hospital Authority

### Statement of Changes in Fiduciary Net Position - Pension Trust Funds

Year Ended December 31, 2021

*Dollars in thousands.*

#### **Additions**

|   |    |                |
|---|----|----------------|
| Employer contributions                        | \$ | 44,112         |
| Investment income:                            |    |                |
| Net appreciation in fair value of investments |    | 202,435        |
| Interest and dividends                        |    | 17,561         |
|   |    | <u>219,996</u> |
| Less investment expense                       |    | 3,073          |
| Net investment income                         |    | <u>216,923</u> |
| Total additions                               |    | <u>261,035</u> |

#### **Deductions**

|  |  |                  |
|--|--|------------------|
| Benefit payments                       |  | (240,708)        |
| Administrative expense                 |  | (2,551)          |
| Total deductions                       |  | <u>(243,259)</u> |
| Net increase in fiduciary net position |  | 17,776           |

#### **Fiduciary net position restricted for pensions:**

|                   |    |                         |
|-------------------|----|-------------------------|
| Beginning of year |    | <u>1,528,649</u>        |
| End of year       | \$ | <u><u>1,546,425</u></u> |

See accompanying notes to combined financial statements.

**1. Organization and Summary of Significant Accounting Policies****a. Description of the Organization****Atrium Health Enterprise**

The combined financial statements of the entities collectively comprising the Atrium Health Enterprise (Enterprise), an integrated healthcare delivery and academic system and ancillary activities, were prepared to present the Enterprise's financial position and results of operations under the common management of Atrium Health, Inc. (AHI), a North Carolina non-profit corporation. The statements also present individually the financial position and results of operations of The Charlotte-Mecklenburg Hospital Authority (Atrium Health CMHA) and Atrium Health Wake Forest Baptist (Atrium Health WFB).

The Enterprise, which does business as Atrium Health, is one of the nation's leading and most innovative healthcare organizations, providing a full spectrum of healthcare and wellness programs in the Southeast region. Its diverse network of care locations includes academic medical centers, hospitals, freestanding emergency departments, physician practices, surgical and rehabilitation centers, home health agencies, nursing homes and behavioral health centers, as well as hospice and palliative care services. Atrium Health works to enhance the overall health and wellbeing of its communities through high quality patient care, education and research programs, and numerous collaborative partnerships. Its mission is to improve health, elevate hope and advance healing – for all.

In October 2020, Atrium Health CMHA and Atrium Health WFB became part of the Enterprise pursuant to an Enterprise Agreement among AHI, Atrium Health CMHA and Wake Forest University Baptist Medical Center (WFUBMC), which is the joint operating company for North Carolina Baptist Hospital (NCBH) and affiliates and Wake Forest University Health Sciences (WFUHS) and affiliates, and related agreements, which included a Health System Integration Agreement between AHI, Atrium Health CMHA, WFUBMC, WFUHS, NCBH, and Wake Forest University (WFU) (collectively, the Enterprise agreements). Each Enterprise participant and its affiliates maintain their separate legal existence and continue to own their assets. Each Enterprise participant retains all power, authorities, rights and remedies necessary or appropriate to allow it to comply with its pre-existing debt instruments and any new debt instruments. Nothing in the Enterprise agreements is intended to constitute the actual or implied assumption or guaranty by any Enterprise participant of any other Enterprise participant's debt or other liabilities, and all debt and other liabilities of each Enterprise participant will remain the debt and liabilities of such Enterprise participant regardless of when incurred, except as otherwise expressly agreed in writing.

Atrium Health CMHA and Atrium Health WFB delegate authority to AHI to manage and oversee the activities and operations of the Enterprise participants in accordance with the Enterprise agreements, subject to the authority of WFU, WFUHS and WFUBMC over academic and research matters and the exercise of certain reserved powers and carrying out of certain responsibilities by the Atrium Health CMHA Board of Commissioners and WFUBMC Board of Directors. Some of the reserve powers of each Enterprise participant include the power to: approve a change in its

fundamental business or mission; develop its capital and operating budgets, subject to approval by the AHI Board of Directors; and develop its strategic plans (which shall be generally consistent with those of the entire Enterprise), subject to approval by the AHI Board of Directors.

The AHI Board of Directors consists of 16 directors, including thirteen directors designated by Atrium Health CMHA and three directors designated by WFUBMC.

**Atrium Health CMHA**

Atrium Health 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.

For financial reporting purposes under Governmental Accounting (GASB) Standards, Atrium Health 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. Net capital and operating contributions to Atrium Health CMHA from the Foundation included in the combined statement of revenues, expenses and changes in net position were \$30,259 for the year ended December 31, 2021. The Discrete Component Unit is reported on a basis consistent with Atrium Health CMHA's calendar year and is discretely presented. Transactions between Atrium Health CMHA and its Discrete Component Unit resulting in intercompany receivables, payables, revenues and expenses are not eliminated.

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 south 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, 2021. Each of Atrium Health Navicent and Atrium Health Floyd has its own obligated group and they are not part of the CMHA Combined Group described below.

Effective July 2021, Atrium Health CMHA entered into a strategic combination with Atrium Health Floyd. This combination occurred pursuant to an agreement and member substitution whereby AH Georgia, Inc. became the sole corporate member of Floyd. More information regarding the impact of this combination to the Atrium Health CMHA and Enterprise financials is provided in Note 18 to the combined financial statements.

Atrium Health CMHA's Second Amended and Restated Bond Order authorizes the creation of a CMHA Combined Group, which consists of the CMHA Obligated Group and Designated Affiliates (there are no Designated Affiliates at this time). 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, 2021, 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.

**Atrium Health WFB**

WFUBMC, a North Carolina non-profit corporation originally formed to act on behalf of WFUHS, a wholly-owned affiliate of WFU, and NCBH in connection with facilities planning, informational technology services, insurance, payroll, fundraising, and budget formulation and review, directs the planning and supervision of numerous construction projects as well as the fundraising campaigns in connection therewith. Construction costs are paid in accordance with the respective occupancy percentages of the facilities. WFUHS and NCBH are both party to a land and facilities sharing agreement whereby WFUHS and NCBH independently hold title to certain land and facilities, as designated by the agreement. NCBH and WFU were the initial corporate members of WFUBMC. NCBH and WFUHS each have a 50% equity interest in WFUBMC.

Effective July 2010, the Boards of WFUHS, NCBH, WFUBMC, and WFU approved the Medical Center Integration Agreement (MCIA). The MCIA allows for the leveraging of the combined resources of NCBH and WFUHS to fulfill a single mission: improve health and optimize performance of the combined organizations, while balancing patient care, education and research.

The MCIA created an integrated academic medical center that combines clinical care, education and research under a single management and debt structure, collectively referred to as Atrium Health WFB, which is governed by the Board of WFUBMC. One of the nation's preeminent academic medical centers, Atrium Health WFB is an integrated health care system that operates over 50 subsidiaries. It provides a continuum of care that includes primary care centers, outpatient rehabilitation centers and dialysis centers. To ensure alignment across the organization, NCBH and WFUHS unrestricted operating income is shared equally between the entities. Although the entities will be operated to maximize value at the total Atrium Health WFB level, revenues, expenses, existing and new assets and debt will continue to be accounted for generally at the individual entity levels.

Effective March 2011, NCBH, WFUHS, and WFUBMC formed a single obligated group (WFB Obligated Group) under the then-existing NCBH master trust indenture (WFB MTI). The separate WFUHS master trust indenture was discharged, and new obligations were issued to WFUHS

obligation holders under the WFB MTI. In addition, substantially all of the subsidiaries of NCBH, WFUHS, and WFUBMC were included in the single credit group (WFB Combined Group) as Designated Members. Under the new credit structure, each member of the WFB Obligated Group is jointly and severally liable for all debt and other obligations that are evidenced and secured under the WFB MTI. As of December 31, 2021, the WFB Obligated Group is liable for \$856,295 of bonds payable, \$19,199 under lines of credit and \$32,155 of notes payable. Only the WFB Combined Group has a direct or indirect obligation to pay amounts due on debt and other obligations that are evidenced and secured under the WFB MTI.

Effective October 2020, in connection with the formation of the Enterprise, the MCIA among WFUBMC, WFUHS, NCBH, and WFU was amended to add AHI as a party and AHI became a corporate member of WFUBMC. Of the seventeen voting directors of the WFUBMC Board, WFU designates six, NCBH designates six, AHI designates three and the WFUBMC Board elects two. NCBH and WFUHS continue to share unrestricted operating income equally between the entities.

**b. Basis of Presentation**

The financial statements for Atrium Health CMHA and Atrium Health WFB have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). As a governmental entity, Atrium Health CMHA is presented in accordance with Governmental Accounting Standards Board (GASB) standards. As non-governmental not-for-profit entity, Atrium Health WFB is presented in accordance with Financial Accounting Standards Board (FASB) accounting standards. Atrium Health Enterprise, which includes both Atrium Health CMHA, Atrium Health WFB and Atrium Health Foundation, Inc., is presented in accordance with FASB standards. Because Atrium Health CMHA financial statement amounts are presented in accordance with FASB standards when reported as part of the Enterprise, Enterprise financial statements and disclosure amounts do not equal the sum of Atrium Health CMHA and Atrium Health WFB statements or amounts. All significant intercompany accounts and transactions have been eliminated in the combined financial statements.

**c. Recent Accounting Pronouncements**

***GASB Pronouncements Adopted***

In 2019, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which provides updated accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of the related capital asset. The provisions of this Statement are required to be adopted no later than the year ended December 31, 2021. The adoption of this Statement in 2021 had no material impact for Atrium Health CMHA.

***FASB Pronouncements Adopted***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This ASU requires the recognition of right-of-use assets

and lease liabilities by lessees for those leases classified as operating leases under previous GAAP which have terms of greater than 12 months. This ASU defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. This ASU retains a distinction between finance leases and operating leases. The result of retaining a distinction between finance leases and operating leases in the statement of operations and the statement of cash flows is largely unchanged from previous GAAP. Atrium Health WFB and the Enterprise adopted ASU 2016-02 during 2021 using a modified retrospective approach. Atrium Health WFB didn't reassess whether any existing or expired agreements contain leases, the lease classification for any expired or existing leases, or the initial direct costs for any expired or existing leases through election of the package of practical expedients permitted under the ASU. This ASU requires that the rights and obligations arising from the lease contracts, including existing and new arrangements, be recognized as assets and liabilities on the combined balance sheet, in addition to disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. Upon adoption, the following amounts were recorded:

|                          | <b>Operating Lease<br/>Right-of-Use<br/>Assets</b> | <b>Operating<br/>Lease<br/>Liabilities</b> |
|--------------------------|--|--|
| Atrium Health WFB        | \$ 291,900   | \$ 295,996                                 |
| Atrium Health Enterprise | 886,816  | 897,871                                    |

**d. *Effects of COVID-19 Pandemic***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. In an effort to preserve resources for patients infected with COVID-19, the Enterprise, at various times throughout the pandemic depending on regional surges of COVID-19 infections, ceased or curtailed non-essential procedural patient care such as elective surgeries, resulting in significant unexpected revenue declines. Since that time, vaccines have been developed to counter the spread of COVID-19, but that has not prevented the virus from evolving and new variants from spreading. As a result, the pandemic continued to affect the Enterprise in 2021, resulting in lost revenues and higher cost of care.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the American Rescue Plan Act (ARP Act), passed in March of 2020 and 2021 respectively, provided funding to the Department of Health and Human Services (DHHS) Public Health and Social Services Emergency Fund (Relief Fund), which provided funds to qualifying healthcare providers treating COVID-19 patients to replace lost revenues or reimburse for COVID-19 related costs. The Enterprise received approximately \$274,400 from the Relief Fund in 2021 to replace lost revenues or reimburse for COVID-19 related costs for the year ended December 31, 2021. In fiscal year 2021, the Enterprise recorded approximately \$201,400 to gifts, grants and contracts revenue. The unrecognized funds at December 31, 2021 were recorded as deferred revenue in the combined balance sheet. These Relief Fund payments are not subject to repayment, provided the Enterprise is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2021

Dollars in thousands.

distributions received have been used to replace lost revenue attributable to COVID-19 or to reimburse for COVID-19 related costs. Under GASB, Atrium Health CMHA recorded approximately \$181,500 to non-operating revenue for the year ended December 31, 2021.

|                                   | <u>Atrium<br/>Health<br/>CMHA</u> | <u>Atrium<br/>Health<br/>WFB</u> | <u>Atrium<br/>Health<br/>Enterprise</u> |
|-----------------------------------|-----------------------------------|----------------------------------|---|
| Relief fund proceeds              | \$ 231,000                        | \$ 49,100                        | \$ 274,400                              |
| Gift, grants and contract revenue | —                                 | 34,800                           | 201,400                                 |
| Non-operating revenue             | 181,500                           | —                                | —                                       |

Additionally, to ease cash flow concerns for health care providers at the start of the pandemic, DHHS Centers for Medicare and Medicaid Services (CMS) provided Medicare advance payments to the Enterprise, which were recorded as other liabilities and accruals. In fiscal year 2021, CMS began recouping these advance payments, which, according to CMS guidance, are expected to be fully recouped by the end of 2022. The respective balance sheets of the Enterprise included the following Medicare advance payments in other liabilities and accruals at December 31, 2021:

|                                       | <u>Atrium<br/>Health<br/>CMHA</u> | <u>Atrium<br/>Health<br/>WFB</u> | <u>Atrium<br/>Health<br/>Enterprise</u> |
|---------------------------------------|-----------------------------------|----------------------------------|---|
| Medicare advance payments outstanding | \$ 305,200                        | \$ 103,400                       | \$ 408,600                              |

The COVID-19 pandemic continues to evolve; the ultimate impact to financial and operating results cannot be reasonably estimated at the time of issuance.

e. **Cash Equivalents**

Cash equivalents include highly liquid investments with original maturities at the date of purchase of three months or less and primarily consist of money market funds and bank accounts. Atrium Health WFB, 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 CMHA follows North Carolina General Statute 159-30, whereby all deposits of Atrium Health 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 Atrium Health CMHA. Because of the inability to measure the exact amount of collateral pledged for Atrium Health 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.

**f. *Investments and Assets Limited as to Use***

Investments in debt and equity securities, inclusive of assets limited as to use, are reported at fair value. Investments in joint ventures are accounted for using the equity method.

Gains, losses, and investment income are included in excess of revenues and support over expenses and losses unless their use is restricted by donor or law.

The fair value of alternative investments is measured based on the Net Asset Value (NAV) of the shares in each investment company or partnership as a practical expedient, except for those institutional funds which have readily determinable fair values and are disclosed separately. Investments in alternative investments may include derivative products that are reported at fair value. The investments may individually expose the Enterprise to securities lending, short sales, and trading in futures and forward contract options, and other derivative products. The Enterprise's risk is limited to its carrying value of the instruments. These instruments can only be divested at specific times or based on specific triggering events.

The Enterprise's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuities for which the Enterprise serves as trustee. Assets held in these trusts are stated at fair value and are included in investments and assets whose use is limited in the combined balance sheet. Contribution revenues are recognized at the dates the trusts are established. The Enterprise records the change in value of split-interest agreements according to the fair value of assets that are associated with each trust and recalculates the liability for the present value of annuity obligations. Any change in fair value is recognized in the combined statement of revenues, expenses and changes in net position and net assets.

The Enterprise is the beneficiary of certain trusts and other assets held and administered by others. The Enterprise's share of these assets is recorded at fair value with carrying values adjusted annually for changes in fair value.

**g. *Property and Equipment***

Property and equipment are recorded at cost at the date of acquisition or estimated fair market value on the date received for donated items. 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 1 to 40 years. Depreciation is not recorded on land and construction in progress.

Gains or losses on the disposal of property and equipment are included in nonoperating expenses in the combined statements of revenues, expenses and changes in net position and net assets.

|                                  | <b>Estimated<br/>Useful Life<br/>in Years</b> |
|----------------------------------|---|
| Land improvements                | 3-25  |
| Buildings and other improvements | 3-40  |
| Fixed and movable equipment      | 1-25  |

Under GASB, interest costs incurred on borrowed funds during the period of construction of capital assets are not capitalized as a component of the cost of acquiring those assets. Under FASB, interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

**h. Leases**

Under GASB, Atrium Health CMHA records operating lease expense within operating expenses.

Under FASB, Atrium Health WFB and the Enterprise have operating and finance leases for real estate and equipment. The Enterprise determines if an arrangement is a lease at the inception of a contract. The Enterprise has both leases under which it is obligated as a lessee and leases for which it is a lessor. Operating leases as a lessee are included in Operating lease right-of-use assets, net and Operating lease liabilities in the combined balance sheets. Finance leases as a lessee are included in Property and equipment, net and Current portion of long-term debt and Notes payable, finance leases, and line of credit, net of current portion in the combined balance sheets.

Operating lease right-of-use assets represent the Enterprise's right to use an underlying asset during the lease term, and operating lease liabilities represent the Enterprise's obligation to make lease payments arising from the lease. Operating lease right-of-use asset and liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term discounted using an appropriate incremental borrowing rate. The Enterprise's lease terms include options to extend or terminate the lease when it is reasonably certain that the options will be exercised. As most of the Enterprise's operating leases do not provide an implicit rate, the Enterprise uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease depreciation expense are recognized on a straight-line basis over the lease term. Variable lease costs consist primarily of common area maintenance and are not significant to total lease expense. Interest expense is recognized as a component of the lease payment for finance leases.

i. **Long-Lived Assets**

The Enterprise reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Enterprise recognizes an impairment charge when the fair value of the asset or group of assets is less than the carrying value.

j. **Goodwill**

Under GASB, Atrium Health 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. Because the combination with Atrium Health Floyd, as described elsewhere in Note 1 and Note 18, was not an acquisition as defined in GASB Statement No. 69, Atrium Health CMHA applied guidance from GASB Statement No. 62.

Under FASB, goodwill has resulted from business combinations and is based on the purchase price in excess of the fair values of assets acquired and liabilities assumed at the acquisition date. Annually, or when indicators of impairment exist, the Enterprise evaluates goodwill for impairment to determine whether there are events or circumstances that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Other assets includes \$118,340 of goodwill as of December 31, 2021.

k. **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, the aggregate change in fair value of swaps that are effective hedges, 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, 2021 is composed of the following:

|   |                   |
|---|-------------------|
| Refunding of debt   | \$ 173,746        |
| Aggregate change in fair value of swaps   | 79,221            |
| Deferred outflows of resources related to Atrium Health Charlotte DB Plan (note 11) | 105,860           |
| Deferred outflows of resources related to Atrium Health Navicent DB Plan (note 11)  | 15,772            |
| Deferred outflows of resources related to Atrium Health Floyd DB Plan (note 11)     | 582               |
| Excess cost of net position acquired  | 21,206            |
|   | <u>\$ 396,387</u> |

Atrium Health CMHA’s deferred inflows of resources consists of the gain related to a 2008 sale-leaseback transaction, which is being amortized over the terms of the related leases, benefit plan differences between expected and actual experience related to demographic factors, benefit plan assumption changes, and the benefit plan difference between expected and actual investment earnings.

|  |                   |
|--|-------------------|
| Sale-leaseback gain  | \$ 8,936          |
| Deferred inflows of resources related to Atrium Health Charlotte DB Plan (note 11) | 199,901           |
| Deferred inflows of resources related to Atrium Health Navicent DB Plan (note 11)  | 66,885            |
| Deferred inflows of resources related to Atrium Health Floyd DB Plan (note 11)     | 1,694             |
|  | <u>\$ 277,416</u> |

**i. *Derivative Instruments***

The Enterprise records all derivative instruments other than interest rate swaps in investments and assets limited as to use on the accompanying combined balance sheets at their respective fair values. The Enterprise records its interest rate swap agreements as part of other long-term assets or liabilities in the accompanying combined balance sheets at fair value. Under GASB, the changes in fair value of derivative instruments that meet the criteria of an effective hedge are deferred on the balance sheet. Under FASB, all changes in fair value are reflected in the combined statements of revenues, expenses and changes in net assets.

**m. *Defined Benefit Plans***

The Enterprise records annual amounts relating to its defined benefit plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, turnover rates, rate of return, and healthcare cost trend rates in accordance with the applicable accounting standards. Management reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in changes in net assets without donor restrictions and amortized to net periodic pension benefit (cost) over future periods using the corridor method. Management believes that the assumptions used in recording its obligations under its defined benefit plans are reasonable based on its experience and market conditions.

The net periodic pension benefit (cost) is recognized as employees render the services necessary to earn the benefits.

**n. *Net Position and Net Assets***

Under GASB, net position is classified as net investment in capital assets, restricted-by donor, and unrestricted. Net investment in capital assets consists of capital assets, 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.

FASB presents net assets and revenues, gains, and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Enterprise and Atrium Health WFB and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

*Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Enterprise and/or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity; generally, the donors of these assets permit the Enterprise to use all or part of the income earned on related investments for general or specific purposes.

FASB presents revenues as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. Contributions which impose restrictions that are met in the same fiscal year they are received are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases, respectively, in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions in the combined statement of revenues, expenses and changes in net assets.

**o. *Classification of Revenues and Expenses***

Except in cases where accounting standards dictate otherwise, exchange transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses; otherwise, they are reported as nonoperating income and losses. For Atrium Health CMHA, nonoperating activities include investment returns (realized and unrealized net gains and losses on investments, interest, and dividends), interest expense on long-term debt, and federal stimulus grants that are considered non-exchange transactions. For Atrium Health WFB and the Enterprise, nonoperating activities include investment returns in excess of the Enterprise's approved endowment distribution, other than designated returns on assets held for self-insurance purposes; net gains and losses on interest rate swaps; losses on extinguishment of debt; changes in valuation of interest rate swap agreements; gains and losses from equity method affiliates; pension and postretirement costs; and other incidental transactions.

The combined statement of revenues, expenses and changes in net assets for Atrium Health WFB and the Enterprise includes excess of revenues and support over expenses and losses. Changes in net assets without donor restrictions that are excluded from excess of revenue and support over expenses and losses, consistent with industry practice, include transfers of assets to and from affiliates for other than goods and services, changes in pension and postretirement plan liabilities, and capital contributions.

**p. Patient Service Revenue**

Under GASB and FASB, patient service revenue is reported at the amount that reflects the consideration to which the Enterprise expects to be entitled for providing patient care. These amounts are due from patients, third-party payers, and others, and includes variable consideration for retroactive revenue adjustments due to settlement audits, reviews and investigations.

Under FASB, revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Enterprise. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Enterprise believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patient services. The Enterprise measures the performance obligation from admission into its care locations to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and the Enterprise does not believe it is required to provide additional services to the patient. Generally, performance obligations satisfied at a point in time relate to outpatient and certain laboratory services.

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

The Enterprise is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. The Enterprise accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payer classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, the Enterprise has concluded

that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

The Enterprise has agreements with third-party payers that provide for payments to the Enterprise at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. For uninsured patients who do not qualify for charity care, the Enterprise recognizes revenue based on established rates, subject to certain discounts and implicit price concessions as determined by the Enterprise. The Enterprise determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payers, discounts provided to uninsured patients in accordance with the Enterprise policies, and implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the Enterprise expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

Generally, patients who are covered by third-party payers are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The Enterprise estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant for the year ended December 31, 2021. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the year ended December 31, 2021 was not material to the combined statement of revenues, expenses and changes in net assets.

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

*Medicare and Medicaid*

Under the Medicare and Medicaid programs, the Enterprise is entitled to reimbursement for certain patient charges at rates determined by federal and state governments. Differences between established billing rates and reimbursements from these programs are recorded as contractual adjustments to arrive at patient service revenue.

Inpatient care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates based on clinical, diagnostic, and other factors. The Enterprise is reimbursed for certain cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports, and audits thereof, by the Medicare administrative contractor. The Enterprise's Medicare cost reports have generally been audited by the Medicare fiscal intermediary through December 31, 2017.

Inpatient reimbursement under the Medicaid program is based on prospectively determined rates based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under various reimbursement methodologies. The Enterprise is reimbursed for outpatient services at tentative rates with final settlement determined after submission of annual cost reports, and audits thereof, by the fiscal intermediary. The Enterprise's Medicaid cost reports have generally been audited by the Medicaid fiscal intermediary through December 31, 2017.

The Enterprise has also entered into contracts with certain Medicare and Medicaid managed care organizations to receive reimbursement for providing services to selected enrolled beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

For North Carolina (NC) operations, the Enterprise receives Medicaid supplemental payments commonly referred to as Disproportionate Share ("DSH") and Upper Payment Limit ("UPL") payments that are intended to offset a portion of the cost incurred for delivering care to Medicaid and Uninsured patients. The Enterprise provides a portion of the state contribution needed to draw down the federal match needed to make these payments. The state share consists of multiple sources including Certified Public Expenditures ("CPE's"), Intergovernmental Transfers ("IGT's"), and state legislated assessment payments. Under the assessment program, the Enterprise reports assessments and receipts within other operating expenses and patient service revenue, respectively, in the accompanying combined statements of revenues, expenses and changes in net assets.

The NC Medicaid program transitioned to Managed Care effective July 1, 2021, resulting in significant changes to hospital reimbursement methodologies. Effective July 1, 2021, the NC's legacy reimbursement program has been terminated and the majority of its historical supplemental payments are now included in the hospital specific base payment rates for both Medicaid Managed Care payers and Medicaid fee for service payments. The Enterprise hospitals will continue to receive Graduate Medical Education (GME) payments and DSH payments discretely paid outside of the newly created base payments. In total, the overall level of Medicaid funding is expected to remain consistent as the new base rates, GME payments and DSH payments, net of the legislated assessments, CPE's, and IGT's should be comparable with historical levels. There are no assurances regarding reimbursements under the NC Medicaid program as the program could be materially modified in the future.

Similar programs exist in Georgia for which assessments and receipts are reported within other operating expenses and patient service revenue, respectively, in the accompanying combined statement of operations and changes in net assets.

For Georgia operations, under the Georgia Indigent Care Trust Fund ("ICTF") Program, the Enterprise receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on estimated uncompensated cost of services to Medicaid and uninsured patients.



**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

The following is a summary of the funds recognized and assessments paid under these programs for the year ended December 31, 2021:

|                        | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|------------------------|-----------------------------------|----------------------------------|---|
| Net funds recognized   | \$ 313,215                        | \$ 129,031                       | \$ 430,355                              |
| Less assessments paid  | <u>(73,665)</u>                   | <u>(47,689)</u>                  | <u>(118,909)</u>                        |
| Net amounts recognized | <u>\$ 239,550</u>                 | <u>\$ 81,342</u>                 | <u>\$ 311,446</u>                       |

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Settlements with third-party payers 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 payer, correspondence from the payer, and the Enterprise'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. The following is a summary of the estimated amounts that retroactive settlement adjustments increased patient service revenue for the year ended December 31, 2021:

|                                   | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|-----------------------------------|-----------------------------------|----------------------------------|---|
| Retroactive settlement adjustment | <u>\$ 20,572</u>                  | <u>\$ 6,337</u>                  | <u>\$ 26,909</u>                        |

Management believes it has complied in all material respects with Medicare and Medicaid laws and regulations. The following is a summary of amounts due to third-party payers related to Medicare and Medicaid at December 31, 2021:

|                                      | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|--------------------------------------|-----------------------------------|----------------------------------|---|
| Amounts due to Medicare and Medicaid | <u>\$ 322,611</u>                 | <u>\$ 60,484</u>                 | <u>\$ 383,095</u>                       |

***Other Arrangements***

Payment arrangements with commercial insurance carriers, health maintenance organization, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

q. **Financial Assistance**

The Enterprise cares for patients who meet certain criteria under its financial assistance policies without charge or at amounts less than its established rates. The Enterprise does not pursue collection of amounts determined to qualify under those policies, and accordingly, such amounts are not recognized as revenue.

r. **Gifts, Grants and Contracts**

Grants for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the Enterprise is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. The Enterprise recognizes revenues on grants for basic research and other sponsored programs as the awards for such programs are expended, since expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor. Revenue from exchange contracts for applied research is recognized as contractual performance obligations are substantially met. Indirect cost recovery on U.S. government grants and contracts is based upon a predetermined negotiated rate and is recorded as gifts, grants and contracts revenue.

s. **Net Student Tuition and Fees**

Student tuition and fees for instruction and other educational services, net of scholarships and fellowships, are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as education services are delivered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Student aid provided by the Enterprise is an implicit price concession reflected as a reduction in student tuition and fee revenue. Student aid does not include payments made to students for services rendered to the Enterprise.

t. **Other Sources of Revenue**

Other sources of revenue for the Enterprise is composed of the following amounts for the year ended December 31, 2021:

|  | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|--|-----------------------------------|----------------------------------|---|
| Reimbursed services provided to affiliates | \$ 77,313                         | \$ —                             | \$ 77,313                               |
| Pharmacy sales                             | 413,672                           | 392,634                          | 806,876                                 |
| Rental and other revenue                   | 266,544                           | 99,868                           | 335,483                                 |
|  | <u>\$ 757,529</u>                 | <u>\$ 492,502</u>                | <u>\$ 1,219,672</u>                     |

**u. Contributions**

Atrium Health CMHA donated funds received to acquire property, plant and equipment are considered donations of capital and are included as a component of capital assets and the net investment in capital assets portion of net position.

For Atrium Health WFB and the Enterprise, contributions, including unconditional promises to give, are recognized in the period the contributions or promise is made. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises expected to be collected in future years are recorded at the present value of expected future cash flows discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**v. Income Taxes**

Atrium Health Inc., Atrium Health Navicent, Atrium Health Floyd, NCBH, WFUHS, and various affiliates are tax exempt organizations as described in Section 501c(3) of the Internal Revenue Code (the Code) and are generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. As a North Carolina hospital authority, Atrium Health CMHA is also exempt from state and federal taxes.

Accordingly, no provision for income taxes is made in the combined financial statements. If applicable, unrelated business income is reported by all member and subsidiary organizations on IRS Form 990 T. Fiscal years ending on or after June 30, 2018 remain subject to examination by federal and state tax authorities.

The Enterprise and its subsidiaries have evaluated uncertain tax positions for the fiscal year ended December 31, 2021, including a quantification of tax risks in areas such as unrelated business income and taxation of its for-profit subsidiaries. This evaluation did not have a material effect on the Enterprise's combined financial statements for the year ended December 31, 2021.

**w. Use of Estimates**

Atrium Health CMHA and Atrium Health WFB prepare its financial statements in accordance with GAAP, which requires management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of land, buildings, and equipment, valuation allowances for receivables, environmental liabilities, fair value of investments and assets whose use is limited, obligations related to employee benefits, third-party payer settlements, and the ultimate cost of asserted and unasserted medical malpractice claims. Actual results could differ from those estimates.

## 2. Liquidity and Availability

As of December 31, 2021, Atrium Health Charlotte had cash and cash equivalents of \$482,857. A portion of the cash and cash equivalents were invested with the North Carolina Capital Management Trust's Government Portfolio, which has a rating of AAAM from S&P Global Ratings and Aaa- from Moody's Investors Service, Inc.

As of December 31, 2021, Atrium Health Navicent had uncollateralized cash and cash equivalents of \$61,028 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, 2021, Atrium Health Floyd had uncollateralized cash and cash equivalents of \$255,713 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.

Financial assets available for general expenditures within one year of the combined balance sheet date comprise the following at December 31, 2021:

|   | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|---|-----------------------------------|----------------------------------|---|
| Cash and cash equivalents                             | \$ 799,598                        | \$ 332,481                       | \$ 1,136,105                            |
| Patient receivables                                   | 1,291,751                         | 357,037                          | 1,648,788                               |
| Current accounts, grants and notes<br>receivable, net | 141,561                           | 148,390                          | 307,741                                 |
| Investments available to be liquidated                | <u>8,053,059</u>                  | <u>1,766,560</u>                 | <u>9,829,421</u>                        |
| Financial assets available within<br>one year         | <u>\$ 10,285,969</u>              | <u>\$ 2,604,468</u>              | <u>\$ 12,922,055</u>                    |

To help manage unanticipated liquidity needs, Atrium Health WFB has committed lines of credit with a total borrowing capacity of \$300,000 at December 31, 2021, which it could draw upon. Additionally, the Enterprise has board-designated endowment funds of \$539,010 at December 31, 2021. Although the Enterprise does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation, amounts from its board-designated endowment funds could be made available if necessary.

The asset allocation of the Enterprise's investment portfolio is broadly diversified and is designed to maximize the probability of achieving the Enterprise's long-term investment objectives at an appropriate level of risk, while maintaining a level of liquidity to meet the needs of ongoing portfolio management. The nature of certain investments restricts the liquidity and availability of these investments to be available for the general expenditures of the Enterprise within one year of the combined balance sheet date. These investments have been excluded from the amounts above.

**3. Accounts, Grants and Notes Receivable**

Net accounts, grants and notes receivable consist of the following at December 31, 2021:

|   | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|---|-----------------------------------|----------------------------------|---|
| Accounts receivable                                 | \$ 127,644                        | \$ 62,315                        | \$ 117,492                              |
| Grants receivable                                   | 18,389                            | 63,841                           | 82,230                                  |
| Notes receivable                                    | 9,741                             | 15,583                           | 25,324                                  |
| Contributions receivable                            | —                                 | 74,338                           | 169,474                                 |
| Accounts, grants and notes<br>receivable, net       | 155,774                           | 216,077                          | 394,520                                 |
| Less current portion                                | (141,561)                         | (148,390)                        | (307,741)                               |
| Accounts, grants and notes<br>receivable, long-term | <u>\$ 14,213</u>                  | <u>\$ 67,687</u>                 | <u>\$ 86,779</u>                        |

Accounts, grants and notes receivable, long term is included in other assets in the combined balance sheet.

The following table is an analysis of the maturities of contributions receivable at December 31, 2021:

|                                 | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|---------------------------------|----------------------------------|---|
| One year or less                | \$ 18,487                        | \$ 52,204                               |
| One to five years               | 55,947                           | 93,407                                  |
| More than five years            | 2,166                            | 46,766                                  |
| Contributions receivable, gross | 76,600                           | 192,377                                 |
| Estimated uncollectible amounts | (1,962)                          | (4,135)                                 |
| Discount to present value       | (300)                            | (18,768)                                |
| Contributions receivable, net   | <u>\$ 74,338</u>                 | <u>\$ 169,474</u>                       |

Contributions receivable are discounted at a rate commensurate with the scheduled timing of receipt. Such amounts outstanding as of December 31, 2021 were discounted at rates ranging from 1.71% to 2.22% for Atrium Health WFB and 3% to 7% for Atrium Health Foundation.

**4. Investments and Assets Limited as to Use**
***Atrium Health CMHA:***

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 trusteed 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 (loss) in the accompanying statement of revenues, expenses and changes in net position.

Atrium Health CMHA operates a regional integrated healthcare system, which has significant capital needs arising from both changes in medical technology and a growing demand for healthcare services. At December 31, 2021, the fair value of investments designated for capital improvements of \$7,496,033 is substantially less than the historical cost of property, plant and equipment of \$9,424,658.

Atrium Health CMHA's Short term investments and 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, 2021, and organized by investment type to provide an indication of the level of investment and deposit risks assumed, are as follows:

|  | Ratings by nationally recognized agency | Effective duration in years | Charlotte designated for capital improvements | Charlotte other assets limited as to use | Navicent designated for capital improvements | Navicent other assets limited as to use | Floyd all investments |
|--|---|-----------------------------|---|--|--|---|-----------------------|
| Short term investments                         |   |                             | \$ 144,341                                    | \$ 562,725                               | \$ 38,853                                    | \$ 1,620                                | \$ 41,177             |
| Fixed income:                                  |   |                             |   |  |  |   |                       |
| U.S. government treasuries and agencies        | AAA                                     | 3.96                        | 18,406  | 268                                      | 2,013  | -                                       | 21,763                |
|  | AA                                      | 11.68                       | 166,347                                       | 6,292                                    | 18,203                                       | -                                       | -                     |
| Mortgage pass-throughs                         | AAA                                     | 2.61                        | 10,710  | 313                                      | 1,172  | -                                       | 12,923                |
|  | AA                                      | 3.18                        | 179,859                                       | 5,345                                    | 19,681                                       | -                                       | -                     |
|  | A                                       | 2.66                        | 5,743   | 213                                      | 628  | -                                       | -                     |
|  | BBB                                     | 2.49                        | 1,309   | 95                                       | 143  | -                                       | -                     |
| Collateralized mortgage obligations            | AAA                                     | 3.56                        | 1,708   | -  | 187  | -                                       | 323                   |
|  | AA                                      | 2.17                        | 1,527   | -  | 167  | -                                       | -                     |
| Corporate bonds                                | AAA                                     | 2.43                        | 5,034   | 83                                       | 551  | -                                       | -                     |
|  | AA                                      | 2.94                        | 13,980  | 728                                      | 1,530  | -                                       | 1,290                 |
|  | A                                       | 4.31                        | 88,154  | 2,830                                    | 9,646  | 58,078                                  | 4,456                 |
|  | BBB                                     | 4.47                        | 92,591  | 3,011                                    | 10,132                                       | -                                       | 10,383                |
|  | BB                                      | 3.29                        | 801   | 61                                       | 88   | -                                       | -                     |
| Municipal bonds                                | AAA                                     | 2.21                        | 8,598   | 465                                      | 941  | -                                       | -                     |
|  | AA                                      | 2.63                        | 14,528  | 165                                      | 1,590  | -                                       | -                     |
|  | A                                       | 2.50                        | 1,543   | 71                                       | 169  | -                                       | -                     |
| Asset-backed securities                        | AAA                                     | 2.22                        | 15,178  | 99                                       | 1,661  | -                                       | 235                   |
|  | AA                                      | 1.79                        | 21,566  | 848                                      | 2,360  | -                                       | 447                   |
|  | A                                       | 3.30                        | 1,216   | -  | 133  | -                                       | -                     |
| Fixed income - funds                           | N/A                                     | 1.93                        | 1,078,819                                     | 30,688                                   | 118,050                                      | -                                       | 41,900                |
| Long/short fixed income                        | N/A                                     | N/A                         | 469,326                                       | -  | 51,356                                       | 4,523                                   | -                     |
| Total fixed income (weighted-average duration) |   | 3.52                        | 2,196,943                                     | 51,575                                   | 240,401                                      | 62,601                                  | 93,720                |
| Domestic equities                              |   |                             | 1,599,222                                     | 50,740                                   | 174,995                                      | 19,763                                  | -                     |
| International equities                         |   |                             | 988,575                                       | 30,675                                   | 108,175                                      | 32,139                                  | -                     |
| Global equities                                |   |                             | 1,079,062                                     | 23,512                                   | 118,076                                      | -                                       | -                     |
| Total equity                                   |   |                             | 3,666,859                                     | 104,927                                  | 401,246                                      | 51,902                                  | -                     |
| Global asset allocation funds                  |   |                             | 333,541                                       | 7,924                                    | 36,498                                       | -                                       | -                     |
| Real assets funds                              |   |                             | 278,105                                       | 9,621                                    | 30,432                                       | 156                                     | -                     |
| Multi-strategy hedge funds                     |   |                             | -   | 2,480                                    | 508  | -                                       | -                     |
| Private equity funds                           |   |                             | 8,436   | 50,492                                   | 24,494                                       | -                                       | 560                   |
| Total reported value                           |   |                             | \$ 6,628,225                                  | \$ 789,744                               | \$ 772,432                                   | \$ 116,279                              | \$ 135,457            |

The investments designated for capital improvements of \$7,496,033 includes \$772,432 of Atrium Health Navicent funds, and \$95,376 of Atrium Health Floyd funds. Of the Atrium Health Navicent funds, \$725,222 are invested alongside Atrium Health Charlotte funds under the terms of an Investment Coordination Agreement (ICA) between Atrium Health Charlotte and Atrium Health Navicent, under which Atrium Health Navicent retains beneficial ownership of its funds. Atrium Health Navicent funds invested under the ICA represent approximately 9.80% of the combined portfolio of \$7,400,657. Atrium Health Navicent's funds also include \$47,209 of investments separately held by Atrium Health Navicent.

**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, 2021, 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, 2021, 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 CMHA'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, 2021, 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 long/short fixed income), 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, 2021, no investment in any one corporation or single issuer exceeded allowable thresholds.

**Atrium Health CMHA, Atrium Health WFB and Atrium Health Enterprise:**

Short term investments, assets limited as to use – investments and investments and assets limited as to use consist of the following at December 31, 2021:

|   | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|---|-----------------------------------|----------------------------------|---|
| Short-term investments <sup>(a)</sup>   | \$ 788,714                        | \$ 144,426                       | \$ 951,520                              |
| Absolute return <sup>(b)</sup>  | 898,646                           | 885,019                          | 1,832,172                               |
| Commodities <sup>(c)</sup>  | 318,313                           | 17,935                           | 352,121                                 |
| Fixed income <sup>(d)</sup>   | 2,124,557                         | 500,790                          | 2,687,485                               |
| Private equity <sup>(e)</sup>   | 83,422                            | 519                              | 108,147                                 |
| Public equity <sup>(f)</sup>  | 4,224,935                         | 554,285                          | 5,000,027                               |
| Real estate <sup>(g)</sup>  | —                                 | 10,747                           | 10,747                                  |
| Pooled investments held at WFU <sup>(h)</sup>                                       | —                                 | 2,162                            | 2,162                                   |
| Beneficial interest in perpetual trusts and<br>assets held by others <sup>(i)</sup> | —                                 | 23,242                           | 23,242                                  |
| Investments in equity-method affiliates <sup>(j)</sup>                              | 93,385                            | 87,055                           | 180,440                                 |
| Other <sup>(k)</sup>  | 3,550                             | 222,082                          | 225,630                                 |
|   | <u>\$ 8,535,522</u>               | <u>\$ 2,448,262</u>              | <u>\$ 11,373,693</u>                    |
| Total investments and assets<br>limited as to use                                   |                                   |                                  |   |

(a) **Short -term investments** – includes temporary cash investment accounts and restricted cash, including bond proceeds held by trustee and collateral on interest rate swaps.

(b) **Absolute return** – includes investments in hedge funds and hedge fund -of -funds that invest both long and short on a global basis primarily in a wide range of securities and other instruments, including equity securities (common stocks), credit securities (both investment grade and non-investment grade), commodities, private equity, currencies, futures contracts, options, and other derivative instruments. This class also includes absolute return mutual funds and exchange traded funds. The investment objective of this asset class is to produce attractive long -term risk -adjusted returns with low correlation to traditional asset classes.



- (c) **Commodities** – includes investments in hedge funds and hedge fund -of -funds that invest in a wide range of commodities, securities, and financial instruments with a focus on commodities markets. This class also includes commodity (i.e., precious metals, industrial materials and energy) mutual funds and exchange traded funds. The investment objective of this class is to produce attractive long -term risk -adjusted returns in excess of traditional commodity index exposure.
- (d) **Fixed income** – includes corporate bonds, mortgage-backed securities, asset-backed securities, mutual funds, exchange traded funds, and other fixed income securities. This class also includes investments in hedge funds and hedge fund-of-funds that invest in fixed income securities.
- (e) **Private equity** – includes various illiquid venture capital investments.
- (f) **Public equity** – includes investments primarily in U.S. and non -U.S. (including emerging markets) common stocks, mutual funds, and exchange traded funds. This class also includes investments in hedge funds and hedge fund -of -funds that invest on both a long and short basis in global equity markets. The investment objective for this class is capital appreciation over the long term.
- (g) **Real estate** – includes real estate mutual funds and exchange traded funds.
- (h) **Pooled investments held at WFU** – includes primarily alternative investment vehicles and other investment interests.
- (i) **Beneficial interest in perpetual trusts and assets held by others** – includes trusts and certain other assets held and administered by others for which the Enterprise has an unconditional right to receive all or a portion of the specified cash flows.
- (j) **Investments in equity-method affiliates** – includes various equity-method affiliates (generally, companies in which the Enterprise has an equity-method interest ranging from 20% to 50%).
- (k) **Other** – includes primarily funds held under retirement and benefit plans and other miscellaneous investments.

The Enterprise had unfunded purchase commitments of \$16,421 at December 31, 2021.

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

The following is a summary of redemption frequency for the Enterprise's investments at December 31, 2021:

| Category   | Redemption<br>frequency (in<br>days), if<br>currently<br>eligible | Redemption<br>notice period<br>(in days) |
|--|---|--|
| Short-term investments   | 1 to 7  | 1  |
| Absolute return  | daily to >365   | 1 to 90                                  |
| Commodities  | daily   | 1 to 2                                   |
| Fixed income   | daily   | 1 to 2                                   |
| Private equity   | N/A   | N/A                                      |
| Public equity  | daily   | 1 to 2                                   |
| Real estate  | daily to >365   | 1 to 2                                   |
| Pooled investments held at WFU                                       | N/A   | N/A                                      |
| Beneficial interest in perpetual trusts and assets<br>held by others | N/A   | N/A                                      |
| Investments in equity-method affiliates                              | N/A   | N/A                                      |
| Other  | N/A   | N/A                                      |

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2021

Dollars in thousands.

Designations of investments and assets whose use is limited consist of the following at December 31, 2021 for Atrium Health WFB and the Enterprise, respectively:

|  | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Atrium Health<br/>WFB Total</u>        |
|--|---------------------------------------|------------------------------------|---|
| Endowment funds  | \$ 539,010                            | \$ 248,528                         | \$ 787,538                                |
| Funds designated for capital improvements                          | 1,005,602                             | —                                  | 1,005,602                                 |
| Funds designated for settlement of professional liability costs    | 3,949                                 | —                                  | 3,949                                     |
| Collateral for derivative agreements                               | 3,630                                 | —                                  | 3,630                                     |
| Beneficial interests in perpetual trusts and assets held by others | —                                     | 23,242                             | 23,242                                    |
| Funds held under retirement and benefit plans                      | 122,068                               | —                                  | 122,068                                   |
| Designated for restricted purposes                                 | <u>4,110</u>                          | <u>50,959</u>                      | <u>55,069</u>                             |
| Assets whose use is limited  | <u>\$ 1,678,369</u>                   | <u>\$ 322,729</u>                  | 2,001,098                                 |
| Other unrestricted investments                                     |                                       |                                    | 360,109                                   |
| Investments in equity-method affiliates                            |                                       |                                    | <u>87,055</u>                             |
| Investments and assets whose use is limited                        |                                       |                                    | <u>\$ 2,448,262</u>                       |
|  | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Atrium Health<br/>Enterprise Total</u> |
| Endowment funds  | \$ 539,010                            | \$ 248,528                         | \$ 787,538                                |
| Funds designated for capital improvements                          | 8,541,714                             | —                                  | 8,541,714                                 |
| Funds designated for settlement of professional liability costs    | 248,296                               | —                                  | 248,296                                   |
| Collateral for derivative agreements                               | 3,630                                 | —                                  | 3,630                                     |
| Beneficial interests in perpetual trusts and assets held by others | —                                     | 23,242                             | 23,242                                    |
| Funds held under retirement and benefit plans                      | 148,532                               | —                                  | 148,532                                   |
| Designated for restricted purposes                                 | <u>615,232</u>                        | <u>464,960</u>                     | <u>1,080,192</u>                          |
| Assets whose use is limited  | <u>\$ 10,096,414</u>                  | <u>\$ 736,730</u>                  | 10,833,144                                |
| Other unrestricted investments                                     |                                       |                                    | 360,109                                   |
| Investments in equity-method affiliates                            |                                       |                                    | <u>180,440</u>                            |
| Investments and assets whose use is limited                        |                                       |                                    | <u>\$ 11,373,693</u>                      |

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.***Investment Return**

Total investment return included in net position for Atrium Health CMHA and change in change in net assets without donor restrictions for Atrium Health WFB and the Enterprise in the accompanying combined statement of revenues, expenses and changes in net position and net assets comprises the following for the year ended December 31, 2021:

|                                   | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|-----------------------------------|-----------------------------------|----------------------------------|---|
| Interest and dividend income, net | \$ 96,180                         | \$ (5,454)                       | \$ 91,970                               |
| Net realized gains                | 356,568                           | 80,309                           | 436,330                                 |
| Net unrealized gains              | 304,860                           | 94,800                           | 400,495                                 |
| Total investment return           | <u>\$ 757,608</u>                 | <u>\$ 169,655</u>                | <u>\$ 928,795</u>                       |

Total investment return is reflected in the accompanying combined statement of revenues, expenses and changes in net position and net assets as follows at December 31, 2021:

|   | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|---|-----------------------------------|----------------------------------|---|
| Operating:  |                                   |                                  |   |
| Investment return designated for current operations                                 | \$ —                              | \$ 32,523                        | \$ 32,523                               |
| Nonoperating:   |                                   |                                  |   |
| Net investment gains  | <u>757,608</u>                    | <u>169,655</u>                   | <u>928,795</u>                          |
| Total investment return included in change in net assets without donor restrictions | <u>757,608</u>                    | <u>202,178</u>                   | <u>961,318</u>                          |
| With donor restrictions:  |                                   |                                  |   |
| Investment return in excess of amounts designated for current operations            | —                                 | 8,532                            | 8,532                                   |
| Net investment gains (losses)   | <u>—</u>                          | <u>32,109</u>                    | <u>79,256</u>                           |
| Total investment return included in change in net assets with donor restrictions    | <u>—</u>                          | <u>40,641</u>                    | <u>87,788</u>                           |
| Total investment return   | <u>\$ 757,608</u>                 | <u>\$ 242,819</u>                | <u>\$ 1,049,106</u>                     |

## **5. Fair Value of Financial Instruments**

Under GAAP, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also prioritizes, for the measurement of fair value, the use of market-based information over entity specific information and establishes a three level hierarchy for fair value based on the transparency of inputs used in the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Financial instruments measured and reported at fair value are classified and disclosed within one of the following categories:

*Level 1* – valuations for financial instruments traded in active exchange markets as of the reporting date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

*Level 2* – valuations for financial instruments as determined through direct or indirect observations other than quoted market prices.

*Level 3* – valuations for financial instruments that are derived from other valuation methodologies including discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. These valuation methodologies are based on unobservable inputs in situations where there is little or no market activity for the asset or liability. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

*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 combined balance sheets.

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, the Enterprise utilizes the investment manager of the asset to provide a valuation estimate based on disclosed techniques and processes, which have been reviewed by the Enterprise management for propriety and consistency with consideration given to type and investment strategy.

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2021

Dollars in thousands.

The following tables summarize the valuation of the Atrium Health CMHA, Atrium Health WFB, and the Enterprise's financial instruments recorded at fair value within the fair value hierarchy levels as of December 31, 2021, respectively:

|  | Atrium Health CMHA      |                   |             | Investments<br>Reported at NAV <sub>1</sub> | Total               |
|--|-------------------------|-------------------|-------------|---|---------------------|
|  | Fair Value Measurements |                   |             |   |                     |
|  | Level 1                 | Level 2           | Level 3     |   |                     |
| Investments and assets whose use is limited at fair value: |                         |                   |             |   |                     |
| Short-term investments                                     | \$ 788,714              | \$ —              | \$ —        | \$ —  | \$ 788,714          |
| Absolute return  | —                       | —                 | —           | 898,646                                     | 898,646             |
| Commodities  | 318,313                 | —                 | —           | —   | 318,313             |
| Fixed income   | 911,385                 | 850,577           | —           | 362,595                                     | 2,124,557           |
| Private equity   | —                       | —                 | —           | 83,422                                      | 83,422              |
| Public equity  | 3,470,973               | —                 | —           | 753,962                                     | 4,224,935           |
| Other  | —                       | —                 | —           | 3,550                                       | 3,550               |
| Investments and assets whose use is limited at fair value  | <u>\$ 5,489,385</u>     | <u>\$ 850,577</u> | <u>\$ —</u> | <u>\$ 2,102,175</u>                         | <u>\$ 8,442,137</u> |
| Equity method affiliates                                   |                         |                   |             |   | 93,385              |
| Total investments and assets whose use is limited          |                         |                   |             |   | <u>\$ 8,535,522</u> |
| Other liabilities at fair value:                           |                         |                   |             |   |                     |
| Interest rate swaps  | —                       | 263,120           | —           | —   | 263,120             |
| Total other liabilities at fair value                      | <u>\$ —</u>             | <u>\$ 263,120</u> | <u>\$ —</u> | <u>\$ —</u>                                 | <u>\$ 263,120</u>   |

1) Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2021.

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

|   | Atrium Health WFB       |                   |                  |   |                     |
|---|-------------------------|-------------------|------------------|---|---------------------|
|   | Fair Value Measurements |                   |                  | Investments<br>Reported at NAV <sub>1</sub> | Total               |
|   | Level 1                 | Level 2           | Level 3          |   |                     |
| Investments and assets whose use is limited at fair value:        |                         |                   |                  |   |                     |
| Short-term investments  | \$ 121,159              | \$ 23,267         | \$ —             | \$ —  | \$ 144,426          |
| Absolute return   | 4,552                   | —                 | —                | 880,467                                     | 885,019             |
| Commodities   | 17,935                  | —                 | —                | —   | 17,935              |
| Fixed income  | 216,475                 | 284,315           | —                | —   | 500,790             |
| Private equity  | —                       | —                 | 519              | —   | 519                 |
| Public equity   | 321,320                 | 232,965           | —                | —   | 554,285             |
| Real estate   | 10,717                  | —                 | 30               | —   | 10,747              |
| Pooled investments held at WFU                                    | —                       | —                 | 2,162            | —   | 2,162               |
| Beneficial interest in perpetual trusts and assets held by others | —                       | —                 | 23,242           | —   | 23,242              |
| Other   | 94,333                  | 127,749           | —                | —   | 222,082             |
|   | <u>\$ 786,491</u>       | <u>\$ 668,296</u> | <u>\$ 25,953</u> | <u>\$ 880,467</u>                           | <u>\$ 2,361,207</u> |
| Investments and assets whose use is limited at fair value         |                         |                   |                  |   |                     |
| Equity method affiliates  |                         |                   |                  |   | 87,055              |
| Total investments and assets whose use is limited                 |                         |                   |                  |   | <u>\$ 2,448,262</u> |
| Other liabilities at fair value:                                  |                         |                   |                  |   |                     |
| Employee benefits - nonrecurring                                  | \$ —                    | \$ 122,068        | \$ —             | \$ —  | \$ 122,068          |
| Interest rate swaps   | —                       | 3,525             | —                | —   | 3,525               |
| Annuities payable - nonrecurring                                  | —                       | 3,804             | —                | —   | 3,804               |
| Total other liabilities at fair value                             | <u>\$ —</u>             | <u>\$ 129,397</u> | <u>\$ —</u>      | <u>\$ —</u>                                 | <u>\$ 129,397</u>   |

1) Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2021.

|   | Atrium Health Enterprise |                     |                  |   |                      |
|---|--------------------------|---------------------|------------------|---|----------------------|
|   | Fair Value Measurements  |                     |                  | Investments<br>Reported at NAV <sub>1</sub> | Total                |
|   | Level 1                  | Level 2             | Level 3          |   |                      |
| Investments and assets whose use is limited at fair value:        |                          |                     |                  |   |                      |
| Short-term investments  | \$ 928,253               | \$ 23,267           | \$ —             | \$ —  | \$ 951,520           |
| Absolute return   | 4,552                    | —                   | —                | 1,827,620                                   | 1,832,172            |
| Commodities   | 352,121                  | —                   | —                | —   | 352,121              |
| Fixed income  | 1,147,849                | 1,159,283           | —                | 380,353                                     | 2,687,485            |
| Private equity  | —                        | —                   | 519              | 107,628                                     | 108,147              |
| Public equity   | 3,975,379                | 232,965             | —                | 791,683                                     | 5,000,027            |
| Real estate   | 10,717                   | —                   | 30               | —   | 10,747               |
| Pooled investments held at WFU                                    | —                        | —                   | 2,162            | —   | 2,162                |
| Beneficial interest in perpetual trusts and assets held by others | —                        | —                   | 23,242           | —   | 23,242               |
| Other   | 94,333                   | 127,749             | —                | 3,548                                       | 225,630              |
|   | <u>\$ 6,513,204</u>      | <u>\$ 1,543,264</u> | <u>\$ 25,953</u> | <u>\$ 3,110,832</u>                         | <u>\$ 11,193,253</u> |
| Investments and assets whose use is limited at fair value         |                          |                     |                  |   |                      |
| Equity method affiliates  |                          |                     |                  |   | 180,440              |
| Total investments and assets whose use is limited                 |                          |                     |                  |   | <u>\$ 11,373,693</u> |
| Other liabilities at fair value:                                  |                          |                     |                  |   |                      |
| Employee benefits - nonrecurring                                  | \$ —                     | \$ 122,068          | \$ —             | \$ —  | \$ 122,068           |
| Interest rate swaps   | —                        | 266,645             | —                | —   | 266,645              |
| Annuities payable - nonrecurring                                  | —                        | 3,804               | —                | —   | 3,804                |
| Total other liabilities at fair value                             | <u>\$ —</u>              | <u>\$ 392,517</u>   | <u>\$ —</u>      | <u>\$ —</u>                                 | <u>\$ 392,517</u>    |

1) Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2021.

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2021

Dollars in thousands.

The fair values of the Enterprise's interest rate swaps (see note 10) 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 \$266,645 at December 31, 2021.

The following tables present the activity for Level 3 investments and assets whose use is limited held at Atrium Health WFB and the Enterprise for the year ended December 31, 2021:

|   | Beginning balance | Realized and unrealized gains (losses) | Purchases   | Sales           | Transfers into and (out) of Level 3 | Ending balance   |
|---|-------------------|--|-------------|-----------------|-------------------------------------|------------------|
| Level 3 investments:  |                   |  |             |                 |                                     |                  |
| Private equity  | \$ 538            | \$ (2)                                 | \$ —        | \$ (17)         | \$ —                                | \$ 519           |
| Real estate   | 33                | (3)                                    | —           | —               | —                                   | 30               |
| Pooled investments held at WFU                                    | 2,023             | 139                                    | —           | —               | —                                   | 2,162            |
| Beneficial interest in perpetual trusts and assets held by others | 23,474            | (112)                                  | —           | (120)           | —                                   | 23,242           |
| Total Level 3 investments   | <u>\$ 26,068</u>  | <u>\$ 22</u>                           | <u>\$ —</u> | <u>\$ (137)</u> | <u>\$ —</u>                         | <u>\$ 25,953</u> |

Transfers into and out of Level 3 are typically the result of a change in observation of significant valuation inputs required by various models.

The Atrium Health Foundation's investments at December 31, 2021 are as follows:

|                            | Atrium Health Foundation |                  |             |  |                   |
|----------------------------|--------------------------|------------------|-------------|--|-------------------|
|                            | Fair Value Measurements  |                  |             | Investments Reported at NAV <sub>1</sub> | Total             |
|                            | Level 1                  | Level 2          | Level 3     |  |                   |
| Investments at fair value: |                          |                  |             |  |                   |
| Short-term investments     | \$ 18,380                | \$ —             | \$ —        | \$ —                                     | \$ 18,380         |
| Absolute return            | —                        | —                | —           | 48,506                                   | 48,506            |
| Commodities                | 15,873                   | —                | —           | —  | 15,873            |
| Fixed income               | 19,989                   | 24,392           | —           | 17,758                                   | 62,139            |
| Private equity             | —                        | —                | —           | 24,206                                   | 24,206            |
| Public equity              | 183,086                  | —                | —           | 37,721                                   | 220,807           |
| Investments at fair value  | <u>\$ 237,328</u>        | <u>\$ 24,392</u> | <u>\$ —</u> | <u>\$ 128,191</u>                        | <u>\$ 389,911</u> |

1) Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2021.

## 6. Endowment

Atrium Health WFB's pooled endowment funds consist of approximately 717 individual funds established for a variety of purposes, but primarily to support its academic activities, including both donor-restricted endowment funds and funds designated by the WFBUMC Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Gift annuities, beneficial interest in perpetual



trusts, assets held by others and contributions receivable are not considered components of the endowment.

The Board of Directors has implemented a spending policy for Atrium Health WFB designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with the policy, a predetermined endowment spending rate consistent with Atrium Health WFB's total return objective has been established and approved by the Board of Directors. Should endowment yields prove to be insufficient to support this policy, the balance is provided from capital gains. Should endowment yields exceed the amounts necessary to maintain this objective, the balance is reinvested in the endowment. The endowment spending rate for the year ended December 31, 2021 was approximately 5.3%, calculated as a percentage of the average of the previous three-year semi-annual moving market value on a per unit basis.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing Atrium Health WFB to appropriate for expenditure or accumulate so much of an endowment fund as Atrium Health WFB determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

As a result of this interpretation, Atrium Health WFB's policy is to report as net assets with donor restrictions (i) the original value of gifts donated to the permanent endowment, (ii) the original value of subsequent gifts to the permanent endowment, and (iii) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, Atrium Health WFB considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (a) The duration and preservation of the fund.
- (b) The purpose of the donor-restricted endowment fund.
- (c) General economic conditions.
- (d) The possible effect of inflation and deflation.
- (e) The expected total return from income and the appreciation of investments.
- (f) Other resources of Atrium Health WFB's Investment Committee.
- (g) The investment policies of Atrium Health WFB's Investment Committee.

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2021

Dollars in thousands.

Atrium Health WFB and the Enterprise's endowment net assets consist of the following at December 31, 2021, respectively:

|                                   | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Atrium Health<br/>WFB Total</u> |
|-----------------------------------|---------------------------------------|------------------------------------|------------------------------------|
| Board-designated endowment funds  | \$ 539,010                            | \$ —                               | \$ 539,010                         |
| Donor-restricted endowment funds: |                                       |                                    |                                    |
| Underwater funds                  | —                                     | (368)                              | (368)                              |
| Other funds:                      |                                       |                                    |                                    |
| Historical value                  | —                                     | 177,515                            | 177,515                            |
| Appreciation                      | —                                     | 71,381                             | 71,381                             |
| Total pooled endowment funds      | <u>539,010</u>                        | <u>248,528</u>                     | <u>787,538</u>                     |
| Other non-pooled endowment funds  | <u>46</u>                             | <u>38,524</u>                      | <u>38,570</u>                      |
| Endowment net assets              | <u>\$ 539,056</u>                     | <u>\$ 287,052</u>                  | <u>\$ 826,108</u>                  |

|                                   | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Atrium Health<br/>Enterprise Total</u> |
|-----------------------------------|---------------------------------------|------------------------------------|---|
| Board-designated endowment funds  | \$ 539,010                            | \$ —                               | \$ 539,010                                |
| Donor-restricted endowment funds: |                                       |                                    |   |
| Underwater funds                  | —                                     | (368)                              | (368)                                     |
| Other funds:                      |                                       |                                    |   |
| Historical value                  | —                                     | 177,515                            | 177,515                                   |
| Appreciation                      | —                                     | 71,381                             | 71,381                                    |
| Total pooled endowment funds      | <u>539,010</u>                        | <u>248,528</u>                     | <u>787,538</u>                            |
| Other non-pooled endowment funds  | <u>46</u>                             | <u>101,461</u>                     | <u>101,507</u>                            |
| Endowment net assets              | <u>\$ 539,056</u>                     | <u>\$ 349,989</u>                  | <u>\$ 889,045</u>                         |

Changes in Atrium Health WFB and the Enterprise's endowment net assets for the year ended December 31, 2021 are as follows, respectively:

|   | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Atrium Health<br/>WFB Total</u> |
|---|---------------------------------------|------------------------------------|------------------------------------|
| Endowment net assets,<br>beginning of year                  | \$ 320,657                            | \$ 247,211                         | \$ 567,868                         |
| Investment return:  |                                       |                                    |                                    |
| Investment income   | 4,372                                 | 2,101                              | 6,473                              |
| Net appreciation  | <u>78,556</u>                         | <u>37,975</u>                      | <u>116,531</u>                     |
| Total investment return                                     | 82,928                                | 40,076                             | 123,004                            |
| Contributions   | —                                     | 8,797                              | 8,797                              |
| Appropriation for expenditure                               | (19,279)                              | (9,032)                            | (28,311)                           |
| Transfers to create new<br>board-designated endowment funds | <u>154,750</u>                        | <u>—</u>                           | <u>154,750</u>                     |
| Endowment net assets, end of year                           | <u>\$ 539,056</u>                     | <u>\$ 287,052</u>                  | <u>\$ 826,108</u>                  |

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

|   | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Atrium Health<br/>Enterprise Total</u> |
|---|---------------------------------------|------------------------------------|---|
| Endowment net assets,<br>beginning of year                  | \$ 320,657                            | \$ 301,824                         | \$ 622,481                                |
| Investment return:  |                                       |                                    |   |
| Investment income   | 4,372                                 | 2,545                              | 6,917                                     |
| Net appreciation  | <u>78,556</u>                         | <u>45,803</u>                      | <u>124,359</u>                            |
| Total investment return                                     | 82,928                                | 48,348                             | 131,276                                   |
| Contributions   | —                                     | 9,847                              | 9,847                                     |
| Appropriation for expenditure                               | (19,279)                              | (10,030)                           | (29,309)                                  |
| Transfers to create new<br>board-designated endowment funds | <u>154,750</u>                        | <u>—</u>                           | <u>154,750</u>                            |
| Endowment net assets, end of year                           | <u>\$ 539,056</u>                     | <u>\$ 349,989</u>                  | <u>\$ 889,045</u>                         |

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the original gifts. Deficiencies of this nature existed in four donor-restricted endowment funds at December 31, 2021. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the WFBUMC Board of Directors. The amount by which the funds were underwater was calculated as follows at December 31, 2021:

|                                | <u>Atrium<br/>Health<br/>WFB</u> | <u>Atrium<br/>Health<br/>Enterprise</u> |
|--------------------------------|----------------------------------|---|
| Aggregate original gift amount | \$ 3,802                         | \$ 3,802                                |
| Aggregate fair value           | <u>3,434</u>                     | <u>3,434</u>                            |
| Aggregate deficiency           | <u>\$ (368)</u>                  | <u>\$ (368)</u>                         |

Atrium Health WFB builds allowable underwater spending into its endowment fund agreements, which is agreed upon and signed by any donor. The applicable distribution may be taken from an endowment fund irrespective of whether the fund's balance is above the total amount of gifts for the fund and any required accumulation from earnings, so long as prudence measures continue to be met. Absent this language, the Enterprise's process is to apply as stated or follow the terms of a fund agreement if different terms are specified. The WFBUMC Board appropriated for expenditure \$162, from endowment funds underwater during the year ended December 31, 2021 following its normal procedure of a 5.3% distribution rate based on a three-year semi-annual moving average.

In addition to the endowment funds detailed above, Atrium Health WFB has other donor-restricted endowment funds of \$4,651 at December 31, 2021.

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*
**7. Property and Equipment**

Property and equipment for Atrium Health CMHA is summarized as follows for the year ended December 31, 2021:

|                                    | <u>Beginning<br/>balance</u> | <u>Additions</u>  | <u>Transfers</u>  | <u>Retirements</u> | <u>Ending<br/>balance</u> |
|------------------------------------|------------------------------|-------------------|-------------------|--------------------|---------------------------|
| Depreciable capital assets:        |                              |                   |                   |                    |                           |
| Land improvements                  | \$ 132,663                   | \$ 9              | \$ (1,652)        | \$ (114)           | \$ 130,906                |
| Buildings                          | 4,621,162                    | 11,687            | 392,113           | (10,104)           | 5,014,858                 |
| Equipment                          | <u>3,080,014</u>             | <u>43,448</u>     | <u>62,046</u>     | <u>(219,563)</u>   | <u>2,965,945</u>          |
| Depreciable capital assets – gross | 7,833,839                    | 55,144            | 452,507           | (229,781)          | 8,111,709                 |
| Accumulated depreciation           | <u>(4,577,176)</u>           | <u>(388,320)</u>  | <u>—</u>          | <u>225,670</u>     | <u>(4,739,826)</u>        |
| Depreciable capital assets – net   | 3,256,663                    | (333,176)         | 452,507           | (4,111)            | 3,371,883                 |
| Nondepreciable capital assets:     |                              |                   |                   |                    |                           |
| Land                               | 327,763                      | —                 | 714               | —                  | 328,477                   |
| Construction in progress           | <u>703,488</u>               | <u>740,498</u>    | <u>(459,514)</u>  | <u>—</u>           | <u>984,472</u>            |
| Net capital assets                 | <u>\$ 4,287,914</u>          | <u>\$ 407,322</u> | <u>\$ (6,293)</u> | <u>\$ (4,111)</u>  | <u>\$ 4,684,832</u>       |

Depreciation expense for Atrium Health CMHA was \$388,396 for the year ended December 31, 2021.

Property and equipment for Atrium Health WFB and Atrium Health Enterprise are summarized as follows at December 31, 2021:

|                                  | <u>Atrium<br/>Health<br/>WFB</u> | <u>Atrium<br/>Health<br/>Enterprise</u> |
|----------------------------------|----------------------------------|---|
| Land and land improvements       | \$ 191,049                       | \$ 651,965                              |
| Buildings and other improvements | 1,859,404                        | 7,022,360                               |
| Fixed and movable equipment      | 1,177,090                        | 4,155,954                               |
| Construction in progress         | <u>152,963</u>                   | <u>1,174,272</u>                        |
|                                  | \$ 3,380,506                     | \$ 13,004,551                           |
| Less: accumulated depreciation   | <u>(2,096,305)</u>               | <u>(6,848,701)</u>                      |
| Total property and equipment     | <u>\$ 1,284,201</u>              | <u>\$ 6,155,850</u>                     |

Total depreciation expense for Atrium Health WFB and the Enterprise was \$143,903 and \$522,940, respectively, for the year ended December 31, 2021.

The Enterprise's policy, in accordance with FASB, is to capitalize interest incurred on debt during the construction of qualifying projects exceeding one year. The Enterprise capitalized interest totaled \$15,155 in 2021.

**Sale-Leaseback Agreements**

In 2006, Atrium Health WFB entered into a sale-leaseback agreement to sell and lease back certain assets. The initial lease term is 20 years with four 5-year renewal options. The lease is classified as an operating lease. Future minimum lease payments in each year from 2022 to 2026 are \$8,098, \$8,179, \$8,261, \$8,344 and \$8,427, respectively, and \$3,001 thereafter.

In 2010, Atrium Health WFB entered into a sale-leaseback agreement to sell and lease back certain assets. The initial lease is 16 years with three 5-year renewal options. The lease is classified as an operating lease. Operating lease payments are due monthly and expected future minimum payments in each year from 2022 to 2026 are \$6,301, \$6,459, \$6,620, \$6,786 and \$6,955, respectively, and \$3,521 thereafter.

Atrium Health WFB has a deferred gain related to the sale and lease back of certain assets. The deferred gain was \$10,422 for 2021, and is included in other liabilities in the accompanying combined balance sheets.

The sale-leaseback payments are included in total operating lease payments.

**8. Leases**

***Atrium Health CMHA:***

Under GASB, Atrium Health CMHA obligations under noncancelable operating leases with remaining terms of more than one year, principally real estate leases for medical office space, as of December 31, 2021, were as follows:

|                  |    |                |
|------------------|----|----------------|
| 2022             | \$ | 94,279         |
| 2023             |    | 85,079         |
| 2024             |    | 67,219         |
| 2025             |    | 60,098         |
| 2026             |    | 52,795         |
| 2027-2031        |    | 189,362        |
| 2032-2036        |    | 108,633        |
| 2037-2041        |    | 12,222         |
| 2042- Thereafter |    | 9,603          |
|                  | \$ | <u>679,290</u> |

***Atrium Health WFB and Atrium Health Enterprise:***

Atrium Health WFB and the Enterprise have operating and finance leases for real estate and equipment that are reported in accordance with FASB lease guidance. Both Atrium Health WFB and the Enterprise determine if an arrangement is a lease at the inception of a contract.

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

The following table presents the components of the lease right-of-use assets and lease liabilities and their classification in the combined balance sheets as of December 31, 2021:

| Components of lease balances      | Classification in combined balance sheet                                     | Atrium Health<br>WFB | Atrium Health<br>Enterprise |
|-----------------------------------|--|----------------------|-----------------------------|
| Assets:                           |  |                      |                             |
| Operating lease assets            | Operating lease right-of-use assets, net                                     | \$ 196,476           | \$ 730,166                  |
| Finance lease assets              | Property and equipment, net  | 71,596               | 110,830                     |
| Total leased assets               |  | \$ 268,072           | \$ 840,996                  |
| Liabilities:                      |  |                      |                             |
| Operating lease liabilities:      |  |                      |                             |
| Current                           | Current portion of operating lease liabilities                               | \$ 40,833            | \$ 119,543                  |
| Long-term                         | Operating lease liabilities,<br>net of current portion                       | 162,934              | 643,230                     |
| Total operating lease liabilities |  | 203,767              | 762,773                     |
| Finance lease liabilities:        |  |                      |                             |
| Current                           | Current portion of long-term debt  | 2,735                | 7,393                       |
| Long-term                         | Notes payable, finance leases, and<br>line of credit, net of current portion | 61,853               | 97,670                      |
| Total finance lease liabilities   |  | 64,588               | 105,063                     |
| Total lease liabilities           |  | \$ 268,355           | \$ 867,836                  |

The following table presents the components of lease expense and its classification in the combined statement of revenues, expenses and changes in net assets for the year ended December 31, 2021:

| Components of lease expense              | Classification in combined statement of<br>operations and changes in net assets | Atrium Health<br>WFB | Atrium Health<br>Enterprise |
|--|---|----------------------|-----------------------------|
| Operating lease expense                  | Other operating expenses  | \$ 50,142            | \$ 148,025                  |
| Finance lease expense:                   |   |                      |                             |
| Amortization of leased assets            | Depreciation and amortization   | 3,984                | 6,981                       |
| Interest on lease liabilities            | Financing costs   | 2,773                | 3,653                       |
| Total finance lease expense              |   | 6,757                | 10,634                      |
| Variable and short-term lease<br>expense | Other operating expenses  | 6,265                | 6,840                       |
| Total lease expense                      |   | \$ 63,164            | \$ 165,499                  |

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

The following table presents the weighted-average lease terms and discount rates for operating and finance leases as of December 31, 2021:

|  | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|--|----------------------------------|---|
| Weighted-average remaining lease term: |                                  |   |
| Operating leases                       | 5.93 years                       | 9.16 years                              |
| Finance leases                         | 20.45 years                      | 18.18 years                             |
| Weighted-average discount rate:        |                                  |   |
| Operating leases                       | 2.89%                            | 2.09%                                   |
| Finance leases                         | 4.31%                            | 4.26%                                   |

Cash flow and other information related to leases is included in the following table for the year ended December 31, 2021:

|   | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|---|----------------------------------|---|
| Cash paid for amounts included in the measurement of lease liabilities: |                                  |   |
| Operating cash flows from operating leases                              | \$ 49,507                        | \$ 138,765                              |
| Operating cash flows from finance leases                                | 2,773                            | 3,767                                   |
| Financing cash flows from finance leases                                | 2,412                            | 5,606                                   |

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*Dollars in thousands.*

Future maturities of lease liabilities at December 31, 2021 are presented in the following table for Atrium Health WFB and the Enterprise, respectively:

|                                 | <b>Operating<br/>leases</b> | <b>Finance<br/>leases</b> | <b>Atrium Health<br/>WFB Total</b> |
|---------------------------------|-----------------------------|---------------------------|------------------------------------|
| 2022                            | \$ 46,307                   | \$ 5,445                  | \$ 51,752                          |
| 2023                            | 39,183                      | 5,435                     | 44,618                             |
| 2024                            | 31,966                      | 5,010                     | 36,976                             |
| 2025                            | 29,220                      | 4,761                     | 33,981                             |
| 2026                            | 29,190                      | 4,465                     | 33,655                             |
| Thereafter                      | 47,464                      | 74,874                    | 122,338                            |
| Total lease payments            | 223,330                     | 99,990                    | 323,320                            |
| Less: imputed interest          | 19,563                      | 35,402                    | 54,965                             |
| Total lease obligations         | 203,767                     | 64,588                    | 268,355                            |
| Less: current lease obligations | 40,833                      | 2,735                     | 43,568                             |
| Long-term lease obligations     | <u>\$ 162,934</u>           | <u>\$ 61,853</u>          | <u>\$ 224,787</u>                  |

  

|                                 | <b>Operating<br/>leases</b> | <b>Finance<br/>leases</b> | <b>Atrium Health<br/>Enterprise Total</b> |
|---------------------------------|-----------------------------|---------------------------|---|
| 2022                            | \$ 134,318                  | \$ 11,713                 | \$ 146,031                                |
| 2023                            | 118,947                     | 10,749                    | 129,696                                   |
| 2024                            | 95,899                      | 8,296                     | 104,195                                   |
| 2025                            | 86,106                      | 7,973                     | 94,079                                    |
| 2026                            | 78,737                      | 7,714                     | 86,451                                    |
| Thereafter                      | 333,469                     | 108,688                   | 442,157                                   |
| Total lease payments            | 847,476                     | 155,133                   | 1,002,609                                 |
| Less: imputed interest          | 84,703                      | 50,070                    | 134,773                                   |
| Total lease obligations         | 762,773                     | 105,063                   | 867,836                                   |
| Less: current lease obligations | 119,543                     | 7,393                     | 126,936                                   |
| Long-term lease obligations     | <u>\$ 643,230</u>           | <u>\$ 97,670</u>          | <u>\$ 740,900</u>                         |

Lease income is included in other sources of revenue in the combined statements of revenues, expenses and changes in net assets and amounted to \$17,131 for the year ended December 31, 2021.



**9. Debt**
***Atrium Health CMHA:***

Atrium Health CMHA's long-term debt, including related issuance premiums and unamortized gains on debt-related derivative instrument agreements, consists of the following as of December 31, 2021:

Atrium Health Charlotte:

|  |           |
|--|-----------|
| Series 2005 B, C, and D Variable Rate Refunding Revenue Bonds, maturing 2023 through 2026, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2021 was 0.75%) | \$ 32,115 |
| Series 2007 B Variable Rate Refunding Revenue Bonds, maturing 2022 through 2038, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2021 was 0.02%)            | 74,760    |
| Series 2007 C 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, 2021 was 0.02%)            | 87,635    |
| Series 2007 D Variable Rate Revenue Bonds, maturing 2041 through 2043, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2021 was 0.89%)                     | 67,140    |
| Series 2007 E 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, 2021 was 0.03%)                      | 77,220    |
| Series 2007 F Variable Rate Revenue Bonds, maturing 2030 through 2042, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2021 was 0.89%)                     | 57,055    |
| Series 2007 G Variable Rate Revenue Bonds, maturing 2032 through 2041, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2021 was 0.75%)                     | 111,170   |
| Series 2007 H Variable Rate Revenue Bonds, maturing 2027 through 2045, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2021 was 0.52%)                     | 166,050   |
| Series 2012 A Revenue and Refunding Revenue Bonds, maturing 2022 through 2043 bearing interest at 3.0% to 5.0%   | 143,525   |
| Series 2013 A Revenue and Refunding Revenue Bonds, maturing 2022 through 2039 bearing interest at 3.0% to 5.0%   | 109,330   |

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

## Atrium Health Charlotte:

|   |          |
|---|----------|
| Series 2015 A Taxable Refunding Revenue Bonds,<br>maturing 2022 through 2024 bearing interest at 2.64%  | \$ 4,725 |
| Series 2015 B Taxable Commercial Paper<br>Revenue Bonds (weighted average interest rate for the<br>year ended December 31, 2021 was 0.14%)  | 400,000  |
| Series 2016 A Refunding Revenue<br>Bonds, maturing 2022 through 2047 bearing interest at 3.0%<br>to 5.0%  | 331,250  |
| Series 2018 A Refunding Revenue Bonds,<br>maturing 2023 through 2039 bearing interest at 4.0%<br>to 5.0%  | 149,760  |
| Series 2018 B Variable Rate Revenue Bonds,<br>maturing 2040 through 2048 bearing<br>interest at 5.0% through the initial long-term rate<br>period ending February 28, 2022  | 50,000   |
| Series 2018 C Variable Rate Revenue Bonds,<br>maturing 2040 through 2048 bearing interest<br>at 5.0% through the initial long-term rate period<br>ending February 28, 2023  | 50,000   |
| Series 2018 D Variable Rate Revenue Bonds,<br>maturing 2040 through 2048 bearing interest at variable rates<br>plus 0.60% through the initial index floating rate period ending<br>November 30, 2023, which are adjusted weekly (weighted<br>average rate for the year ended December 31, 2021 was 0.64%)   | 50,000   |
| Series 2018 E Variable Rate Revenue Bonds,<br>maturing 2040 through 2048 bearing interest at variable rates<br>plus 0.45% through the initial index floating rate period ending<br>November 30, 2021, which are adjusted weekly (weighted<br>average rate for the year ended December 31, 2021 was 0.49%)<br>Converted on December 1, 2021 to put bond with initial long-term<br>rate period ending October 31, 2025 bearing interest at 5.0% | 50,000   |
| Series 2018 F Variable Rate Revenue Bonds,<br>maturing 2040 through 2048 bearing interest at variable rates<br>which are adjusted weekly (weighted average rate for the<br>year ended December 31, 2021 was 0.04%)  | 100,000  |
| Series 2018 G Variable Rate Revenue Bonds,<br>maturing 2040 through 2048 bearing interest at variable rates<br>which are adjusted daily (weighted average rate for the<br>year ended December 31, 2021 was 0.02%)   | 50,000   |
| Series 2018 H Variable Rate Revenue Bonds,<br>maturing 2040 through 2048 bearing interest at variable rates<br>which are adjusted daily (weighted average rate for the<br>year ended December 31, 2021 was 0.02%)   | 50,000   |
| Series 2021 A Taxable Revenue Bonds,<br>maturing 2051 bearing interest at 3.20%   | 300,000  |
| Series 2021 B Variable Rate Revenue Bonds,<br>maturing 2050 bearing interest at 5.0% through the<br>initial long-term rate period ending December 1, 2024   | 100,000  |

## ATRIUM HEALTH ENTERPRISE

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Dollars in thousands.

|  |                     |
|--|---------------------|
| Atrium Health Charlotte:   |                     |
| Series 2021 C Variable Rate Revenue Bonds,<br>maturing 2050 bearing interest at 5.0% through the<br>initial long-term rate period ending November 30, 2028   | \$ 100,000          |
| Series 2021 D Variable Rate Revenue Bonds,<br>maturing 2050 bearing interest at 5.0% through the<br>initial long-term rate period ending November 30, 2031   | 100,000             |
| Series 2021 E Variable Rate Refunding Revenue Bonds,<br>maturing 2022 through 2042, bearing interest at<br>variable rates which are adjusted daily (weighted average<br>rate for the year ended December 31, 2021 was 0.02%) | 126,010             |
| Other long-term debt   | <u>59,827</u>       |
| Total Atrium Health Charlotte Long-term Debt   | 2,997,572           |
| Commercial paper and current portion   | <u>(760,955)</u>    |
| Total Atrium Health Charlotte Long-term Debt, minus current portion  | 2,236,617           |
| Net unamortized premiums   | 157,344             |
| Unamortized gains on debt-related derivative agreements  | <u>1,565</u>        |
| Total Atrium Health Charlotte Debt, net  | <u>2,395,526</u>    |
| Atrium Health Navicent:  |                     |
| Series 2017A Revenue Anticipation Certificates,<br>maturing 2042 through 2045 bearing interest at<br>variable rates which are adjusted weekly (weighted<br>average rate for the year ended December 31, 2021<br>was 1.08%)   | 40,000              |
| Series 2017B Revenue Anticipation Certificates,<br>maturing 2020 through 2042 bearing interest at<br>variable rates which are adjusted weekly (weighted<br>average rate for the year ended December 31, 2021<br>was 1.08%)   | 185,530             |
| Taxable Variable Term Loan, maturing 2038 through 2048<br>bearing interest at variable rates which are adjusted<br>weekly (weighted average rate for the year ended<br>December 31, 2021 was 1.44%)                          | 60,000              |
| Other long-term debt   | <u>725</u>          |
| Total Atrium Health Navicent Long-term Debt  | 286,255             |
| Current portion  | <u>(5,315)</u>      |
| Total Atrium Health Navicent Debt, net   | <u>280,940</u>      |
| Atrium Health Floyd:   |                     |
| Term Loan  | 179,000             |
| Current portion  | <u>(6,000)</u>      |
| Total Atrium Health Floyd Debt, net  | <u>173,000</u>      |
| Total Atrium Health CMHA long term debt  | <u>\$ 2,849,466</u> |

A summary of Atrium Health CMHA changes in long-term debt during 2021 is as follows:

|   | Beginning<br>balance | Additions           | Retirements         | Ending<br>balance   |
|---|----------------------|---------------------|---------------------|---------------------|
| Atrium Health Charlotte:                              |                      |                     |                     |                     |
| Fixed rate revenue bonds                              | \$ 872,905           | \$ 300,000          | \$ (139,040)        | \$ 1,033,865        |
| Variable rate revenue bonds                           | 643,430              | 426,010             | (3,815)             | 1,065,625           |
| Commercial paper revenue bonds                        | 250,000              | 250,000             | (100,000)           | 400,000             |
| Direct placement revenue bonds                        | 446,140              | —                   | (7,885)             | 438,255             |
| Notes from direct borrowings                          | 61,702               | 669                 | (2,544)             | 59,827              |
|   | <u>2,274,177</u>     | <u>976,679</u>      | <u>(253,284)</u>    | <u>2,997,572</u>    |
| Atrium Health Navicent:                               |                      |                     |                     |                     |
| Direct placement revenue<br>anticipation certificates | 230,590              | —                   | (5,060)             | 225,530             |
| Note from direct borrowings                           | 60,725               | —                   | —                   | 60,725              |
|   | <u>291,315</u>       | <u>—</u>            | <u>(5,060)</u>      | <u>286,255</u>      |
| Atrium Health Floyd:                                  |                      |                     |                     |                     |
| Fixed rate revenue bonds                              | 173,062              | —                   | (173,062)           | —                   |
| Term Loan   | —                    | 179,000             | —                   | 179,000             |
|   | <u>173,062</u>       | <u>179,000</u>      | <u>(173,062)</u>    | <u>179,000</u>      |
| Total   | <u>\$ 2,738,554</u>  | <u>\$ 1,155,679</u> | <u>\$ (431,406)</u> | <u>\$ 3,462,827</u> |

#### Atrium Health Charlotte Components of Debt

- (a) **Series 2005B, C and D Variable Rate Refunding Revenue Bonds** – In December 2005, Atrium Health Charlotte issued Series 2005 B, C and D Variable Rate Refunding Revenue Bonds which, together with \$2,855 of Atrium Health Charlotte funds, currently refunded \$96,760 of Series 1996 A Revenue Bonds. Interest on the Series 2005 B, C and D Variable Rate Refunding Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year. In February 2011, Atrium Health Charlotte utilized a mandatory tender process to substitute new direct pay letters of credit on these bonds. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance. In December 2016, Atrium Health Charlotte utilized a mandatory tender process to convert Series 2005 B, C and D to direct placements. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance.
- (b) **Series 2007 B and C Variable Rate Refunding Revenue Bonds** – In August 2007, Atrium Health Charlotte issued Series 2007 B and C Variable Rate Refunding Revenue Bonds, which advance refunded all \$71,015 of the outstanding Series 2003 A Revenue Bonds and all \$100,000 of the outstanding Series 2005 A Revenue Bonds. Interest on the Series 2007 B and C Variable Rate Refunding Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year. In May 2017, Atrium Health Charlotte utilized a mandatory tender process to convert Series 2007 C from the weekly interest rate mode to the daily interest rate mode. As a

result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance.

- (c) **Series 2007 D, E and F Variable Rate Revenue Bonds** – In September 2007, Atrium Health Charlotte issued Series 2007 D, 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 2007 D, E and F Variable Rate Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year. In May 2013, Atrium Health Charlotte utilized a mandatory tender process to convert Series 2007 D and F to direct purchase bonds and to substitute a new direct pay letter of credit on Series 2007 E. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance. In November 2016, Atrium Health Charlotte utilized a mandatory tender process to change the holder of the Series 2007 D direct placement. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance. In May 2017, Atrium Health Charlotte utilized a mandatory tender process to convert Series 2007 E from the weekly interest rate mode to the daily interest rate mode. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance.
- (d) **Series 2007 G and H Variable Rate Revenue Bonds** – In September 2007, Atrium Health Charlotte issued Series 2007 G Variable Rate Revenue Bonds insured by AGMC and Series 2007 H Variable Rate Revenue Bonds. The proceeds of the Series 2007 H Variable Rate Revenue Bonds were used to repay \$159,930 of outstanding revenue bonds issued by the North Carolina Medical Care Commission (NCMCC) for the benefit of CHS NorthEast. Interest on the Series 2007 G Variable Rate Revenue Bonds and the Series 2007 H Variable Rate Revenue Bonds is payable monthly in arrears. Principal is payable on January 15 of each year. In May 2013, Atrium Health Charlotte utilized a mandatory tender process to convert Series 2007 G to direct purchase bonds. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance. In November 2016, Atrium Health Charlotte utilized a mandatory tender process to convert Series 2007 H to a direct placement. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance.
- (e) **Series 2012 A Revenue and Refunding Revenue Bonds** – In May 2012, Atrium Health Charlotte issued Series 2012 A Revenue and Refunding Revenue Bonds which currently refunded all \$88,535 of the outstanding Series 2001 A Revenue Bonds and \$32,185 of outstanding revenue bonds issued by the NCMCC for the benefit of CHS Union. The Series 2012 A Revenue and Refunding Revenue Bonds also included \$50,000 to finance a small portion of Atrium Health Charlotte’s capital plan. Interest on the Series 2012 A Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year. These bonds were refunded by the Series 2022A Refunding Revenue Bonds issued February 9, 2022.
- (f) **Series 2013 A Revenue and Refunding Revenue Bonds** – In May 2013, Atrium Health Charlotte issued Series 2013 A Revenue and Refunding Revenue Bonds which advance refunded \$4,815 of the outstanding Series 2009 A Refunding Revenue Bonds and all \$73,250 of outstanding revenue bonds issued by the NCMCC for the benefit of CHS Cleveland. The Series 2013 A Revenue and

Refunding Revenue Bonds also included \$50,000 to finance a small portion of Atrium Health Charlotte's capital plan. Interest on the Series 2013 A Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

- (g) **2015 A Taxable Refunding Revenue Bonds** – In January 2015, Atrium Health Charlotte issued Series 2015 A Taxable Refunding Revenue Bonds which, together with funds held by CHS Stanly in Debt Service Reserve Funds, currently refunded all \$16,030 of outstanding Series 1996 and Series 1999 Revenue Bonds issued by the NCMCC for the benefit of CHS Stanly. The Series 2015 A Revenue Bonds were directly placed with a financial institution and will be held through their maturity on January 15, 2024, but Atrium Health Charlotte may prepay the bonds at any time without penalty or premium except for any cost of prepayment (based upon U.S. Treasury obligations) that applies. Interest on the Series 2015 A Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.
- (h) **Series 2016 A Refunding Revenue Bonds** – In November 2016, Atrium Health Charlotte issued Series 2016 A Refunding Revenue Bonds which currently refunded \$121,240 of the outstanding Series 2007 A Revenue and Refunding Revenue Bonds and advance refunded \$300,255 of the outstanding Series 2008 A Refunding Revenue Bonds. Interest on the Series 2016 A Refunding Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.
- (i) **Series 2018 A Refunding Revenue Bonds** - In November 2018, Atrium Health Charlotte issued Series 2018 A Refunding Revenue Bonds which currently refunded \$178,425 of the outstanding Series 2009 A Refunding Revenue Bonds. Interest on the Series 2018 A Refunding Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.
- (j) **Series 2018 B and 2018 C Variable Rate Revenue Bonds** – In November 2018, Atrium Health Charlotte issued Series 2018 B and 2018 C Variable Rate Revenue Bonds. Interest on the Series 2018 B and 2018 C Variable Rate Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year. These bonds are subject to mandatory tender for purchase on March 1, 2022 and March 1, 2023, respectively, following the end of their initial long-term rate periods. Upon the initial mandatory tender of March 1, 2022, the Series 2018 B Bonds were extended to a new mandatory tender date of October 31, 2029.
- (k) **Series 2018 D and 2018 E Variable Rate Revenue Bonds** – In November 2018, Atrium Health Charlotte issued Series 2018 D and 2018 E Variable Rate Revenue Bonds. Interest on the Series 2018 D and 2018 E Variable Rate Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year. These bonds are subject to mandatory tender for purchase on December 1, 2023 and December 1, 2021, respectively, following the end of their initial index floating rate periods. Upon the initial mandatory tender of December 1, 2021, the Series 2018 E bonds were converted to the long-term rate mode and now interest on the bonds is payable semiannually on January 15 and July 15 of each year and bear interest at 5.0% through a new long-term rate period ending October 31, 2025.

- (l) **Series 2018 F Variable Rate Revenue Bonds** – In November 2018, Atrium Health Charlotte issued Series 2018 F Variable Rate Revenue Bonds. Interest on the Series 2018 F Variable Rate Revenue Bonds 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 2018 F Variable Rate Bonds that are not remarketed.
- (m) **Series 2018 G and 2018 H Variable Rate Revenue Bonds** - In December 2018, Atrium Health Charlotte issued Series 2018 G and 2018 H 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.
- (n) **Series 2021 A Taxable Revenue Bonds** – In May 2021, Atrium Health Charlotte issued Series 2021 A 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.
- (o) **Series 2021 B, C and D Variable Rate Revenue Bonds** – In May 2021, Atrium Health Charlotte issued Series 2021 B, C and D Variable Rate Revenue Bonds. Interest on the Series 2021 B, C and D Variable Rate Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year. These bonds are subject to mandatory tender for purchase on December 2, 2024, December 1, 2028 and December 1, 2031 respectively, following the end of their initial long-term rate periods.
- (p) **Series 2021 E Variable Rate Refunding Revenue Bonds** – In July 2021, Atrium Health issued Series 2021 E Variable Rate Refunding Revenue Bonds, which currently refunded all \$125,375 of the outstanding Series 2011 A Revenue Bonds. Interest on the Series 2021 E Variable Rate Refunding Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year.
- (q) **Pineville LTACH/Rehab Hospital Loan** – 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 facility was constructed with the proceeds from a \$30,101 loan to the LLC from a financial services company that is payable beginning September 2013 through August 2038 at an interest rate of 3.84%. The loan, which was not issued under Atrium Health Charlotte’s Bond Order, is secured by a leasehold deed of trust and assignment of facility leases and rents. The balance of \$23,050 at December 31, 2021 is included in other long-term debt.
- (r) **Cleveland County Note Payable** – 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, noninterest 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 \$36,182 at December 31, 2021.

- (s) **Series 2015 B Taxable Commercial Paper Program** – 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, 2021, commercial paper totaling \$400,000, with a weighted average maturity and interest rate of 253 days and 0.18%, respectively, was outstanding and included within current portion of debt.

Debt issued under the Atrium Health Charlotte 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 Atrium Health Charlotte’s Bond Order, Series Resolutions, liquidity facilities, direct pay letter of credit and continuing covenants agreements for direct placements, including maintenance of a defined minimum level of annual long-term debt service coverage. As of December 31, 2021, Atrium Health Charlotte was in compliance with these financial covenants.

Deferred financing costs, net of accumulated amortization, totaled \$2,971 as of December 31, 2021. Premiums, net of accumulated amortization, totaled \$157,344 as of December 31, 2021. These costs are being amortized over the estimated duration of the related debt using the effective interest method.

**Atrium Health Navicent Components of Debt**

- (a) **Series 2017 A and Series 2017 B Revenue Anticipation Certificates** - In December 2017, the Macon-Bibb County Hospital Authority issued Series 2017 A and Series 2017 B Revenue Anticipation Certificates, the proceeds of which were loaned to Atrium Health Navicent to refund various series of Macon-Bibb County Hospital Authority Revenue Anticipation Certificates and to finance and reimburse capital expenditures. Interest on the Series 2017 A and 2017 B Certificates is payable monthly in arrears and principal is payable on August 1 of each year. The Series 2017 A and Series 2017 B certificates were initially directly placed with a financial institution with holding periods that expire on December 31, 2027 and December 31, 2019, respectively. In December 2019, Atrium Health Navicent utilized a mandatory tender process to change the holder of the Series 2017 A and Series 2017 B certificates to another financial institution. As a result of this mandatory tender process, these certificates were deemed extinguished and the remarketed certificates were treated as a new issuance with holding periods that expire on January 29, 2021. On January 29, 2021, the holding periods were extended to January 28, 2022. On January 28, 2022, the holding periods were extended to January 16, 2027. The Series 2017 A Revenue Anticipation Certificates mature 2042 through 2045 and bear interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2021 was 1.08%). The Series 2017 B Revenue Anticipation Certificates mature 2022 through 2042 and bear



interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2021 was 1.08%).

(b) **Variable Term Loan** – In December 2017, Atrium Health Navicent entered into a taxable Variable Term Loan with a financial institution, the proceeds of which were used to pay off the remaining balances of taxable loans executed in 2012 and 2017. Interest on the Variable Term Loan is payable monthly in arrears and principal is payable on August 1 of each year. The Variable Term Loan was initially directly placed with a financial institution with a holding period that expires on December 31, 2027. In December 2019, Atrium Health Navicent changed the holder of the Variable Term Loan to another financial institution. As a result, the Variable Term Loan was deemed extinguished and the new Variable Term Loan was treated as a new issuance with a holding period that expires on January 29, 2021. On January 29, 2021, the holding period was extended to January 28, 2022. On January 28, 2022, the holding period was extended to January 16, 2027. The Variable Term Loan matures 2038 through 2048 and bears interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2021 was 1.44%).

**Floyd Health Term Loan** – In December 2021, Atrium Health Floyd entered into a term loan with a financial institution, with a variable rate based on Secured Overnight Financing Rate (SOFR) plus 1.41%. Interest is payable monthly in arrears while principal is payable on July 1 with the final maturity of July 1, 2043. The Term Loan is subject to a Mandatory Prepayment Date of January 16, 2027. Atrium Health Floyd is subject to various covenants under the term loan, including a days cash on hand and long-term debt service coverage ratio requirement. Neither Atrium Health Charlotte, Atrium Health Navicent or Atrium Health WFB have guaranteed the Atrium Health Floyd Term Loan.

**Debt Service Requirements and Additional Information on Atrium Health CMHA Debt**

Debt service requirements for 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 later in this note, 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, 2021 relationship between the Securities Information and Financial Markets Association (SIFMA) Municipal Swap Index and the one month London InterBank Offered Rate (LIBOR) of approximately 99%, which is higher than the interest projected using the 60% average relationship between SIFMA and LIBOR over the past 10 years. Regulators in the United Kingdom have called for LIBOR to be abandoned by June 30, 2023. Modifications to LIBOR or the replacement of LIBOR with an alternative reference rate such as the

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### Notes to Combined Financial Statements

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Dollars in thousands.

Secured Overnight Financing Rate could produce different results than the current average relationship between SIFMA and LIBOR.

|           | Fixed rate and variable<br>rate revenue bonds |                     | Notes from direct<br>borrowings and direct<br>placements |                   | Total               |                     |
|-----------|---|---------------------|--|-------------------|---------------------|---------------------|
|           | Principal                                     | Interest            | Principal  | Interest          | Principal           | Interest            |
| 2022      | \$ 33,325                                     | \$ 78,618           | \$ 16,292  | \$ 29,136         | \$ 49,617           | \$ 107,754          |
| 2023      | 28,335  | 72,245              | 23,428   | 28,402            | 51,763              | 100,647             |
| 2024      | 34,490  | 69,800              | 24,583   | 25,785            | 59,073              | 95,585              |
| 2025      | 36,155  | 65,810              | 23,928   | 25,007            | 60,083              | 90,817              |
| 2026      | 37,885  | 62,643              | 24,888   | 24,211            | 62,773              | 86,854              |
| 2027-2031 | 223,260                                       | 273,725             | 128,062  | 111,977           | 351,322             | 385,702             |
| 2032-2036 | 288,745                                       | 190,447             | 156,166  | 94,889            | 444,911             | 285,336             |
| 2037-2041 | 266,920                                       | 128,352             | 290,280  | 63,890            | 557,200             | 192,242             |
| 2042-2046 | 386,555                                       | 90,478              | 243,665  | 10,470            | 630,220             | 100,948             |
| 2047-2051 | 763,820                                       | 53,015              | 32,045   | 721               | 795,865             | 53,736              |
|           | <u>\$ 2,099,490</u>                           | <u>\$ 1,085,133</u> | <u>\$ 963,337</u>  | <u>\$ 414,488</u> | <u>\$ 3,062,827</u> | <u>\$ 1,499,621</u> |

Atrium Health Charlotte's Revenue Bonds (other than the Series 2015 A and Series 2015 B 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 its 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. The Series 2018 D and Series 2018 E index floating rate bonds are redeemable at the option of Atrium Health Charlotte at par value one year prior to their index floating rate purchase dates of December 1, 2023 and December 1, 2021, respectively. Upon the initial mandatory tender of December 1, 2021, the Series 2018 E bonds were converted to the long-term rate mode and now interest on the bonds is payable semiannually on January 15 and July 15 of each year.

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 its 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 2017 A and Series 2017 B 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.

There are various financial covenants and restrictions contained in Atrium Health Charlotte's Bond Order, Series Resolutions, liquidity facilities, direct pay letter of credit and continuing covenants agreements for direct placements and Atrium Health Navicent's Master Trust Indenture and continuing covenant and credit agreement for direct placements and term loan, including maintenance of a defined minimum level of annual long term debt service coverage. As of

December 31, 2021, Atrium Health Charlotte and Atrium Health Navicent were in compliance with these financial covenants.

Atrium Health Charlotte's parity obligation revenue bonds totaling \$2,537,745 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 \$1,065,625 certain agreements contain terms related to significant termination events with finance-related consequences. For revenue bonds totaling \$262,395 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 \$203,230 that are supported by a 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 \$438,255, 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-; (v) 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 (vi) 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.

Atrium Health Navicent's parity obligation revenue anticipation certificates and taxable variable term loan totaling \$285,530 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 \$285,530, 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.

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## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

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

In the event bondholders elect to tender any or all of the Series 2007 B, C, and E Revenue Bonds or Series 2018 G and H 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> |
|---------------|-----------------------------|------------------------|-------------------------|
| 2007 B        | Liquidity facility          | 2026                   | 3 year                  |
| 2007 C        | Liquidity facility          | 2026                   | 3 year                  |
| 2007 E        | Direct pay letter of credit | 2025                   | 5 year                  |
| 2018 G        | Liquidity facility          | 2024                   | 3 year                  |
| 2018 H        | Liquidity facility          | 2024                   | 3 year                  |
| 2021 E        | Direct pay letter of credit | 2026                   | 3 year                  |

Atrium Health Charlotte's Series 2005 B, C and D Variable Rate Refunding Revenue Bonds and Series 2007 D, 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> |
|------------------|----------------------|------------------------|
| 2005 B, C, and D | Direct placement     | 2026                   |
| 2007 D           | Direct placement     | 2023                   |
| 2007 F           | Direct placement     | 2023                   |
| 2007 G           | Direct placement     | 2026                   |
| 2007 H           | Direct placement     | 2022                   |

Atrium Health Charlotte's Series 2018 B, C, D and E Variable Rate Revenue Bonds are subject to mandatory tender for purchase at the end of the initial 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> |
|---------------|----------------------------------|------------------------|
| 2018 B        | Long-term rate period bonds      | 2029                   |
| 2018 C        | Long-term rate period bonds      | 2023                   |
| 2018 D        | Index floating rate period bonds | 2023                   |
| 2018 E        | Long-term rate period bonds      | 2025                   |

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

Atrium Health Navicent's Series 2017 A and Series 2017 B 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.

| <u>Series</u> | <u>Facility type</u> | <u>Expiration year</u> |
|---------------|----------------------|------------------------|
| 2017 A        | Direct placement     | 2027                   |
| 2017 B        | Direct placement     | 2027                   |

For Atrium Health CMHA, interest expense was \$107,429 for the year ended December 31, 2021. Interest paid to bond holders and other lenders totaled \$100,451 for the year ended December 31, 2021.

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.****Atrium Health WFB and Atrium Health Enterprise:***

Atrium Health Enterprise's debt consists of the following at December 31, 2021:

|  |           |
|--|-----------|
| Atrium Health Charlotte:   |           |
| Series 2005BCD   | \$ 32,115 |
| Series 2005BCD unamortized gains on debt-related derivative agreements | 1,566     |
| Series 2007B   | 74,760    |
| Series 2007C   | 87,635    |
| Series 2007D   | 67,140    |
| Series 2007E   | 77,220    |
| Series 2007F   | 57,055    |
| Series 2007G   | 111,170   |
| Series 2007H   | 166,050   |
| Series 2012A   | 143,525   |
| Series 2012A unamortized bond premium                                  | 12,768    |
| Series 2013A   | 109,330   |
| Series 2013A unamortized bond premium                                  | 8,648     |
| Series 2015A   | 4,725     |
| Series 2015B Commercial Paper  | 400,000   |
| Series 2015B Commercial Paper original issue discount                  | (361)     |
| Series 2016A   | 331,250   |
| Series 2016A unamortized bond premium                                  | 37,204    |
| Series 2018A   | 149,760   |
| Series 2018A unamortized bond premium                                  | 12,132    |
| Series 2018B   | 50,000    |
| Series 2018B unamortized bond premium                                  | 3,515     |
| Series 2018C   | 50,000    |
| Series 2018C unamortized bond premium                                  | 4,313     |
| Series 2018D   | 50,000    |
| Series 2018E   | 50,000    |
| Series 2018E bond issuance costs                                       | (118)     |
| Series 2018F   | 100,000   |
| Series 2018G   | 50,000    |
| Series 2018H   | 50,000    |
| Series 2021A   | 300,000   |

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2021

Dollars in thousands.

|  |            |
|--|------------|
| Atrium Health Charlotte:                               |            |
| Series 2021A bond issuance costs                       | \$ (1,712) |
| Series 2021B   | 100,000    |
| Series 2021B unamortized bond premium                  | 15,708     |
| Series 2021B bond issuance costs                       | (294)      |
| Series 2021C   | 100,000    |
| Series 2021C unamortized bond premium                  | 28,286     |
| Series 2021C bond issuance costs                       | (294)      |
| Series 2021D   | 100,000    |
| Series 2021D unamortized bond premium                  | 35,132     |
| Series 2021D bond issuance costs                       | (393)      |
| Series 2021E   | 126,010    |
| Series 2021E bond issuance costs                       | (160)      |
| Total debt   | 3,093,684  |
| Notes payable, finance leases and line of credit       | 59,826     |
| Less commercial paper and current portion              | (760,853)  |
| Total Atrium Health Charlotte long-term debt           | 2,392,657  |
| Atrium Health Navicent:                                |            |
| Series 2017A   | 40,000     |
| Series 2017B   | 185,530    |
| Taxable Variable Term Loan                             | 60,000     |
| Other Long-Term Debt                                   | 725        |
| Total debt   | 286,255    |
| Less current portion                                   | (5,315)    |
| Total Atrium Health Navicent long-term debt            | 280,940    |
| Atrium Health Floyd:                                   |            |
| Term Loan  | 179,000    |
| Finance Lease  | 40,475     |
| Total notes payable, finance leases and line of credit | 219,475    |
| Less current portion                                   | (10,658)   |
| Total Atrium Health Floyd long-term debt               | 208,817    |
| Atrium Health WFB:                                     |            |
| Series 2012A <sup>(a)</sup>                            | 118,405    |
| Series 2012A unamortized bond premium                  | 3,202      |
| Series 2012A bond issuance costs                       | (798)      |
| Series 2012B <sup>(a)</sup>                            | 76,950     |
| Series 2012B unamortized bond premium                  | 9,315      |
| Series 2012B bond issuance costs                       | (547)      |
| Series 2012D <sup>(a)</sup>                            | 80,000     |
| Series 2012D bond issuance costs                       | (250)      |



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*Dollars in thousands.*

|  |                     |
|--|---------------------|
| Atrium Health WFB:                                     |                     |
| Series 2016 <sup>(b)</sup>                             | \$ 150,000          |
| Series 2016 bond issuance costs                        | (1,199)             |
| Series 2019A <sup>(c)</sup>                            | 37,030              |
| Series 2019A unamortized bond premium                  | 5,113               |
| Series 2019A bond issuance costs                       | (321)               |
| Series 2019B <sup>(c)</sup>                            | 105,905             |
| Series 2019B bond issuance costs                       | (819)               |
| Series 2019C <sup>(c)</sup>                            | 60,605              |
| Series 2019C bond issuance costs                       | (546)               |
| Series 2020 <sup>(d)</sup>                             | 214,850             |
| Series 2020 bond issuance costs                        | (600)               |
| Total bonds payable                                    | <u>856,295</u>      |
| Line of credit <sup>(e)</sup>                          | 19,199              |
| Loan agreement <sup>(f)</sup>                          | 2,669               |
| Loan agreements <sup>(g)</sup>                         | 2,061               |
| Loan agreement <sup>(h)</sup>                          | 29,486              |
| Finance leases <sup>(i)</sup>                          | 4,644               |
| Finance lease <sup>(j)</sup>                           | 38,199              |
| Finance lease <sup>(k)</sup>                           | 21,408              |
| Loan agreements <sup>(l)</sup>                         | 347                 |
| Finance leases <sup>(m)</sup>                          | <u>338</u>          |
| Total notes payable, finance leases and line of credit | <u>118,351</u>      |
| Total debt   | 974,646             |
| Less current portion                                   | <u>(158,130)</u>    |
| Total Atrium Health WFB long-term debt                 | <u>816,516</u>      |
| Total Atrium Health Enterprise debt                    | 4,633,887           |
| Less total Atrium Health Enterprise current portion    | <u>934,956</u>      |
| Total Atrium Health Enterprise long-term debt          | <u>\$ 3,698,931</u> |

Aggregate annual maturities of notes payable, finance leases, term loans, line of credit and bonds payable are as follows:

|                      | Year Ending December 31    |                           |                        |                      |                             |
|----------------------|----------------------------|---------------------------|------------------------|----------------------|-----------------------------|
|                      | Atrium Health<br>Charlotte | Atrium Health<br>Navicent | Atrium Health<br>Floyd | Atrium Health<br>WFB | Atrium Health<br>Enterprise |
| 2022                 | \$ 44,333                  | \$ 6,040                  | \$ 12,268              | \$ 53,043            | \$ 115,684                  |
| 2023                 | 46,840                     | 5,580                     | 11,414                 | 36,286               | 100,120                     |
| 2024                 | 53,570                     | 5,860                     | 9,686                  | 36,347               | 105,463                     |
| 2025                 | 54,190                     | 6,150                     | 9,712                  | 35,111               | 105,163                     |
| 2026                 | 55,975                     | 6,460                     | 9,949                  | 110,242              | 182,626                     |
| All years thereafter | 2,498,964                  | 256,165                   | 166,446                | 703,617              | 3,625,192                   |
|                      | <u>\$ 2,753,872</u>        | <u>\$ 286,255</u>         | <u>\$ 219,475</u>      | <u>\$ 974,646</u>    | <u>\$ 4,234,248</u>         |

The Atrium Health CMHA, Atrium Health WFB, Atrium Health Navicent and Atrium Health Floyd all maintain separate credit groups. No entity is obligated for or guarantees the debt of any other entity.

### **Atrium Health WFB Components of Debt**

- (a) **Series 2012 Revenue Bonds** – revenue bonds issued by Atrium Health WFB Obligated Group, representing funds borrowed by the entities pursuant to loan agreements with the North Carolina Medical Care Commission (NCMCC). As a conduit issuer, the NCMCC loans the debt proceeds to the borrower and the bonds are issued by the NCMCC under a MTI structure. The MTI provides the flexibility for multiple parties to participate in debt issuances as part of an obligated group.

The Series 2012A bonds mature in full in fiscal year 2046. The fixed rate instruments bear interest at fixed coupon rates of 4.00% and 5.00%. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2039 and in increasing annual amounts ranging from \$9,425 to \$20,200.

The Series 2012B bonds mature in full in fiscal year 2034. The fixed rate instruments bear interest at fixed coupon rates ranging from 2.00% to 5.00%. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2014 and in increasing annual amounts ranging from \$3,385 to \$7,000.

The Series 2012D bonds were issued in an aggregate principal amount not to exceed \$80,000 and mature in full in fiscal year 2043. The bonds were refunded in fiscal year 2018 and reissued with a new bank as bondholder. The bonds are currently in the Bank-Bought Rate Mode and bear interest at an Index Floating Rate based on an Adjusted London Interbank Offered Rate (LIBOR) rate plus a tax-exempt spread of 0.5925%. At the option of NCBH, the bonds may be converted to various interest rate modes. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2034 and in increasing annual amounts ranging from \$14,075 to \$15,295.

- (b) **Series 2016 Taxable Bonds** – taxable bonds issued directly by WFUBMC as general, unsecured obligations under the MTI structure. The Series 2016 bonds are structured with a \$75 million bullet maturity due on June 1, 2026, at a fixed rate of 3.093% and a \$75 million term bond with

final maturity on June 1, 2046, at a fixed rate of 4.175%. The 2046 maturity includes sinking fund payments of \$25 million due on June 1 of each year beginning in 2044.

- (c) **Series 2019 Revenue Bonds** – revenue bonds issued by Atrium Health WFB Obligated Group, representing funds borrowed by the entities pursuant to loan agreements with the North Carolina Medical Care Commission (NCMCC). As a conduit issuer, the NCMCC loans the debt proceeds to the borrower and the bonds are issued by the NCMCC under a MTI structure. The MTI provides the flexibility for multiple parties to participate in debt issuances as part of an obligated group.

The Series 2019A bonds mature in full in fiscal year 2034. The fixed rate instruments bear interest at fixed coupon rates of 5.00%. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2019 in annual amounts ranging from \$185 to \$4,505.

The Series 2019B bonds mature in full in fiscal year 2048. The long-term rate put bond instruments bear interest at initial fixed coupon rates of 2.20% with an initial term date of December 1, 2022. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2034 and in increasing annual amounts ranging from \$4,605 to \$23,350.

The Series 2019C bonds mature in full in fiscal year 2048. The long-term rate put bond instruments bear interest at initial fixed coupon rates of 2.55% with an initial term date of June 1, 2026. Per the bond agreements, the principal payments on the bonds are due on June 1 of each year beginning in 2035 and in increasing annual amounts ranging from \$3,375 to \$16,735.

- (d) **Series 2020 Revenue Refunding Bonds** – revenue refunding bonds issued by Atrium Health WFB Obligated Group, representing funds borrowed by the entities pursuant to a loan agreement with the Public Finance Authority (“PFA”). As a conduit issuer, the PFA loans the debt proceeds to the borrower and the bonds are issued by the PFA under an MTI structure. The MTI provides the flexibility for multiple parties to participate in debt issuances as part of an obligated group.

The Series 2020 bonds were issued in an aggregate principal amount of \$230,450 and mature in full in fiscal year 2033. The 2020 bonds refund the prior outstanding Series 2010 bonds and were issued in the Fixed Rate Mode and bear interest at a fixed rate of 2.31%. Per the bond agreements, the principal payments on the bonds are due on June 1 of each year beginning in 2021 in annual amounts ranging from \$13,600 to \$20,500.

- (e) **Line of credit** – consists of an unsecured credit facility with a total borrowing capacity of \$100,000 to provide for the working capital needs of NCBH, WFUHS, and WFUBMC. The line of credit is due on June 3, 2022, and bears interest at one-month LIBOR plus 0.65%. The facility is structured with WFUBMC as the Borrower and NCBH and WFUHS as Co-obligors.
- (f) **Loan agreement** – represents an unsecured loan agreement held by WFUHS, with a variable rate based on one month LIBOR plus a premium of 0.65% for \$20,014 to refinance two previously outstanding fixed rate notes. Fixed principal payments and accrued interest are due monthly with a final maturity date of April 1, 2023. This taxable loan is guaranteed by both NCBH and WFUBMC.
- (g) **Loan agreements** – represents notes payable held by a WFUHS subsidiary, with variable interest rates based on one-month LIBOR plus a premium of 1.05% and final maturities in 2021 and 2025.

- (h) **Loan agreement** – represents a taxable, unsecured loan agreement held by WFUBMC, WFUHS and NCBH as Borrowers, with a fixed rate of 1.88% to refinance previously outstanding loan agreements held by the Borrowers and owned subsidiaries. Principal payments and accrued interest are due monthly with a final maturity date of April 15, 2027.
- (i) **Finance leases** – represents various finance lease obligations held by Atrium Health WFB affiliates, with interest rates ranging from 0.04% to 5.31% and final maturities in 2024.
- (j) **Finance lease** – represents a finance lease obligation of \$44,125 entered into by WFUHS related to the Bowman Gray Center for Medical Education with an initial term of 15 years and additional renewal options. The obligation has a fixed interest rate of 4.5%.
- (k) **Finance lease** – represents a finance lease obligation of \$21,911 entered into by WFUBMC and WRMC Hospital Operating Corporation (WMC) related to assets leased from the Town of North Wilkesboro with an initial term of 30 years and additional renewal options. The obligation has a fixed interest rate of 4.10%.
- (l) **Loan agreements** – represents various notes payable and finance leases held by High Point Regional Health, Inc. (HPMC), with interest rates ranging from a fixed rate of 5.00% to variable one-month LIBOR plus a premium of 2.50% and final maturity dates through 2026.
- (m) **Finance leases** – represents various finance lease obligations of \$538 entered into by Wake Forest Ambulatory Ventures, LLC related to equipment. The obligations have fixed interest rates ranging from 4.25% to 6.16% and final maturity dates through June 2025.

An additional unsecured line of credit facility with a total borrowing capacity of \$200,000 was entered into in June 2021 to provide for the working capital needs of WFUHS, NCBH, and WFUBMC, all Borrowers under the credit facility. The line of credit is due on June 2, 2022 and bears interest at one-month LIBOR plus 1.00%. There is no outstanding balance on the facility at December 31, 2021.

Debt issued under the MTI is payable solely from the Obligated Group’s revenues (as defined by the MTI). Additionally, the Combined Group must remain compliant with certain covenants and restrictions required by the MTI and loan agreements underlying the bonds. The Combined Group is subject to covenants under the MTI containing restrictions or limitations with respect to indebtedness, property encumbrance, consolidation or merger or transfer of assets. In addition, the Combined Group has agreed that it will not create any lien upon its property, accounts, or revenue now owned or hereafter acquired other than “permitted liens” as described in the MTI.

Deferred financing costs, net of accumulated amortization, totaled \$5,080 as of December 31, 2021. Premiums, net of accumulated amortization, totaled \$17,630 as of December 31, 2021. These costs are being amortized over the estimated duration of the related debt using the effective interest method.

**10. Interest Rate Swaps****Atrium Health Charlotte**

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.

In January 2006, Atrium Health Charlotte entered into an uninsured floating-to-fixed interest rate swap agreement on its Series 2005 B, C and D Variable Rate Refunding Revenue Bonds.

In August 2007, Atrium Health Charlotte entered into four floating-to-fixed interest rate swaps under separate agreements insured by Ambac Assurance Corporation (Ambac) with two counterparties, in connection with its Series 2007 B and C Variable Rate Refunding Revenue Bonds, with an aggregate initial notional amount of \$177,835. These swaps were entered into in conjunction with the refunding of the Series 2003 A and 2005 A Revenue Bonds.

In September 2007, Atrium Health Charlotte entered into five AGMC-insured floating-to-fixed interest rate swaps under separate agreements with three counterparties, in connection with its Series 2007 D, E and F Variable Rate Revenue Bonds, with an aggregate initial notional amount of \$201,415.

Also in September 2007, Atrium Health Charlotte entered into two Ambac and two AGMC-insured floating-to-fixed interest rate swaps under separate agreements with two counterparties, in connection with its Series 2007 G and H Variable Rate Revenue Bonds, with an aggregate initial notional amount of \$279,875.

In January 2021, Atrium Health Charlotte entered into an uninsured floating-to-fixed interest rate swap agreement on its Series 2021 E Variable Rate Refunding Revenue Bonds.

The significant terms and features of the above transactions as of and for the year ended December 31, 2021, are summarized in the below table. The notional amounts of the swaps effectively match the principal amounts of the associated debt. The swaps contain scheduled

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reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in the associated bonds.

| Associated bonds       | 2005 B, C, and D  | 2007 B            | 2007 C            |
|------------------------|-------------------|-------------------|-------------------|
| Notional amount        | \$ 32,115         | \$ 74,760         | \$ 87,635         |
| Swap type              | Floating-to-fixed | Floating-to-fixed | Floating-to-fixed |
| Origination date       | January 15, 2006  | August 28, 2007   | August 28, 2007   |
| Final bond maturity    | January 15, 2026  | January 15, 2038  | January 15, 2037  |
| Atrium Health pays     | 5.52 %            | 4.36 %            | 4.38 %            |
| Atrium Health receives | 75% of LIBOR      | SIFMA             | SIFMA             |

|                                      |            |             |             |
|--------------------------------------|------------|-------------|-------------|
| Fair value at                        |            |             |             |
| December 31, 2021                    | \$ (3,930) | \$ (25,170) | \$ (26,335) |
| Change in fair value during the year | 2,191      | 7,413       | 8,155       |

| Associated bonds       | 2007 D                     | 2007 E                     | 2007 F                     |
|------------------------|----------------------------|----------------------------|----------------------------|
| Notional amount        | \$ 67,140                  | \$ 77,220                  | \$ 57,055                  |
| Swap type              | Floating-to-fixed          | Floating-to-fixed          | Floating-to-fixed          |
| Origination date       | September 19, 2007         | September 19, 2007         | September 19, 2007         |
| Final bond maturity    | January 15, 2043           | January 15, 2044           | January 15, 2042           |
| Atrium Health pays     | 3.88 %                     | 3.89 %                     | 3.89 %                     |
| Atrium Health receives | 62.97% of LIBOR plus 0.29% | 62.97% of LIBOR plus 0.29% | 62.97% of LIBOR plus 0.29% |

|                                      |             |             |             |
|--------------------------------------|-------------|-------------|-------------|
| Fair value at                        |             |             |             |
| December 31, 2021                    | \$ (28,819) | \$ (33,882) | \$ (23,564) |
| Change in fair value during the year | 5,320       | 6,154       | 4,468       |

| Associated bonds       | 2007 G                     | 2007 H   | 2021 E            |
|------------------------|----------------------------|--|-------------------|
| Notional amount        | \$ 111,170                 | \$ 166,050   | \$ 126,010        |
| Swap type              | Floating-to-fixed          | Floating-to-fixed  | Floating-to-fixed |
| Origination date       | September 19, 2007         | September 19, 2007   | January 15, 2021  |
| Final bond maturity    | January 15, 2041           | January 15, 2045   | January 15, 2042  |
| Atrium Health pays     | 3.90 %                     | 3.88 %   | 1.97 %            |
| Atrium Health receives | 62.97% of LIBOR plus 0.29% | 62.97% of LIBOR if LIBOR is equal to or greater than 3.5%; 77.5% of LIBOR if LIBOR is less than 3.5% | 70% of LIBOR      |

|                                      |             |             |             |
|--------------------------------------|-------------|-------------|-------------|
| Fair value at                        |             |             |             |
| December 31, 2021                    | \$ (42,261) | \$ (57,890) | \$ (12,755) |
| Change in fair value during the year | 8,454       | 13,601      | 6,521       |

The swaps' aggregate negative fair value of (\$254,606), as of December 31, 2021, is reported as a long-term liability on the combined balance sheet. Certain of the mandatory tender processes discussed above 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 value of the off-market swaps are being amortized using straight-line amortization. As of December 31, 2021, 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 of \$62,277 for the year ended December 31, 2021, are deferred and are reported on the combined balance sheet as a deferred outflow of resources. See note 5 for further discussion of the measurement techniques and inputs utilized in the measurement of the swaps' fair value. For the year ended December 31, 2021, the swaps produced annual net cash outflows of approximately \$28,372. Cash flows associated with the swaps are treated as interest expense.

As of December 31, 2021, all 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, 2021, Atrium Health Charlotte was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, Atrium Health would be exposed to credit risk in the amount of the swaps' fair value.

Atrium Health Charlotte's 15 interest rate swaps are executed under seven swap agreements with various counterparties. Seven swaps, approximating 40% of the notional amount of swaps outstanding, are provided by one counterparty that was rated A+ and Aa2 by S&P Global Ratings and Moody's Investors Service, respectively, as of December 31, 2021. Five additional swaps, approximating 34% of the outstanding notional value, are provided by another counterparty rated A+ and Aa2. The remaining three swaps are provided by a third counterparty rated A+ and Aa3 as of December 31, 2021.

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, and the three uninsured swap agreements associated with Series 2005 B, C and D bonds, Series 2007 B, C and H bonds (with one counterparty) and with Series 2007 B and C bonds (with a different counterparty) each has a negative fair value of \$25,000 or more, then Atrium Health Charlotte must post collateral on these swap agreements equal to the amount of fair value in excess of \$25,000. As of December 31, 2021, the fair values of these swap agreements were (\$3,930), (\$54,694), and (\$25,752). No collateral was required to be posted by Atrium Health for these swap agreements.

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, and the uninsured swap agreement associated with Series 2007 H bonds has a negative fair value of \$50,000 or more, then Atrium Health Charlotte must post collateral on this swap agreement equal to the amount of fair

value in excess of \$50,000. As of December 31, 2021, the fair value of this swap agreement was (\$28,949). No collateral was required to be posted by Atrium Health Charlotte for this swap agreement.

With respect to the AGMC-insured swap agreement associated with Series 2007 E, F and G bonds, 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 Service, respectively, or agree to post collateral on those swap agreements equal to the amount of negative fair value in excess of \$25,000 if Atrium Health Charlotte's credit ratings, as determined by S&P Global Ratings and Moody's Investors Services, fall below a level of A+ or A1, respectively. As of December 31, 2021, the fair value of this swap agreement was (\$49,852). No collateral was required to be posted by Atrium Health for this swap agreement given AGMC's ratings of AA and A2.

With respect to the AGMC-insured swap agreement associated with Series 2007 D, E, F and G bonds, 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 Service, respectively, or agree to post collateral on this swap agreement equal to the amount of negative fair value in excess of \$50,000 if 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. As of December 31, 2021, the fair value of this insured swap agreement was (\$78,674). No collateral was required to be posted by Atrium Health Charlotte for this swap agreement given AGMC's ratings of AA and A2.

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, and the uninsured 2021 E swap has a negative fair value of \$55,000 or more, then Atrium Health Charlotte must post collateral on this swap agreement equal to the amount of fair value in excess of \$55,000. As of December 31, 2021, the fair value of this swap agreement was (\$12,755). No collateral was required to be posted by Atrium Health Charlotte for this swap agreement.

Atrium Health Charlotte's Series 2007 B, C and E and Series 2021 E bonds bear interest at a rate that is equivalent to the SIFMA rate while the Series 2005 B, C and D bonds and Series 2007 D, F, G and H bonds bear interest at LIBOR plus a spread. For those swaps on the SIFMA-based variable rate revenue bonds for which it receives a variable rate based on LIBOR, Atrium Health Charlotte is exposed to basis risk depending upon the relationship between SIFMA and LIBOR. 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, 2021, the SIFMA rate was 0.10% and LIBOR was 0.10%, resulting in a SIFMA to LIBOR relationship of approximately 99%.

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**

In October, 2001, Central Georgia Senior Health, Inc. entered into an uninsured floating-to-fixed interest rate swap agreement on its Series 2000 Revenue Anticipation Certificates, with an initial notional amount of \$23,000. Although the Series 2000 Certificates were refinanced in 2015 and 2017, the interest rate swap agreement remains in place and is to create synthetic fixed rate debt on a portion of the Series 2017 B Revenue Anticipation Certificates. This swap matured on September 1, 2021.

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 2017 B Revenue Anticipation Certificates.

The significant terms and features of the above transactions, which were amended in April 2018 and again in April 2021, as of and for the year ended December 31, 2021, are summarized in the below table. The notional amounts of the swaps 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.

| Associated certificates                 | 2017 B            | 2017 B            |
|---|-------------------|-------------------|
| Notional amount                         | \$ —              | \$ 48,285         |
| Swap type                               | Floating-to-fixed | Floating-to-fixed |
| Origination date                        | October 1, 2001   | August 1, 2005    |
| Final swap maturity                     | September 1, 2021 | May 1, 2024       |
| Navicent Health pays                    | 4.12 %            | 3.29 %            |
| Navicent Health receives                | 67% of LIBOR      | 67% of LIBOR      |
| <br>                                    |                   |                   |
| Fair value at                           |                   |                   |
| December 31, 2021                       | \$ —              | \$ (8,514)        |
| Change in fair value during<br>the year | 166               | 2,918             |

The remaining swap's negative fair value of (\$8,514), as of December 31, 2021, is reported as a long-term liability on the combined balance sheet. As of December 31, 2021, Atrium Health Navicent has determined that its interest rate swaps are not an effective hedging derivative instruments, resulting in changes in its fair value of \$3,084 for the year ended December 31, 2021, being reported in nonoperating income. See note 5 for further discussion of the measurement techniques and inputs utilized in the measurement of the swaps' fair value. For the year ended December 31, 2021, the swaps produced annual net cash outflows of approximately \$1,742. Cash flows associated with the swaps are treated as interest expense.

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As of December 31, 2021, 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, 2021, 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, 2021.

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, 2021, the fair value of this swap agreement was (\$8,514). 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 current SIFMA and LIBOR interest rates and the SIFMA to LIBOR relationship remain the same, as of December 31, 2021, were as follows:

|           | <b>Variable rate bonds and<br/>revenue anticipation certificates</b> |                  | <b>Interest rate<br/>swap – net</b> | <b>Total</b>        |
|-----------|--|------------------|-------------------------------------|---------------------|
|           | <b>Principal</b>   | <b>Interest</b>  |                                     |                     |
| 2022      | \$ 9,175   | \$ 5,393         | \$ 30,236                           | \$ 44,804           |
| 2023      | 18,055   | 5,276            | 29,714                              | 53,045              |
| 2024      | 11,260   | 3,236            | 27,365                              | 41,861              |
| 2025      | 11,745   | 3,171            | 26,850                              | 41,766              |
| 2026      | 12,310   | 3,103            | 26,308                              | 41,721              |
| 2027–2031 | 78,510   | 14,816           | 123,068                             | 216,394             |
| 2032–2036 | 160,445  | 13,259           | 100,463                             | 274,167             |
| 2037–2041 | 282,050  | 9,584            | 60,767                              | 352,401             |
| 2042–2046 | 226,500  | 920              | 8,384                               | 235,804             |
| 2047–2051 | —  | —                | —                                   | —                   |
|           | <u>\$ 810,050</u>  | <u>\$ 58,758</u> | <u>\$ 433,155</u>                   | <u>\$ 1,301,963</u> |

**Atrium Health WFB**

Management directs the effective mix of fixed and variable rate debt in its debt portfolio and manages exposure to increasing interest expense from variable-rate debt, by utilizing interest rate swap agreements. The following table summarizes the general terms of Atrium Health WFB's outstanding agreement as of December 31, 2021:

|                             | <u>2002 Agreement</u> |                      |
|-----------------------------|-----------------------|----------------------|
| Notional amount             | \$                    | 18,340               |
| Swap type                   |                       | Fixed Payer          |
| Origination date            |                       | 37,488               |
| Final bond maturity         |                       | 49,126               |
| Atrium Health WFB pays      |                       | 0.04 %               |
| Atrium Health WFB receives  |                       | 67% of 1-Month LIBOR |
| Fair value at               |                       |                      |
| December 31, 2021           | \$                    | (3,525)              |
| Change in fair value during |                       |                      |
| the year                    |                       | 1,208                |

Atrium Health WFB records its interest rate swap agreements as part of other long-term assets or liabilities in the accompanying combined balance sheet at its fair value. The estimated amounts that Atrium Health WFB would pay to terminate the swap agreement at the reporting date, considering current forward interest rates and the current creditworthiness of the swap counterparties approximate the fair values of the interest rate swap. All changes in fair value are reflected as a gain or loss in nonoperating activities on the combined statement of revenues, expenses and changes in net assets. The periodic net cash settlements with the counterparties are accounted for as adjustments to interest expense.

The fair value of the interest rate swap is a liability of \$ 3,525 at December 31, 2021 for which Atrium Health WFB has posted collateral of \$3,630 as of December 31, 2021. The collateral to support the swap is included in assets whose use is limited.

After taking into account the aforementioned swap agreement, Atrium Health WFB's adjusted debt portfolio was approximately 91% fixed as of December 31, 2021.

**The Enterprise**

The Enterprise had a net gain of \$66,569 on interest rate swaps reflected in nonoperating gains in the combined statement of revenues, expenses and changes in net assets as of December 31, 2021.

**11. Benefit Plans**

Substantially all employees of the Enterprise are eligible to participate in defined contribution benefit plans at their respective region (Atrium Health Charlotte, Atrium Health Navicent, Atrium Health Floyd and Atrium Health WFB). The Enterprise regions contribute specified percentages of each employee's salary to the plans. Total employer contributions across the Enterprise were \$321,129 for the year ended December 31, 2021.

***Atrium Health Charlotte Defined Benefit Pension Plan***

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 Atrium Health Charlotte DB 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. Late in 2013, Atrium Health Charlotte undertook certain steps to modernize its retirement benefits by closing the Atrium Health Charlotte DB Plan to teammates hired after January 1, 2014. The Atrium Health Charlotte DB Plan was frozen for all teammates effective January 1, 2018, after which no additional benefits accrue under the Atrium Health Charlotte DB Plan.

***Atrium Health Navicent Defined Benefit Pension Plan***

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 Atrium Health Navicent DB Plan. As of December 31, 2013, the Atrium Health Navicent DB Plan was frozen for all teammates such that additional benefits no longer accrue after that date.

***Atrium Health Floyd Defined Benefit Pension Plan***

Atrium Health Floyd has a defined benefit pension plan covering substantially all employees of 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. As of March 31, 2014, Atrium Health Floyd DB Plan was frozen for all teammates such that additional benefits no longer accrue after that date.

***Atrium Health NCBH Defined Benefit Pension Plan***

Atrium Health WFB has a defined benefit pension plan covering substantially all employees of NCBH who were employed prior to December 31, 2011. The benefits are based on years of service and the employee’s compensation during the last five years of employment. NCBH’s funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974.

On June 2, 2011, the Board of NCBH amended its pension plan to provide that (i) no further benefits will accrue after December 31, 2011; (ii) no new employees will be eligible to enter the pension plan after December 31, 2011; and (iii) all participants who are active employees of NCBH on December 31, 2011 will become fully vested in their accrued benefits under the pension plan on such date.

***Atrium Health WMC Defined Benefit Pension Plan***

Atrium Health WFB has a defined benefit pension plan covering substantially all employees of Wilkes Medical Center (WMC) who were employed prior to December 31, 2011. The benefits are based on years of service and age. WMC’s funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974. WMC Defined Benefit Pension Plan had a net pension liability balance of \$713 as of December 31, 2021. The plan had a projected benefit obligation of \$38,168 and fair value of plan assets of \$37,455 as of December 31, 2021. The annual income for the WMC Defined Benefit Pension Plan was \$779 for 2021.

***Atrium Health WFB and Atrium Health Enterprise:***

The Enterprise regions made the below contributions to their respective plans and had the below ending net pension liability:

|                                 | <b>As of December 31, 2021</b> |                              |
|---------------------------------|--------------------------------|------------------------------|
|                                 | <b>Contribution</b>            | <b>Net Pension Liability</b> |
| Atrium Health Charlotte DB Plan | \$ 36,570                      | \$ 801,471                   |
| Atrium Health Navicent DB Plan  | 6,960                          | 46,557                       |
| Atrium Health Floyd DB Plan     | 582                            | 22,071                       |
| Atrium Health NCBH DB Plan      | —                              | 72,079                       |
| Totals                          | <u>\$ 44,112</u>               | <u>\$ 942,178</u>            |

**ATRIUM HEALTH ENTERPRISE**

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*Dollars in thousands.*

The following table summarizes the valuation of the Enterprise's defined benefit pension plans' assets by the fair value hierarchy levels as of December 31:

|  | 2021                    |                  |             |                              | Total               |
|--|-------------------------|------------------|-------------|------------------------------|---------------------|
|  | Fair Value Measurements |                  |             | Investments                  |                     |
|  | Level 1                 | Level 2          | Level 3     | Reported at NAV <sub>1</sub> |                     |
| <b>Atrium Health Charlotte DB Plan:</b>      |                         |                  |             |                              |                     |
| Investments at fair value:                   |                         |                  |             |                              |                     |
| Short-term investments                       | \$ 39,105               | \$ —             | \$ —        | \$ —                         | \$ 39,105           |
| Absolute return                              | —                       | —                | —           | 151,242                      | 151,242             |
| Commodities                                  | 43,010                  | —                | —           | —                            | 43,010              |
| Fixed income                                 | 75,599                  | 48,627           | —           | 39,727                       | 163,953             |
| Public equity                                | 526,486                 | —                | —           | 123,780                      | 650,266             |
| Private equity                               | —                       | —                | —           | 67,227                       | 67,227              |
| Total plan investments                       | <u>\$ 684,200</u>       | <u>\$ 48,627</u> | <u>\$ —</u> | <u>\$ 381,976</u>            | <u>1,114,803</u>    |
| Accruals carried at cost                     |                         |                  |             |                              | —                   |
| Total Atrium Health Charlotte DB plan assets |                         |                  |             |                              | <u>\$ 1,114,803</u> |
| <b>Atrium Health Navicent DB Plan:</b>       |                         |                  |             |                              |                     |
| Investments at fair value:                   |                         |                  |             |                              |                     |
| Short-term investments                       | \$ 5,095                | \$ —             | \$ —        | \$ —                         | \$ 5,095            |
| Absolute return                              | 31,513                  | —                | —           | —                            | 31,513              |
| Fixed income                                 | 62,587                  | —                | —           | —                            | 62,587              |
| Public equity                                | 227,418                 | —                | —           | —                            | 227,418             |
| Private equity                               | —                       | —                | —           | 15,960                       | 15,960              |
| Other  | —                       | —                | —           | 242                          | 242                 |
| Total plan investments                       | <u>\$ 326,613</u>       | <u>\$ —</u>      | <u>\$ —</u> | <u>\$ 16,202</u>             | <u>342,815</u>      |
| Accruals carried at cost                     |                         |                  |             |                              | —                   |
| Total Atrium Health Navicent DB plan assets  |                         |                  |             |                              | <u>\$ 342,815</u>   |

# ATRIUM HEALTH ENTERPRISE

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Dollars in thousands.

|  | 2021                    |                   |             |                              |                   |
|--|-------------------------|-------------------|-------------|------------------------------|-------------------|
|  | Fair Value Measurements |                   |             | Investments                  | Total             |
|  | Level 1                 | Level 2           | Level 3     | Reported at NAV <sub>1</sub> |                   |
| <b>Atrium Health Floyd DB Plan:</b>      |                         |                   |             |                              |                   |
| Investments at fair value:               |                         |                   |             |                              |                   |
| Short-term investments                   | \$ —                    | \$ 1,516          | \$ —        | \$ —                         | \$ 1,516          |
| Commodities                              | —                       | 10,800            | —           | —                            | 10,800            |
| Fixed income                             | —                       | 43,287            | —           | —                            | 43,287            |
| Public equity                            | —                       | 17,602            | —           | —                            | 17,602            |
| Private equity                           | —                       | 14,802            | —           | —                            | 14,802            |
| Total plan investments                   | <u>\$ —</u>             | <u>\$ 88,007</u>  | <u>\$ —</u> | <u>\$ —</u>                  | <u>88,007</u>     |
| Accruals carried at cost                 |                         |                   |             |                              | —                 |
| Total Atrium Health Floyd DB plan assets |                         |                   |             |                              | <u>\$ 88,007</u>  |
| <b>Atrium Health NCBH DB Plan:</b>       |                         |                   |             |                              |                   |
| Investments at fair value:               |                         |                   |             |                              |                   |
| Short-term investments                   | \$ 2,263                | \$ —              | \$ —        | \$ —                         | \$ 2,263          |
| Absolute return                          | —                       | —                 | —           | 29,275                       | 29,275            |
| Fixed income                             | 6,060                   | 193,823           | —           | —                            | 199,883           |
| Public equity                            | 149,935                 | —                 | —           | —                            | 149,935           |
| Total plan investments                   | <u>\$ 158,258</u>       | <u>\$ 193,823</u> | <u>\$ —</u> | <u>\$ 29,275</u>             | <u>381,356</u>    |
| Accruals carried at cost                 |                         |                   |             |                              | (25,290)          |
| Total Atrium Health NCBH DB plan assets  |                         |                   |             |                              | <u>\$ 356,066</u> |

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. Methods and assumptions used by the Enterprise in estimating the fair value of each class of financial instruments are discussed in detail in note 5.

The defined benefit pension plans' investment strategies, as set by the respective region's Board, is to provide adequate risk-adjusted returns while protecting the funded status of the plan. Expected long-term allocation targets, as well as the actual asset allocation as of December 31, are as follows:

| Asset category:          | Atrium Health Charlotte<br>DB Plan |              | Atrium Health Navicent<br>DB Plan |              | Atrium Health Floyd<br>DB Plan |              | Atrium Health NCBH<br>DB Plan |              |
|--------------------------|------------------------------------|--------------|-----------------------------------|--------------|--------------------------------|--------------|-------------------------------|--------------|
|                          | Allocation                         | Actual       | Allocation                        | Actual       | Allocation                     | Actual       | Allocation                    | Actual       |
|                          | Target<br>Range                    | 2021         | Target<br>Range                   | 2021         | Target<br>Range                | 2021         | Target<br>Range               | 2021         |
| Equities                 | 64 %                               | 65 %         | 65 %                              | 61 %         | 38 %                           | 37 %         | 40 %                          | 42 %         |
| Fixed income             | 24 %                               | 26 %         | 18 %                              | 20 %         | 51 %                           | 51 %         | 50 %                          | 50 %         |
| Diversified alternatives | 12 %                               | 9 %          | 17 %                              | 19 %         | 11 %                           | 12 %         | 10 %                          | 8 %          |
| Total plan assets        | <u>100 %</u>                       | <u>100 %</u> | <u>100 %</u>                      | <u>100 %</u> | <u>100 %</u>                   | <u>100 %</u> | <u>100 %</u>                  | <u>100 %</u> |

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The Enterprise's accumulated benefit obligation for pension benefits, the fair value of the plan assets and the amount underfunded/(overfunded) in relation to accumulated benefits are as follows:

|                                 | <b>As of December 31, 2021</b>                |                                      |                               |
|---------------------------------|---|--------------------------------------|-------------------------------|
|                                 | <b>Accumulated<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>Plan Assets</b> | <b>Underfunded<br/>Amount</b> |
| Atrium Health Charlotte DB Plan | \$ 1,916,274                                  | \$ 1,114,803                         | \$ 801,471                    |
| Atrium Health Navicent DB Plan  | 389,372                                       | 342,815                              | 46,557                        |
| Atrium Health Floyd DB Plan     | 110,078                                       | 88,007                               | 22,071                        |
| Atrium Health NCBH DB Plan      | 428,145                                       | 356,066                              | 72,079                        |
| Totals:                         | <u>\$ 2,843,869</u>                           | <u>\$ 1,901,691</u>                  | <u>\$ 942,178</u>             |

Estimated future benefit payments for the defined benefit pension plans are as follows:

|              | <b>Year Ending December 31, 2021</b>       |   |  |                                       |
|--------------|--|---|--|---------------------------------------|
|              | <b>Atrium Health<br/>Charlotte DB Plan</b> | <b>Atrium Health<br/>Navicent DB Plan</b> | <b>Atrium Health<br/>Floyd DB Plan</b> | <b>Atrium Health<br/>NCBH DB Plan</b> |
| 2022         | \$ 191,167                                 | \$ 15,118                                 | \$ 5,205                               | \$ 19,270                             |
| 2023         | 178,665                                    | 16,018                                    | 5,302                                  | 19,811                                |
| 2024         | 168,137                                    | 16,905                                    | 5,425                                  | 20,339                                |
| 2025         | 156,255                                    | 17,700                                    | 5,530                                  | 20,935                                |
| 2026         | 149,726                                    | 18,479                                    | 5,574                                  | 21,461                                |
| 2027 to 2031 | 602,991                                    | 102,127                                   | 28,778                                 | 111,405                               |



The following table provides a reconciliation of the changes in Enterprise's portion of the plans' benefit obligations and fair value of assets for the year ended December 31, 2021:

|   | <b>Pension Benefits</b> |                    |                    |                    |
|---|-------------------------|--------------------|--------------------|--------------------|
|   | <b>Charlotte</b>        | <b>Navicent</b>    | <b>Floyd</b>       | <b>NCBH</b>        |
| <b>Change in benefit obligation:</b>                                      |                         |                    |                    |                    |
| Benefit obligation, beginning of year                                     | \$ 2,101,715            | \$ 482,705         | \$ 110,642         | \$ 448,089         |
| Service cost  | —                       | —                  | —                  | —                  |
| Interest cost   | 55,412                  | 12,492             | 1,224              | 12,673             |
| Participants' contributions   | —                       | —                  | —                  | —                  |
| Actuarial (gains) losses  | (88,999)                | (19,541)           | 781                | (15,528)           |
| Benefits paid   | (26,176)                | (17,822)           | (2,569)            | (17,089)           |
| Settlements   | (125,678)               | (68,462)           | —                  | —                  |
| <b>Benefit obligation, end of year</b>                                    | <b>1,916,274</b>        | <b>389,372</b>     | <b>110,078</b>     | <b>428,145</b>     |
| <b>Change in plan assets:</b>   |                         |                    |                    |                    |
| Fair value of plan assets, beginning of year                              | 1,072,872               | 368,825            | 86,952             | 345,828            |
| Actual return on plan assets  | 157,215                 | 53,314             | 3,874              | 27,327             |
| Employer's contributions  | 36,570                  | 6,960              | 582                | —                  |
| Participants' contributions   | —                       | —                  | —                  | —                  |
| Benefits paid   | (26,176)                | (17,822)           | (3,401)            | (17,089)           |
| Settlements   | (125,678)               | (68,462)           | —                  | —                  |
| <b>Fair value of plan assets, end of year</b>                             | <b>1,114,803</b>        | <b>342,815</b>     | <b>88,007</b>      | <b>356,066</b>     |
| <b>Amounts recognized in the combined balance sheets (funded status):</b> |                         |                    |                    |                    |
| Retirement benefits   | (801,471)               | (46,557)           | (22,071)           | (72,079)           |
| <b>Total liability</b>  | <b>\$ (801,471)</b>     | <b>\$ (46,557)</b> | <b>\$ (22,071)</b> | <b>\$ (72,079)</b> |
| <b>Amounts recognized in net assets without donor restrictions:</b>       |                         |                    |                    |                    |
| Prior service credit  | \$ —                    | \$ —               | \$ —               | \$ —               |
| Net actuarial (losses) gains  | (162,820)               | (41,267)           | 143                | 64,285             |
| <b>Total</b>  | <b>\$ (162,820)</b>     | <b>\$ (41,267)</b> | <b>\$ 143</b>      | <b>\$ 64,285</b>   |

Components of net periodic pension cost (benefit) for the plans for year ended December 31, 2021 are as follows:

|  | <b>Pension Benefits</b> |                    |                   |                 |
|--|-------------------------|--------------------|-------------------|-----------------|
|  | <b>Charlotte</b>        | <b>Navicent</b>    | <b>Floyd</b>      | <b>NCBH</b>     |
| Interest cost                                    | \$ 55,412               | \$ 12,492          | \$ 1,224          | \$ 12,673       |
| Expected return on plan assets                   | (74,791)                | (24,331)           | (2,403)           | (15,049)        |
| Amortization of actuarial net loss               | —                       | —                  | —                 | 9,980           |
| Settlement credit                                | (8,604)                 | (7,256)            | —                 | —               |
| <b>Total net periodic pension cost (benefit)</b> | <b>\$ (27,983)</b>      | <b>\$ (19,095)</b> | <b>\$ (1,179)</b> | <b>\$ 7,604</b> |

For defined benefit plans with prior service costs, the costs and credits are amortized on a straight-line basis over the average remaining service period of active participants. Gains in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

Assumptions used in the measurement of the Enterprise's benefit obligations and benefit costs as of December 31, 2021 are as follows:

|                                | Pension Benefits |       |            |       |            |       |            |       |
|--------------------------------|------------------|-------|------------|-------|------------|-------|------------|-------|
|                                | Charlotte        |       | Navicent   |       | Floyd      |       | NCBH       |       |
|                                | Obligation       | Cost  | Obligation | Cost  | Obligation | Cost  | Obligation | Cost  |
| Weighted-average assumptions:  |                  |       |            |       |            |       |            |       |
| Discount rate                  | 3.00%            | 2.65% | 3.00%      | 2.65% | 2.98%      | 2.26% | 2.99%      | 3.00% |
| Expected return on plan assets | 7.50%            | 7.50% | 7.10%      | 6.70% | 5.65%      | 5.65% | 5.20%      | 5.35% |
| Interest crediting rate        | 4.18%            | 4.42% | N/A        | N/A   | N/A        | N/A   | N/A        | N/A   |

The expected return on plan assets are based on expectations regarding each asset category and average long-term rate of returns for a portfolio allocated across these categories. The expected return is reviewed annually and adjusted as appropriate to reflect changes in the expected market performance of the investments.

#### *Defined Benefit Postretirement Medical and Dental Plans*

Atrium Health Navicent and Atrium Health WFB also sponsor unfunded postretirement health and dental plans which have a current and noncurrent liability balance as of December 31, 2021:

|                       | <b>Atrium<br/>Health<br/>Navicent</b> | <b>Atrium<br/>Health<br/>WFB</b> |
|-----------------------|---------------------------------------|----------------------------------|
| Current liability     | \$ 2,130                              | \$ 2,112                         |
| Non-current liability | 19,659                                | 23,253                           |
| Total liability       | <u>\$ 21,789</u>                      | <u>\$ 25,365</u>                 |

#### **Atrium Health CMHA GASB 68 Accounting:**

##### ***Defined Contribution Plans***

Retirement benefits for Atrium Health CMHA are provided to teammates using both defined contribution (DC) plans and defined benefit (DB) plans.

Atrium Health CMHA offers several defined contribution plans with the largest plan for Atrium Health Charlotte and Atrium Health Floyd being separate Section 401(k) defined contribution plans and the largest plan for Atrium Health Navicent being a Section 403(b) defined contribution plan. These plans cover all full-time teammates of Atrium Health Charlotte, Navicent, and Floyd and are funded by voluntary teammate contributions and certain matching contributions by Atrium Health Charlotte, Navicent, and Floyd to their respective plans. Defined contribution plan assets are not recorded in Atrium Health CMHA's combined balance sheet but are held in participant-directed individual accounts and were \$4,724,736 for the Atrium Health Charlotte DC Plans, \$509,289 for the Atrium Health Navicent DC Plan, and \$167,450 for the Atrium Health Floyd DC Plan at December 31, 2021. Total matching contribution expense was \$192,928 for the Atrium Health Charlotte DC Plan, \$10,769 for the Atrium Health Navicent DC Plan, and \$6,510 for the Atrium Health Floyd DC Plan for the year ended December 31, 2021.

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**Atrium Health CMHA DB Plans' Benefits Provided** – 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 DB Plan membership data as of January 1, 2020 and rolled forward to the measurement date of July 1, 2021. The Atrium Health CMHA DB Plans' participant data as of July 1, 2021 is as follows:

|   | <b>2021</b>                                    |   |  |
|---|--|---|--|
|   | <b>Atrium Health<br/>Charlotte<br/>DB Plan</b> | <b>Atrium Health<br/>Navicent<br/>DB Plan</b> | <b>Atrium Health<br/>Floyd<br/>DB Plan</b> |
| Retirees and beneficiaries receiving benefits                               | 2,792  | 1,281   | 594  |
| Previously employed plan members entitled to but not yet receiving benefits | 7,366  | 1,428   | 220  |
| Employed plan members   | <u>16,801</u>                                  | <u>1,427</u>                                  | <u>402</u>                                 |
| Total   | <u><u>26,959</u></u>                           | <u><u>4,136</u></u>                           | <u><u>1,216</u></u>                        |

**Contributions to the Atrium Health CMHA DB Plans** – Annual contributions to the Atrium Health CMHA DB Plans are based upon actuarial calculations. Atrium Health CMHA DB Plans utilize the entry age normal method to determine annual contributions. There are no teammate contributions to any of the Atrium Health CMHA DB 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 DB Plans' participants. In addition, with the freezing of the Atrium Health CMHA DB Plans, Atrium Health CMHA regions have periodically made contributions to their respective plans under Atrium Health CMHA 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, 2021 equaled 2.2%, 7.2%, and 1.6% of covered payroll for Atrium Health Charlotte, Atrium Health Navicent, and Atrium Health Floyd, respectively. This contribution rate was determined based on a measurement date of January 1, 2021.

**Atrium Health CMHA DB Plans' Actuarial Assumptions** – The total Atrium Health CMHA DB Plans' pension liability (asset) based on the July 1, 2021, measurement date was determined using the following actuarial assumptions:

|   | <b>2021</b>                                    |   |  |
|---|--|---|--|
|   | <b>Atrium Health<br/>Charlotte<br/>DB Plan</b> | <b>Atrium Health<br/>Navicent<br/>DB Plan</b> | <b>Atrium Health<br/>Floyd<br/>DB Plan</b> |
| Inflation rate  | 2.1 %  | 2.1 %   | 2.1 %                                      |
| Investment rate of return (net of investment expenses, including inflation) | 7.5 %  | 7.5 %   | 5.7 %                                      |
| Lump sum interest rate  | 4.5 %  | —   | —  |

Actuarial assumptions used in the July 1, 2021 valuations were based on the results of an actuarial experience study that is conducted every four years, most recently in 2020. Mortality rates were based on the Pri-2012 table (credibility adjustment factor of 95%) with MP-2020 Generational

Projections. 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 Navient of \$6,103 and \$1,221 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 7.5% for Atrium Health Charlotte and Atrium Health Navient and 5.65% 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, 2020, the beginning of the measurement period, and are summarized in the following table:

| Asset class             | Atrium Health Charlotte DB Plan |                         |                              | Atrium Health Navient DB Plan |                         |                              | Atrium Health Floyd DB Plan |                         |                              |
|-------------------------|---------------------------------|-------------------------|------------------------------|-------------------------------|-------------------------|------------------------------|-----------------------------|-------------------------|------------------------------|
|                         | Target allocation               | Expected nominal return | Expected real rate of return | Target allocation             | Expected nominal return | Expected real rate of return | Target allocation           | Expected nominal return | Expected real rate of return |
| Fixed income            | 17.0 %                          | 3.5 %                   | 1.4 %                        | 22.0 %                        | 3.5 %                   | 1.4 %                        | 46.0 %                      | 3.3 %                   | 1.2 %                        |
| Long/short fixed income | 10.0                            | 5.5                     | 3.3                          | 7.0                           | 5.5                     | 3.3                          | —                           | - %                     | —                            |
| Domestic equities       | 23.0                            | 6.2                     | 4.0                          | 27.0                          | 6.2                     | 5.0                          | 14.0                        | 6.5 %                   | 4.3                          |
| International equities  | 16.0                            | 6.2                     | 4.0                          | 16.0                          | 6.2                     | 5.0                          | 14.0                        | 7.2 %                   | 5.0                          |
| Global equities         | 22.0                            | 6.8                     | 4.6                          | 23.0                          | 6.8                     | 5.6                          | 10.0                        | 7.1 %                   | 4.9                          |
| Private equity funds    | 8.0                             | 9.9                     | 7.6                          | 5.0                           | 9.9                     | 7.6                          | —                           | —                       | —                            |
| Real asset funds        | 4.0                             | 5.6                     | 3.4                          | —                             | —                       | —                            | 16.0                        | 5.2 %                   | 3.0                          |
| Total target allocation | <u>100.0 %</u>                  |                         |                              | <u>100.0 %</u>                |                         |                              | <u>100.0 %</u>              |                         |                              |

**Rate of return** – For the Atrium Health CMHA Plans fiscal year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 32.6% for Atrium Health Charlotte, 29.9% for Atrium Health Navient, and 20.2% for Atrium Health Floyd. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

**Atrium Health CMHA DB Plans' Discount rate** – The discount rate used to measure the total Atrium Health CMHA DB Plans' pension liability (asset) as of July 1, 2021 was 7.5% for Charlotte and Navient and 5.7% 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 DB Plan's 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).

**Changes in the Atrium Health CMHA DB Plans' Net Pension Liability (Asset)**

Changes in the Atrium Health CMHA DB Plans' net pension liability (asset) for the year ended December 31, 2021, are as follows:

|  | Increase (decrease)               |                                       |   |
|--|-----------------------------------|---------------------------------------|---|
|  | Total pension<br>liability<br>(a) | Plan fiduciary<br>net position<br>(b) | Net pension<br>liability (asset)<br>(a) – (b) |
| <b>Atrium Health Charlotte:</b>  |                                   |                                       |   |
| Balances at December 31, 2020 (based on July 1, 2020 measurement date) | \$ 1,414,024                      | \$ 968,064                            | \$ 445,960                                    |
| Changes for the fiscal year:   |                                   |                                       |   |
| Interest cost  | 100,567                           | —                                     | 100,567                                       |
| Differences between expected and actual experiences                    | 4,818                             | —                                     | 4,818   |
| Changes in assumptions   | 6,103                             | —                                     | 6,103   |
| Contributions - employer   | —                                 | 36,570                                | (36,570)                                      |
| Investment gains and other, net  | —                                 | 295,675                               | (295,675)                                     |
| Benefit payments   | (146,316)                         | (146,316)                             | —   |
| Administrative expense   | —                                 | (178)                                 | 178   |
| Net changes  | <u>(34,828)</u>                   | <u>185,751</u>                        | <u>(220,579)</u>                              |
| Ending balance:  | <u>\$ 1,379,196</u>               | <u>\$ 1,153,815</u>                   | <u>\$ 225,381</u>                             |
| <b>Atrium Health Navicent:</b>   |                                   |                                       |   |
| Balances at December 31, 2020 (based on July 1, 2020 measurement date) | \$ 279,236                        | \$ 326,706                            | \$ (47,470)                                   |
| Changes for the fiscal year:   |                                   |                                       |   |
| Interest cost  | 20,195                            | —                                     | 20,195  |
| Differences between expected and actual experiences                    | (2,042)                           | —                                     | (2,042)                                       |
| Changes in assumptions   | (1,221)                           | —                                     | (1,221)                                       |
| Contributions - employer   | —                                 | 7,108                                 | (7,108)                                       |
| Investment gains and other, net  | —                                 | 93,602                                | (93,602)                                      |
| Benefit payments   | (19,937)                          | (19,937)                              | —   |
| Administrative expense   | —                                 | (2,202)                               | 2,202   |
| Net changes  | <u>(3,005)</u>                    | <u>78,571</u>                         | <u>(81,576)</u>                               |
| Ending balance:  | <u>\$ 276,231</u>                 | <u>\$ 405,277</u>                     | <u>\$ (129,046)</u>                           |

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|   | Increase (decrease)            |                                    |  |
|---|--------------------------------|------------------------------------|--|
|   | Total pension liability<br>(a) | Plan fiduciary net position<br>(b) | Net pension liability (asset)<br>(a) – (b) |
| <b>Atrium Health Floyd:</b>   |                                |                                    |  |
| Balances at December 31, 2020 (based on July 1, 2020 measurement date)          | \$ 80,957                      | \$ 84,518                          | \$ (3,561)                                 |
| Changes for the fiscal year:  |                                |                                    |  |
| Interest cost   | 2,221                          | —                                  | 2,221                                      |
| Contributions - employer  | —                              | 532                                | (532)                                      |
| Investment gains and other, net   |                                | 4,446                              | (4,446)                                    |
| Benefit payments  | (2,518)                        | (2,518)                            | —  |
| Administrative expense  | —                              | (25)                               | 25   |
| Net changes   | (297)                          | 2,435                              | (2,732)                                    |
| Ending balances   | 80,660                         | 86,953                             | (6,293)                                    |
| Total Balances at December 31, 2021<br>(based on July 1, 2021 measurement date) | <u>\$ 1,736,087</u>            | <u>\$ 1,646,045</u>                | <u>\$ 90,042</u>                           |

**Sensitivity of the Atrium Health CMHA DB Plans' net pension liability (asset) to changes in the discount rate** – The following table presents the net Atrium Health CMHA DB Plans pension liability (asset) as of the July 1, 2021 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:

|   | 1% Decrease<br>6.50% | Current rate<br>7.50% | 1% Increase<br>8.50% |
|---|----------------------|-----------------------|----------------------|
| Atrium Health Charlotte net pension liability at July 1, 2021     | \$ 311,280           | \$ 225,381            | \$ 149,688           |
| Atrium Health Navicent net pension asset at July 1, 2021          | \$ (100,851)         | \$ (129,046)          | \$ (153,009)         |
|   | 1% Decrease<br>4.65% | Current rate<br>5.65% | 1% Increase<br>6.65% |
| Atrium Health Floyd net pension liability (asset) at July 1, 2021 | \$ 3,186             | \$ (6,293)            | \$ (14,178)          |

**Atrium Health CMHA DB Plans' Investments** – Policies pertaining to the allocation of investments within the Atrium Health CMHA DB Plans are established and may be amended by each region's respective Board. It is the policy to invest pension assets in a wide range of permitted securities that maintain a balance between current income needs and the growth of principal for the future.

Atrium Health Charlotte, Navicent, and Floyd, as plan sponsors, have fiduciary responsibility for their respective DB Plan assets on behalf of the plan participants and beneficiaries.

The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The methods for determining fair value are consistent with Atrium Health CMHA's valuation techniques and presentation as detailed in note 5.

Atrium Health CMHA DB Plans' assets were invested as follows as of the July 1, 2021 measurement date:

|  | Atrium Health Charlotte DB Plan |  |   | Atrium Health Navicent DB Plan |  |   | Atrium Health Floyd DB Plan |  |   |
|--|---------------------------------|--|---|--------------------------------|--|---|-----------------------------|--|---|
|  | Defined benefit plan assets     | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Defined benefit plan assets    | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Defined benefit plan assets | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) |
| Short term investments                   | \$ 32,392                       | \$ 32,392  | \$ —  | \$ 4,762                       | \$ 4,762   | \$ —  | \$ 1,381                    | \$ —   | \$ 1,381                                      |
| Fixed income:                            |                                 |  |   |                                |  |   |                             |  |   |
| U.S. government treasuries and agencies  | 25,498                          | —  | 25,498  | —                              | —  | —   | —                           | —  | —   |
| Corporate bonds                          | 10,109                          | —  | 10,109  | —                              | —  | —   | —                           | —  | —   |
| Fixed income - other                     | 55,829                          | 55,829   | —   | 72,272                         | 72,272   | —   | 42,507                      | —  | 42,507  |
| Asset-backed securities                  | 9,514                           | —  | 9,514   | —                              | —  | —   | —                           | —  | —   |
| Total fixed income                       | 100,950                         | 55,829   | 45,121  | 72,272                         | 72,272   | —   | 42,507                      | —  | 42,507  |
| Equity:                                  |                                 |  |   |                                |  |   |                             |  |   |
| Domestic equities                        | 269,826                         | 269,826  | —   | 140,151                        | 140,151  | —   | 14,408                      | —  | 14,408  |
| International equities                   | 100,125                         | 100,125  | —   | 64,455                         | 64,455   | —   | 10,217                      | —  | 10,217  |
| Global equities                          | 177,545                         | 177,545  | —   | 64,093                         | 64,093   | —   | 8,261                       | —  | 8,261   |
| Total equity                             | 547,496                         | 547,496  | —   | 268,699                        | 268,699  | —   | 32,886                      | —  | 32,886  |
| Global asset allocation funds            | —                               | —  | —   | —                              | —  | —   | —                           | —  | —   |
| Real asset funds                         | 20,779                          | 20,779   | —   | 40,067                         | 40,067   | —   | 10,179                      | —  | 10,179  |
| Total investments by fair value level    | 701,617                         | \$ 656,496   | \$ 45,121                                     | 385,800                        | \$ 385,800   | \$ —  | 86,953                      | \$ —   | \$ 86,953                                     |
| Investments measured at NAV:             |                                 |  |   |                                |  |   |                             |  |   |
| Fixed income - other                     | 50,396                          |  |   | —                              |  |   | —                           |  |   |
| Global asset allocation funds            | 91,388                          |  |   | —                              |  |   | —                           |  |   |
| Long/short fixed income                  | 96,177                          |  |   | —                              |  |   | —                           |  |   |
| Multi-strategy hedge funds               | —                               |  |   | 245                            |  |   | —                           |  |   |
| Global Equity                            | 84,979                          |  |   | —                              |  |   | —                           |  |   |
| International Equity                     | 43,744                          |  |   | —                              |  |   | —                           |  |   |
| Private equity funds                     | 67,344                          |  |   | 15,752                         |  |   | —                           |  |   |
| Total investments measured at NAV        | 434,028                         |  |   | 15,997                         |  |   | —                           |  |   |
| Total investments measured at fair value | \$ 1,135,645                    |  |   | \$ 401,797                     |  |   | \$ 86,953                   |  |   |

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, 2021 measurement date:

|                               | Atrium Health Charlotte DB Plan |                      |               |            | Atrium Health Navicent DB Plan |                      |               |            |
|-------------------------------|---------------------------------|----------------------|---------------|------------|--------------------------------|----------------------|---------------|------------|
|                               | Unfunded commitments            |                      | Redemption    |            | Unfunded commitments           |                      | Redemption    |            |
|                               | as of July 1 2021               | Redemption frequency | notice period |            | as of July 1 2021              | Redemption frequency | notice period |            |
| Fixed income - other          | \$ 50,396                       | \$ —                 | Monthly       | 15 days    | \$ —                           | \$ —                 | Monthly       | 15 days    |
| Global asset allocation funds | 91,388                          | —                    | Daily         | 2 days     | —                              | —                    | Daily         | 2 days     |
| Long/short fixed income       | 96,177                          |                      | Quarterly     | 45-90 days | —                              |                      | Quarterly     | 45-90 days |
| Multi-strategy hedge funds    | —                               | —                    | N/A           | N/A        | 245                            | —                    | N/A           | N/A        |
| Global Equity                 | 84,979                          | —                    | Monthly       | 14 days    | —                              | —                    | Monthly       | 14 days    |
| International Equity          | 43,744                          | —                    | N/A           | N/A        | —                              | —                    | N/A           | N/A        |
| Private equity funds          | 67,344                          | 15,055               | N/A           | N/A        | 15,752                         | 9,781                | N/A           | N/A        |
| Total                         | \$ 434,028                      | \$ 15,055            |               |            | \$ 15,997                      | \$ 9,781             |               |            |

The Plans' presentation of asset segments is consistent with Atrium Health CMHA's presentation as detailed in note 4.

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**Pension expense and deferred outflows of resources and deferred inflows of resources related to the Atrium Health CMHA DB Plans** – For the year ended December 31, 2021, Atrium Health CMHA recognized pension benefit of \$13,999 for the Atrium Health CMHA DB Plans. At December 31, 2021, Atrium Health CMHA Plans reported deferred outflows and inflows of resources as follows based on July 1, 2021 measurement date:

|  | Deferred outflows of resources        |                                      |                                   | Deferred inflows of resources         |                                      |                                   |
|--|---------------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|
|  | Atrium Health<br>Charlotte<br>DB Plan | Atrium Health<br>Navicent<br>DB Plan | Atrium Health<br>Floyd<br>DB Plan | Atrium Health<br>Charlotte<br>DB Plan | Atrium Health<br>Navicent<br>DB Plan | Atrium Health<br>Floyd<br>DB Plan |
| Difference between expected and actual experience related to demographic factors | \$ 28,040                             | \$ 907                               | \$ —                              | \$ (12,972)                           | \$ (1,228)                           | \$ —                              |
| Assumption changes   | 25,006                                | —                                    | —                                 | (2,568)                               | (1,309)                              | —                                 |
| Difference between expected and actual investment earnings                       | 52,814                                | 14,865                               | —                                 | (184,361)                             | (64,348)                             | (1,694)                           |
| Contribution made in fiscal year 2021 after measurement date                     | —                                     | —                                    | 582                               | —                                     | —                                    | —                                 |
| Total  | <u>\$ 105,860</u>                     | <u>\$ 15,772</u>                     | <u>\$ 582</u>                     | <u>\$ (199,901)</u>                   | <u>\$ (66,885)</u>                   | <u>\$ (1,694)</u>                 |

Amounts reported above as deferred outflows of resources and deferred inflows of resources related to the Atrium Health CMHA DB Plans at December 31, 2021 will be recognized in pension expense for the year ended December 31, as follows:

|            | Amount                                |                                      |                                   |
|------------|---------------------------------------|--------------------------------------|-----------------------------------|
|            | Atrium Health<br>Charlotte<br>DB Plan | Atrium Health<br>Navicent<br>DB Plan | Atrium Health<br>Floyd<br>DB Plan |
| 2022       | \$ 16,403                             | \$ (14,275)                          | \$ (424)                          |
| 2023       | 14,636                                | (13,847)                             | (424)                             |
| 2024       | 21,258                                | (9,018)                              | (423)                             |
| 2025       | 41,873                                | (13,973)                             | (423)                             |
| 2026       | (129)                                 | —                                    | —                                 |
| Thereafter | —                                     | —                                    | —                                 |
|            | <u>\$ 94,041</u>                      | <u>\$ (51,113)</u>                   | <u>\$ (1,694)</u>                 |

#### Other Benefit Plans

Atrium Health Navicent also sponsors an unfunded postretirement health and dental plan which has a liability of \$22,870 as December 31, 2021 (based on July 1, 2021 measurement date).

#### Atrium Health CMHA GASB 67 Accounting:

##### Fiduciary Pension Trust Funds

The Atrium Health CMHA DB Plans are considered fiduciary pension trust funds. The following fiduciary fund information is provided as of December 31, 2021, the fiscal year end for the three plans, in addition to information previously provided for the three plans as of July 1, 2021 regarding



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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.

#### **Atrium Health CMHA DB Plans' net pension liability as of plan fiscal year end**

The Atrium Health CMHA plans' fiscal year end is December 31. The components of the net pension liability (asset) of the Atrium Health CMHA DB Plans on December 31, 2021 were as follows:

|   | <b>Atrium Health<br/>Charlotte<br/>DB Plan</b> | <b>Atrium Health<br/>Navicent<br/>DB Plan</b> | <b>Atrium Health<br/>Floyd<br/>DB Plan</b> |
|---|--|---|--|
| Total pension liability   | \$ 1,351,075                                   | \$ 233,397                                    | \$ 80,302                                  |
| Plan fiduciary net position   | 1,114,803                                      | 342,815                                       | 88,007                                     |
| Atrium Health net pension liability (asset)                               | <u>\$ 236,272</u>                              | <u>\$ (109,418)</u>                           | <u>\$ (7,705)</u>                          |
| Plan fiduciary net position as a percentage<br>of total pension liability | 83%  | 147%  | 110%                                       |

**Sensitivity of the Atrium Health CMHA DB Plans' net pension liability to changes in the discount rate** – The following table presents the Atrium Health CMHA DB Plans' net pension liability (asset) as of December 31, 2021 calculated using the discount rate and alternatively, 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:

|   | <b>1% Decrease<br/>6.50%</b> | <b>Current rate<br/>7.50%</b> | <b>1% Increase<br/>8.50%</b> |
|---|------------------------------|-------------------------------|------------------------------|
| Atrium Health Charlotte net pension liability<br>at December 31, 2021     | \$ 318,431                   | \$ 236,272                    | \$ 163,942                   |
| Atrium Health Navicent net pension asset<br>at December 31, 2021          | \$ (84,870)                  | \$ (109,418)                  | \$ (130,234)                 |
|   | <b>1% Decrease<br/>4.65%</b> | <b>Current rate<br/>5.65%</b> | <b>1% Increase<br/>6.65%</b> |
| Atrium Health Floyd net pension liability<br>(asset) at December 31, 2021 | \$ 1,604                     | \$ (7,705)                    | \$ (15,463)                  |

#### **Atrium Health CMHA DB Plans' Investments**

The Plans categorize its fair value measurements within the fair value hierarchy established by GAAP. The methods for determining fair value are consistent with Atrium Health CMHA's valuation techniques and presentation as detailed in note 5.

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*Dollars in thousands.*

Atrium Health CMHA DB Plans' assets were invested as follows as of December 31, 2021:

|  | Atrium Health Charlotte DB Plan |  |   | Atrium Health Navicent DB Plan |  |   | Atrium Health Floyd DB Plan |  |   |
|--|---------------------------------|--|---|--------------------------------|--|---|-----------------------------|--|---|
|  | Defined benefit plan assets     | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Defined benefit plan assets    | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Defined benefit plan assets | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) |
| Short term investments                   | \$ 39,105                       | \$ 39,105  | \$ —  | \$ 5,095                       | \$ 5,095   | \$ —  | \$ 1,516                    | \$ —   | \$ 1,516                                      |
| Fixed income:                            |                                 |  |   |                                |  |   |                             |  |   |
| U.S. government treasuries and agencies  | 18,313                          | —  | 18,313  | —                              | —  | —   | —                           | —  | —   |
| Corporate bonds                          | 17,047                          | —  | 17,047  | —                              | —  | —   | —                           | —  | —   |
| Fixed income – other                     | 75,599                          | 75,599   | —   | 62,587                         | 62,587   | —   | 43,287                      | —  | 43,287  |
| Asset-backed Securities                  | 13,267                          | —  | 13,267  | —                              | —  | —   | —                           | —  | —   |
| Total fixed income                       | 124,226                         | 75,599   | 48,627  | 62,587                         | 62,587   | —   | 43,287                      | —  | 43,287  |
| Equity:                                  |                                 |  |   |                                |  |   |                             |  |   |
| Domestic equities                        | 275,713                         | 275,713  | —   | 122,732                        | 122,732  | —   | 14,802                      | —  | 14,802  |
| International equities                   | 96,993                          | 96,993   | —   | 38,445                         | 38,445   | —   | 9,407                       | —  | 9,407   |
| Global equities                          | 153,780                         | 153,780  | —   | 66,241                         | 66,241   | —   | 8,195                       | —  | 8,195   |
| Total equity                             | 526,486                         | 526,486  | —   | 227,418                        | 227,418  | —   | 32,404                      | —  | 32,404  |
| Global asset allocation funds            | —                               | —  | —   | —                              | —  | —   | —                           | —  | —   |
| Real asset funds                         | 43,010                          | 43,010   | —   | 31,513                         | 31,513   | —   | 10,800                      | —  | 10,800  |
| Total investments by fair value level    | 732,827                         | \$ 684,200   | \$ 48,627                                     | 326,613                        | \$ 326,613   | \$ —  | 88,007                      | \$ —   | \$ 88,007                                     |
| Investments measured at NAV:             |                                 |  |   |                                |  |   |                             |  |   |
| Fixed income - other                     | 39,727                          | —  | —   | —                              | —  | —   | —                           | —  | —   |
| Global asset allocation funds            | 58,371                          | —  | —   | —                              | —  | —   | —                           | —  | —   |
| Long/short fixed income                  | 92,871                          | —  | —   | —                              | —  | —   | —                           | —  | —   |
| Multi-strategy hedge funds               | —                               | —  | —   | 242                            | —  | —   | —                           | —  | —   |
| Global Equity                            | 80,527                          | —  | —   | —                              | —  | —   | —                           | —  | —   |
| International Equity                     | 43,253                          | —  | —   | —                              | —  | —   | —                           | —  | —   |
| Private equity funds                     | 67,227                          | —  | —   | 15,960                         | —  | —   | —                           | —  | —   |
| Total investments measured at NAV        | 381,976                         | —  | —   | 16,202                         | —  | —   | —                           | —  | —   |
| Total investments measured at fair value | \$ 1,114,803                    | —  | —   | \$ 342,815                     | —  | —   | \$ 88,007                   | —  | —   |

The table below discloses the unfunded commitments, redemption frequency, and redemption notice period for investments measure at net asset value as of December 31, 2021:

|                               | Atrium Health Charlotte DB Plan |  |                      |                          | Atrium Health Navicent DB Plan |  |                      |                          |
|-------------------------------|---------------------------------|--|----------------------|--------------------------|--------------------------------|--|----------------------|--------------------------|
|                               | 2021                            | Unfunded commitments as of Dec 31 2021 | Redemption frequency | Redemption notice period | 2021                           | Unfunded commitments as of Dec 31 2021 | Redemption frequency | Redemption notice period |
| Fixed income - other          | \$ 39,727                       | \$ —                                   | Monthly              | 15 days                  | \$ —                           | \$ —                                   | Monthly              | 15 days                  |
| Global asset allocation funds | 58,371                          | —                                      | Daily                | 2 days                   | —                              | —                                      | Daily                | 2 days                   |
| Long/short fixed income       | 92,871                          | —                                      | Quarterly            | 45–90 days               | —                              | —                                      | Quarterly            | 45–90 days               |
| Multi-strategy hedge funds    | —                               | —                                      | N/A                  | N/A                      | 242                            | —                                      | N/A                  | N/A                      |
| Global Equity                 | 80,527                          | —                                      | Monthly              | 14 days                  | —                              | —                                      | Monthly              | 14 days                  |
| International Equity          | 43,253                          | —                                      | N/A                  | N/A                      | —                              | —                                      | N/A                  | N/A                      |
| Private equity funds          | 67,227                          | 14,937                                 | N/A                  | N/A                      | 15,960                         | 9,676                                  | N/A                  | N/A                      |
| Total                         | \$ 381,976                      | \$ 14,937                              |                      |                          | \$ 16,202                      | \$ 9,676                               |                      |                          |

**12. Contingencies and Other Commitments**

a. ***Grant Awards***

Expenditures and indirect costs related to governmental grants and contracts are subject to adjustment based upon review by the granting agencies. The amounts, if any, of expenditures, which may be disallowed by the granting agencies cannot be determined at this time, although management expects they will not have a material effect on the Enterprise's combined financial position.

b. ***Professional Liability Insurance***

The Enterprise 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, 2021. 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 2021. 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 \$ 1 million per occurrence and \$4 million in aggregate. For Polk Medical Center Inc. and Floyd Cherokee Medical Center, wholly owned subsidiaries of Atrium Health Floyd, claims are covered by a claims-made general and professional liability insurance policy with a specified deductible of \$50,000 per incident, \$1 million per occurrence and \$3 million in aggregate. In both plans, malpractice claims more than the self-insurance retention limits are insured with commercial insurance carriers on a claims-made basis. The umbrella policy covers malpractice claims up to \$15 million in aggregate.

Atrium Health WFB maintains professional liability coverage, which included a \$6 million per occurrence and a \$30 million annual aggregate self-insurance limit for the year ended December 31, 2021. Atrium Health WFB estimates its professional liability on an actuarial basis.

c. ***Litigation***

The Enterprise is involved in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, management is of the opinion that

the resolution of these legal actions will not have a material effect on the financial position of Atrium Health CMHA, Atrium Health WFB, or the Enterprise.

d. ***Future Obligations***

Atrium Health CMHA has entered into contracts for various construction and capital projects, for which remaining commitments totaled approximately \$321,569 at December 31, 2021.

Atrium Health WFB's estimated cost to complete construction in progress at December 31, 2021 is approximately \$50,915.

Effective January 1, 2012, under the terms of a Lease Agreement between Atrium Health CMHA and Union County, Atrium Health CMHA leases hospital real estate from, and makes annual lease payments to, Union County. The initial term of the Lease Agreement remains in effect until December 31, 2061, unless earlier terminated, extended or renewed in accordance with the provisions of the Lease 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 Lease Agreement for an initial renewal term of 25 years. During the term of the Lease 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 Lease 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 Lease Agreement. As of December 31, 2021, the purchase price as stated in the Lease Agreement was \$127,792. The present value of Atrium Health CMHA's obligation for the annual lease payments, discounted using an effective interest rate of 4.34%, was \$120,149 as of December 31, 2021, 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 Lease Agreement between Atrium Health CMHA and Union County, Atrium Health CMHA has committed to reinvest in healthcare related 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 Lease Agreement. Management believes Atrium Health CMHA has reinvested in excess of the commitment levels for the first eight years of the 15-year period.

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 2021.

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 Charlotte, 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 Enterprise, the Enterprise also has agreed to invest nearly \$600 million 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 2021) to accelerate academic initiatives. Atrium Health Charlotte and the Enterprise have committed to establish the academic endowment fund and to fund the Academic Enrichment Fund from non-Atrium Health WFB funds. See Note 17 for more information regarding the funding of these commitments.

e. **HIPAA Compliance**

Under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the federal government has authority to complete fraud and abuse investigations. HIPAA has established substantial fines and penalties for offenders. The Enterprise maintains policies and procedures, and requires regular training sessions for employees in order to ensure and monitor compliance with HIPAA, as well as other applicable local, state and federal statutes and regulations.

### 13. Net Assets

The following is a summary of net assets of Atrium Health WFB and the Enterprise at December 31, 2021, respectively:

|  | <b>Atrium Health WFB</b>                  |                                    |                     |
|--|---|------------------------------------|---------------------|
|  | <b>Without<br/>donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>        |
| Operations                                   | \$ 1,863,541                              | \$ —                               | \$ 1,863,541        |
| Endowment net assets                         | 539,056                                   | 287,052                            | 826,108             |
| Gifts and pledges                            | —   | 105,507                            | 105,507             |
| Student loan funds                           | —   | 5,182                              | 5,182               |
| Interests in perpetual trusts held by others | —   | 15,282                             | 15,282              |
| Annuity and other split-interest agreements  | —   | 1,317                              | 1,317               |
| Total net assets                             | <u>\$ 2,402,597</u>                       | <u>\$ 414,340</u>                  | <u>\$ 2,816,937</u> |

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

|  | <b>Atrium Health Enterprise</b>           |                                    |                      |
|--|---|------------------------------------|----------------------|
|  | <b>Without<br/>donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>         |
| Operations                                   | \$ 10,296,072                             | \$ 2,431                           | \$ 10,298,503        |
| Endowment net assets                         | 539,056                                   | 349,989                            | 889,045              |
| Gifts and pledges                            | —   | 558,474                            | 558,474              |
| Student loan funds                           | —   | 5,182                              | 5,182                |
| Interests in perpetual trusts held by others | —   | 15,282                             | 15,282               |
| Annuity and other split-interest agreements  | —   | 1,317                              | 1,317                |
| Total net assets                             | <u>\$ 10,835,128</u>                      | <u>\$ 932,675</u>                  | <u>\$ 11,767,803</u> |

WFBUMC's Board of Directors has designated \$539,056 from Atrium Health WFB net assets without donor restrictions at December 31, 2021 for the following purposes as of December 31:

|   | <b>Atrium<br/>Health<br/>WFB</b> |
|---|----------------------------------|
| Academic instruction and research           | \$ 224,662                       |
| Healthcare services                         | 12,609                           |
| General administration                      | 301,785                          |
| Total board-designated endowment net assets | <u>\$ 539,056</u>                |

Net assets with donor restrictions are restricted for the following purposes at Atrium Health WFB and the Enterprise as of December 31:

|  | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|--|----------------------------------|---|
| Academic instruction and research        | \$ 255,055                       | \$ 353,623                              |
| Healthcare services                      | 19,749                           | 433,674                                 |
| General administration                   | 139,536                          | 145,378                                 |
| Total net assets with donor restrictions | <u>\$ 414,340</u>                | <u>\$ 932,675</u>                       |

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.***14. Patient Service Revenue and Patient Receivables**

The sources of the Enterprise's gross patient revenue by type of payer, expressed as a percentage of total gross patient revenue, consisted of the following for the years ended December 31, 2021:

|                                       | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|---------------------------------------|-----------------------------------|----------------------------------|---|
| Managed care and commercial insurance | 32.0 %                            | 30.2 %                           | 31.5 %                                  |
| Medicare                              | 41.7                              | 44.4                             | 42.5                                    |
| Medicaid                              | 16.5                              | 15.5                             | 16.2                                    |
| Direct from patient/other             | 9.8                               | 9.9                              | 9.8                                     |
|                                       | <u>100.0 %</u>                    | <u>100.0 %</u>                   | <u>100.0 %</u>                          |

Patient service revenue by major payer source, net of price concessions, is as follows for the year ended December 31, 2021:

|                                       | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|---------------------------------------|-----------------------------------|----------------------------------|---|
| Managed care and commercial insurance | \$ 4,409,454                      | \$ 1,343,460                     | \$ 5,562,528                            |
| Medicare                              | 2,452,238                         | 1,156,276                        | 3,516,869                               |
| Medicaid                              | 1,163,619                         | 549,055                          | 1,668,396                               |
| Direct from patient/other             | 95,475                            | 179,270                          | 344,688                                 |
| Total                                 | <u>\$ 8,120,786</u>               | <u>\$ 3,228,061</u>              | <u>\$ 11,092,481</u>                    |

**Concentration of Credit Risk**

The Enterprise grants credit without collateral to its patients, most of whom are insured under third-party payer agreements. The mix of gross receivables from patients and third-party payers was as follows as of December 31, 2021:

|                                       | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|---------------------------------------|-----------------------------------|----------------------------------|---|
| Medicare                              | 29.9 %                            | 28.8 %                           | 29.7 %                                  |
| Medicaid                              | 13.6                              | 15.4                             | 13.9                                    |
| Managed care and commercial insurance | 32.9                              | 28.9                             | 32.1                                    |
| Direct from patient/other             | 23.6                              | 26.9                             | 24.3                                    |
|                                       | <u>100.0 %</u>                    | <u>100.0 %</u>                   | <u>100.0 %</u>                          |

**15. Financial Assistance and Community Benefit**

The Enterprise, under its financial assistance and hardship programs, provides care without charge or at discounted rates to certain uninsured patients as well as any patient, regardless of insurance

coverage, who experiences financial hardship. Key elements used to determine eligibility for financial assistance include a patient's demonstrated inability to pay based on family size and household income relative to federal income poverty guidelines. The cost of care associated with the charges foregone is estimated using applicable cost to charge ratios.

In addition to providing financial assistance to uninsured patients and in furtherance of its mission, the Enterprise provides a broad range of benefits and services, including medical education and research opportunities, to the community spanning the geographic region within which Atrium Health CMHA operates. These community benefits can be measured and categorized as follows:

**Unpaid Cost of Medicare and Medicaid Services** – Represents the net unreimbursed cost, estimated using the applicable cost to charge ratios, of services provided to patients who qualify for federal and/or state government healthcare benefits.

**Community Benefit Programs** – Includes the unreimbursed cost of various medical education programs, and costs of various research programs, nonbilled medical services, in kind donations and other services that meet a community need, but do not pay for themselves and would not be provided if based solely on financial considerations.

**Cost of care extended to uninsured and underinsured patients who do not qualify for financial assistance**, estimated using applicable cost to charge ratios.

The total estimated cost of financial assistance and the aforementioned programs and services that benefit the community for a complete twelve-month period ending in 2021 is estimated as follows:

|  | <b>Atrium<br/>Health<br/>CMHA</b> | <b>Atrium<br/>Health<br/>WFB</b> | <b>Atrium<br/>Health<br/>Enterprise</b> |
|--|-----------------------------------|----------------------------------|---|
| Cost of financial assistance to uninsured patients   | \$ 292,936                        | \$ 46,582                        | \$ 339,518                              |
| Unpaid cost of Medicare and Medicaid services  | 1,044,949                         | 393,127                          | 1,438,076                               |
| Community benefit programs   | 142,749                           | 160,275                          | 303,024                                 |
| Cost of care extended to uninsured and underinsured patients who do not qualify for financial assistance | <u>278,223</u>                    | <u>96,717</u>                    | <u>374,940</u>                          |
|  | <u>\$ 1,758,857</u>               | <u>\$ 696,701</u>                | <u>\$ 2,455,558</u>                     |
| Percentage of operating expenses,<br>including interest expense  | 20.1%                             | 17.1%                            | 19.5%                                   |

## 16. Functional Expenses

Expenses are presented by functional classification in accordance with the overall service mission of the Enterprise. The Enterprise's primary program services are academic instruction and research and health care services. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Depreciation of plant assets, interest expense, and plant operation and maintenance expense are allocated to program and supporting activities based on square footage per periodic inventories of facilities. Total amounts allocated in fiscal 2021 were



**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2021

*Dollars in thousands.*

\$45,742 and \$12,610 for Atrium Health WFB and the Enterprise, respectively. Expenses are reported in the combined statement of revenues, expenses and changes in net assets in natural categories.

Expenses by functional classification for the year ended December 31, 2021 consist of the following for Atrium Health WFB and the Enterprise, respectively:

|                                  | <b>Atrium Health WFB</b>                         |                                |                                   |                     |
|----------------------------------|--|--------------------------------|-----------------------------------|---------------------|
|                                  | <b>Program</b>                                   |                                | <b>Supporting</b>                 |                     |
|                                  | <b>Academic<br/>instruction and<br/>research</b> | <b>Healthcare<br/>services</b> | <b>General<br/>administration</b> | <b>Total</b>        |
| Salaries and wages               | \$ 201,556                                       | \$ 1,581,471                   | \$ 214,147                        | \$ 1,997,174        |
| Employee benefits                | 38,296   | 334,162                        | 47,439                            | 419,897             |
| Purchased services               | 21,123   | 99,553                         | 28,796                            | 149,472             |
| Clinical and laboratory supplies | 30,185   | 947,378                        | —                                 | 977,563             |
| Other operating expenses         | 47,567   | 246,581                        | 55,388                            | 349,536             |
| Depreciation                     | 11,509   | 122,657                        | 9,737                             | 143,903             |
| Financing costs                  | 2,795  | 17,369                         | 9,859                             | 30,023              |
| Total operating expenses         | <u>\$ 353,031</u>                                | <u>\$ 3,349,171</u>            | <u>\$ 365,366</u>                 | <u>\$ 4,067,568</u> |

|                                  | <b>Atrium Health Enterprise</b>                  |                                |                                   |                      |
|----------------------------------|--|--------------------------------|-----------------------------------|----------------------|
|                                  | <b>Program</b>                                   |                                | <b>Supporting</b>                 |                      |
|                                  | <b>Academic<br/>instruction and<br/>research</b> | <b>Healthcare<br/>services</b> | <b>General<br/>administration</b> | <b>Total</b>         |
| Salaries and wages               | \$ 298,706                                       | \$ 5,463,627                   | \$ 307,466                        | \$ 6,069,799         |
| Employee benefits                | 59,587   | 1,188,059                      | 92,641                            | 1,340,287            |
| Purchased services               | 32,117   | 657,034                        | 78,026                            | 767,177              |
| Clinical and laboratory supplies | 34,590   | 2,649,725                      | 23,850                            | 2,708,165            |
| Other operating expenses         | 69,261   | 893,874                        | 113,993                           | 1,077,128            |
| Depreciation                     | 17,832   | 385,998                        | 128,740                           | 532,570              |
| Financing costs                  | 4,282  | 73,703                         | 36,446                            | 114,431              |
| Total operating expenses         | <u>\$ 516,375</u>                                | <u>\$ 11,312,020</u>           | <u>\$ 781,162</u>                 | <u>\$ 12,609,557</u> |

**17. Related-Party Transactions**

As part of the capital Enterprise agreements, in fiscal year 2021, Atrium Health CMHA contributed \$150,000 to WFUHS to create an unrestricted academic endowment to be used for new, ongoing or enhanced academic or research initiatives of the Atrium Health WFB entities. WFUHS received the unrestricted contribution in March 2021, and its Board established a \$150,000 quasi-endowment fund.

Additionally, as part of the capital Enterprise agreements, 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 the first \$10,000 to Atrium Health WFB during fiscal year 2021.

Atrium Health WFB's contribution receivable from Atrium Health CMHA amounted to \$60,000 at December 31, 2021; Atrium Health WFB recorded \$10,000 of the contribution receivable in current assets and \$50,000 of the contribution receivable in other long-term assets in the accompanying combined balance sheet.

NCBH and Atrium Health CMHA each own a 50% equity share of MedCost, the third-party administrator for Atrium Health CMHA and Atrium Health WFB's self-insured employee health and dental insurance. During the year ended December 31, 2021, Atrium Health CMHA and Atrium Health WFB paid MedCost approximately \$8,828 and \$6,736, for these services, respectively.

## **18. Business Combinations**

### **Floyd Healthcare Management, Inc.**

Floyd Healthcare Management, Inc. (Atrium Health Floyd) is a nonprofit health system based in Rome, Georgia, which provides health care to the residents of Floyd County, Georgia and surrounding counties. Atrium Health CMHA entered into a Member Substitution Agreement with Atrium Health Floyd in July 2021. Under the agreement, AH Georgia, Inc., a controlled affiliate of which Atrium Health CMHA is the sole member, became the sole corporate member of Atrium Health Floyd. Although Atrium Health Floyd retains and appoints a majority of its Board of Directors, 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 Atrium Health Floyd does not default under any indebtedness agreements, notes or bonds, or other debt-related liabilities. As a result, Atrium Health Floyd is a component unit of Atrium Health CMHA and, because a controlled subsidiary of Atrium Health CMHA is its sole member, financial information for Atrium Health Floyd is blended with Atrium Health CMHA as of and for the year ended December 31, 2021. Because the impact of this transaction is considered a change in reporting entity, Atrium Health CMHA's net position as of December 31, 2020 has been restated to incorporate Atrium Health Floyd. The inclusion of Atrium Health Floyd increased Atrium Health CMHA's net position by \$292,229 as of January 1, 2021.

As presented in the Enterprise financial statements, in accordance with FASB guidance, Atrium Health Floyd's July 1, 2021 balance sheet was adjusted to fair value, and the acquisition date fair value was allocated to the assets and liabilities. The 2021 activity attributable to Atrium Health Floyd within the Enterprise statement of revenues, expenses and changes in net assets since the date of acquisition was \$281,516 and \$15,018 for operating revenue and support and operating excess of revenues and expenses, respectively.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed by the Enterprise as of the date of the acquisition:

|                            |                   |
|----------------------------|-------------------|
| Assets:                    |                   |
| Current assets             | \$ 229,667        |
| Investments                | 85,734            |
| Property and equipment     | 283,155           |
| Other assets               | 49,273            |
|                            | <u>647,829</u>    |
|                            | <u>\$ 647,829</u> |
| Liabilities:               |                   |
| Current liabilities        | \$ 85,406         |
| Notes payable              | 14,829            |
| Other liabilities          | 85,002            |
|                            | <u>185,237</u>    |
|                            | <u>\$ 185,237</u> |
| Net assets acquired:       |                   |
| Without donor restrictions | \$ 462,592        |
| With donor restrictions    | —                 |
|                            | <u>462,592</u>    |
|                            | <u>\$ 647,829</u> |

Atrium Health CMHA paid \$212,847 of cash on the transaction date and subsequently recognized Atrium Health Floyd's net assets with a fair value of \$462,592, resulting in a non-operating gain of \$249,745 which is recorded in contribution from business combinations, net in the accompanying combined statement of revenues, expenses and changes in net assets for the Enterprise.

The following table summarizes the Enterprise's unaudited pro forma results as if the acquisition date occurred at the beginning of fiscal year 2021:

|   | <b>Atrium Health<br/>Enterprise<br/>proforma<br/>combined</b> |
|---|---|
| Operating revenue and support             | \$ 13,209,382   |
| Operating excess of revenues and expenses | 354,853   |
| Changes in net assets:                    |   |
| With donor restrictions                   | 135,912   |
| Without donor restrictions                | 1,977,529   |
|   | <u>2,113,441</u>  |
| Total change in net assets                | <u>\$ 2,113,441</u>   |

**19. Subsequent Events**

In May 2022, the Enterprise and Advocate Aurora Health, Inc., a Delaware nonprofit corporation (Advocate Aurora), signed an agreement to come together to create a leading health and wellness delivery system to best meet patients' needs by redefining how, when and where care is delivered (the Proposed Combination). Advocate Aurora, which serves nearly 3 million patients annually in Illinois and Wisconsin, is one of the 12 largest not-for-profit, integrated health systems in the United States and a national leader in clinical innovation, health outcomes, consumer experience and value-based care.

To facilitate the Proposed Combination, the Enterprise and Advocate Aurora plan to create a joint operating company to be known as Advocate Health (Advocate Health). AHI and Advocate Aurora will be the sole corporate members of Advocate Health, which will manage and oversee the combined organization. Advocate Health will be governed by a board of directors comprising an equal number of members from the Enterprise and Advocate Aurora. As of the date of issuance, an operating agreement has not been signed.

At the closing of the transaction, the Enterprise and Advocate Aurora will continue to own their respective assets. No assets will be transferred as part of the Proposed Combination, and the Enterprise and its related entities and Advocate Aurora and its related entities will maintain their separate legal existence and licensure status of their respective facilities.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

Dollars in thousands.

|  | <u>2021</u>       | <u>2020</u>       | <u>2019</u>       | <u>December 31,<br/>2018</u> | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|-------------------|-------------------|------------------------------|-------------------|-------------------|-------------------|
| Total pension liability:   |                   |                   |                   |                              |                   |                   |                   |
| Service cost   | \$ —              | \$ —              | \$ —              | \$ —                         | \$ 46,519         | \$ 53,214         | \$ 55,197         |
| Interest cost  | 100,567           | 99,367            | 91,210            | 96,417                       | 100,609           | 95,929            | 93,442            |
| Plan amendments  | —                 | 7,538             | —                 | —                            | —                 | —                 | —                 |
| Differences between expected and actual experiences                        | 4,818             | 15,058            | 25,325            | (14,720)                     | (23,718)          | 7,092             | (4,091)           |
| Changes of assumptions   | 6,103             | 21,607            | 5,138             | (2,402)                      | (5,217)           | 20,252            | —                 |
| Benefit payments   | (146,316)         | (122,465)         | (150,638)         | (146,796)                    | (108,339)         | (106,420)         | (112,417)         |
| Net change in total pension liability                                      | (34,828)          | 21,105            | (28,965)          | (67,501)                     | 9,854             | 70,067            | 32,131            |
| Total pension liability – beginning  | 1,414,024         | 1,392,952         | 1,291,461         | 1,358,962                    | 1,349,108         | 1,279,041         | 1,246,910         |
| Total pension liability – ending (a)                                       | 1,379,196         | 1,414,057         | 1,262,496         | 1,291,461                    | 1,358,962         | 1,349,108         | 1,279,041         |
| Plan fiduciary net position:   |                   |                   |                   |                              |                   |                   |                   |
| Contributions – employer   | 36,570            | 37,378            | 37,473            | 78,526                       | 124,181           | 132,884           | 92,405            |
| Investment gains and other, net  | 295,675           | 13,096            | 31,478            | 76,644                       | 118,972           | (36,909)          | 20,481            |
| Benefit payments   | (146,316)         | (122,465)         | (150,638)         | (146,796)                    | (108,339)         | (106,420)         | (112,417)         |
| Administrative expense   | (178)             | (80)              | (162)             | (312)                        | (217)             | (364)             | (696)             |
| Net change in plan fiduciary net position                                  | 185,751           | (72,071)          | (81,849)          | 8,062                        | 134,597           | (10,809)          | (227)             |
| Plan fiduciary net position – beginning                                    | 968,064           | 1,040,135         | 991,368           | 983,306                      | 848,709           | 859,518           | 859,745           |
| Plan fiduciary net position – ending (b)                                   | 1,153,815         | 968,064           | 909,519           | 991,368                      | 983,306           | 848,709           | 859,518           |
| Net pension liability – ending (a) – (b)                                   | <u>\$ 225,381</u> | <u>\$ 445,993</u> | <u>\$ 352,977</u> | <u>\$ 300,093</u>            | <u>\$ 375,656</u> | <u>\$ 500,399</u> | <u>\$ 419,523</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 83.7 %            | 68.5 %            | 72.0 %            | 76.8 %                       | 72.4 %            | 62.9 %            | 67.2 %            |
| Covered-employee payroll   | \$ 1,665,998      | \$ 1,688,456      | \$ 1,642,381      | \$ 1,804,814                 | \$ 1,796,876      | \$ 1,959,073      | \$ 1,995,117      |
| Net pension liability as a percentage of covered-employee payroll          | 13.5 %            | 26.4 %            | 21.5 %            | 16.6 %                       | 20.9 %            | 25.5 %            | 21.0 %            |

### 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.

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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| December 31 | Actuarially<br>determined<br>contribution | Contributions<br>in relation<br>to the<br>actuarially<br>determined<br>contribution | Contribution<br>deficiency<br>(excess) | Covered-<br>employee<br>payroll | Contributions<br>as a<br>percentage<br>of covered-<br>employee<br>payroll |
|-------------|---|---|--|---------------------------------|---|
| 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   |
| 2015        | 92,405                                    | 92,405  | —                                      | 1,995,117                       | 4.6   |

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 2021:

|                               |  |
|-------------------------------|--|
| 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 | 5.00%  |
| Salary increases              | Not applicable after 12/31/2017 due to benefit accrual freeze.   |
| Investment rate of return     | 7.50%, 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-2020. 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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>Atrium Health Defined Benefit Plan measurement date</b> | <b>Annual money-weighted rate of return net of investment expenses</b> |
|--|--|
| 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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

|  | <u>2021</u>  | <u>December 31,<br/>2020</u> | <u>2019</u> |
|--|--------------|------------------------------|-------------|
| Total pension liability:   |              |                              |             |
| Service cost   | \$ —         | \$ —                         | \$ —        |
| Interest cost  | 20,195       | 20,004                       | 10,087      |
| Differences between expected and actual experiences                        | (2,042)      | 2,382                        | —           |
| Changes of assumptions   | (1,221)      | (1,507)                      | —           |
| Benefit payments   | (19,937)     | (16,741)                     | (7,941)     |
| Net change in total pension liability                                      | (3,005)      | 4,138                        | 2,146       |
| Total pension liability – beginning  | 279,236      | 275,098                      | 272,952     |
| Total pension liability – ending (a)                                       | 276,231      | 279,236                      | 275,098     |
| Plan fiduciary net position:   |              |                              |             |
| Contributions – employer   | 7,108        | 4,363                        | 10,952      |
| Investment gains and other, net  | 93,602       | 9                            | 32,493      |
| Benefit payments   | (19,937)     | (16,741)                     | (7,941)     |
| Administrative expense   | (2,202)      | (2,756)                      | (151)       |
| Net change in plan fiduciary net position                                  | 78,571       | (15,125)                     | 35,353      |
| Plan fiduciary net position – beginning                                    | 326,706      | 341,831                      | 306,478     |
| Plan fiduciary net position – ending (b)                                   | 405,277      | 326,706                      | 341,831     |
| Net pension asset – ending (a) – (b)                                       | \$ (129,046) | \$ (47,470)                  | \$ (66,733) |
| Plan fiduciary net position as a percentage of the total pension liability | 146.7 %      | 117.0 %                      | 124.3 %     |
| Covered-employee payroll   | \$ 96,163    | \$ 118,953                   | \$ 138,664  |
| Net pension asset as a percentage of covered-employee payroll              | (134.2)%     | (39.9)%                      | (48.1)%     |

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.



## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>December 31</b> | <b>Actuarially<br/>determined<br/>contribution</b> | <b>Contributions<br/>in relation<br/>to the<br/>actuarially<br/>determined<br/>contribution</b> | <b>Contribution<br/>deficiency<br/>(excess)</b> | <b>Covered-<br/>employee<br/>payroll</b> | <b>Contributions<br/>as a<br/>percentage<br/>of covered-<br/>employee<br/>payroll</b> |
|--------------------|--|---|---|--|---|
| 2021               | \$ —   | \$ 7,108  | \$ (7,108)                                      | \$ 96,163                                | 7.4 %   |
| 2020               | 4,135  | 4,363   | (228)   | 118,953                                  | 3.7   |
| 2019               | 4,723  | 10,952  | (6,229)   | 138,664                                  | 7.9   |

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 2021:

|                               |  |
|-------------------------------|--|
| 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-2020. 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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>Navicent Health Defined Benefit Plan measurement date</b> | <b>Annual money-weighted rate of return net of investment expenses</b> |
|--|--|
| 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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

|  | <b>December 31,<br/>2021</b> |
|--|------------------------------|
| Total pension liability:   |                              |
| Service cost   | \$ —                         |
| Interest cost  | 2,221                        |
| Differences between expected and actual experiences                        | —                            |
| Changes of assumptions   | —                            |
| Benefit payments   | (2,518)                      |
| Net change in total pension liability                                      | (297)                        |
| Total pension liability – beginning  | 80,957                       |
| Total pension liability – ending (a)                                       | 80,660                       |
| Plan fiduciary net position:   |                              |
| Contributions – employer   | 532                          |
| Investment gains and other, net  | 4,446                        |
| Benefit payments   | (2,518)                      |
| Administrative expense   | (25)                         |
| Net change in plan fiduciary net position                                  | 2,435                        |
| Plan fiduciary net position – beginning                                    | 84,518                       |
| Plan fiduciary net position – ending (b)                                   | 86,953                       |
| Net pension asset – ending (a) – (b)                                       | \$ (6,293)                   |
| Plan fiduciary net position as a percentage of the total pension liability | 107.8 %                      |
| Covered-employee payroll   | \$ 32,839                    |
| Net pension asset as a percentage of covered-employee payroll              | (19.2)%                      |

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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>December 31</b> | <b>Actuarially<br/>determined<br/>contribution</b> | <b>Contributions<br/>in relation<br/>to the<br/>actuarially<br/>determined<br/>contribution</b> | <b>Contribution<br/>deficiency<br/>(excess)</b> | <b>Covered-<br/>employee<br/>payroll</b> | <b>Contributions<br/>as a<br/>percentage<br/>of covered-<br/>employee<br/>payroll</b> |
|--------------------|--|---|---|--|---|
| 2021               | \$ —   | \$ 532  | \$ (532)  | \$ 32,839                                | 1.6 %   |

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 2021:

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Traditional unit credit   |
| Asset valuation method        | 2-year smoothed market  |
| Salary increases              | Not applicable after 3/31/2014 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-2020. |

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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

|  | <b>Annual<br/>money-<br/>weighted<br/>rate of return<br/>net of<br/>investment<br/>expenses</b> |
|--|---|
| <b>Navicent Health Defined Benefit Plan measurement date</b> |   |
| 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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

|  | <u>2021</u>  | <u>December 31,<br/>2020</u> | <u>2019</u>  |
|--|--------------|------------------------------|--------------|
| Total pension liability:   |              |                              |              |
| Service cost   | \$ —         | \$ —                         | \$ —         |
| Interest cost  | 98,735       | 99,191                       | 100,484      |
| Changes of benefit terms   | —            | 7,811                        | —            |
| Differences between expected and actual experiences                        | (146)        | 14,140                       | —            |
| Changes of assumptions   | 11,803       | 28,432                       | —            |
| Benefit payments   | (151,854)    | (144,489)                    | (122,428)    |
| Net change in total pension liability                                      | (41,462)     | 5,085                        | (21,944)     |
| Total pension liability – beginning  | 1,392,537    | 1,387,452                    | 1,409,396    |
| Total pension liability – ending (a)                                       | 1,351,075    | 1,392,537                    | 1,387,452    |
| Plan fiduciary net position:   |              |                              |              |
| Contributions – employer   | 36,570       | 37,378                       | 38,561       |
| Investment gains and other, net  | 157,404      | 131,318                      | 173,814      |
| Benefit payments   | (151,854)    | (144,489)                    | (122,428)    |
| Administrative expense   | (188)        | (121)                        | (121)        |
| Net change in plan fiduciary net position                                  | 41,932       | 24,086                       | 89,826       |
| Plan fiduciary net position – beginning                                    | 1,072,871    | 1,048,785                    | 958,959      |
| Plan fiduciary net position – ending (b)                                   | 1,114,803    | 1,072,871                    | 1,048,785    |
| Net pension liability – ending (a) – (b)                                   | \$ 236,272   | \$ 319,666                   | \$ 338,667   |
| Plan fiduciary net position as a percentage of the total pension liability | 82.5 %       | 77.0 %                       | 75.6 %       |
| Covered-employee payroll   | \$ 1,665,998 | \$ 1,688,456                 | \$ 1,741,304 |
| Net pension liability as a percentage of covered-employee payroll          | 14.2 %       | 18.9 %                       | 19.5 %       |

### Note to schedule:

Measurement date is December 31, 2021.

The December 31, 2021 information reflects the merger of the CCHS and SHS 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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>December 31</b> | <b>Actuarially<br/>determined<br/>contribution</b> | <b>Contributions<br/>in relation<br/>to the<br/>actuarially<br/>determined<br/>contribution</b> | <b>Contribution<br/>deficiency<br/>(excess)</b> | <b>Covered-<br/>employee<br/>payroll</b> | <b>Contributions<br/>as a<br/>percentage<br/>of covered-<br/>employee<br/>payroll</b> |
|--------------------|--|---|---|--|---|
| 2021               | \$ 36,570  | \$ 36,570   | \$ —  | \$ 1,665,998                             | 2.2 %   |
| 2020               | 37,378   | 37,378  | —   | 1,688,456                                | 2.2   |
| 2019               | 37,473   | 38,561  | (1,088)   | 1,741,304                                | 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 2021:

|                               |  |
|-------------------------------|--|
| 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 | 5.00%  |
| Salary increases              | Not applicable after 12/31/2017 due to benefit accrual freeze.   |
| Investment rate of return     | 7.50%, 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-2020. 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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>Atrium Health Defined Benefit Plan measurement date</b> | <b>Annual money-weighted rate of return net of investment expenses</b> |
|--|--|
| December 31, 2021  | 15.0 %   |
| December 31, 2020  | 14.0   |
| December 31, 2019  | 19.0   |

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.



## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

Dollars in thousands.

|  | <u>2021</u>  | <u>December 31<br/>2020</u> | <u>2019</u> |
|--|--------------|-----------------------------|-------------|
| Total pension liability:   |              |                             |             |
| Service cost   | \$ —         | \$ —                        | \$ —        |
| Interest cost  | 19,987       | 20,084                      | 19,866      |
| Changes of benefit terms   | 23,969       | —                           | —           |
| Differences between expected and actual experiences                        | (1,852)      | 854                         | —           |
| Changes of assumptions   | 321          | (904)                       | —           |
| Benefit payments   | (86,284)     | (19,426)                    | (16,170)    |
| Net change in total pension liability                                      | (43,859)     | 608                         | 3,696       |
| Total pension liability – beginning  | 277,256      | 276,648                     | 272,952     |
| Total pension liability – ending (a)                                       | 233,397      | 277,256                     | 276,648     |
| Plan fiduciary net position:   |              |                             |             |
| Contributions – employer   | 6,960        | 4,363                       | 11,100      |
| Investment gains and other, net  | 55,294       | 36,807                      | 51,045      |
| Benefit payments   | (86,284)     | (19,426)                    | (16,170)    |
| Administrative expense   | (1,980)      | (2,507)                     | (2,865)     |
| Net change in plan fiduciary net position                                  | (26,010)     | 19,237                      | 43,110      |
| Plan fiduciary net position – beginning                                    | 368,825      | 349,588                     | 306,478     |
| Plan fiduciary net position – ending (b)                                   | 342,815      | 368,825                     | 349,588     |
| Net pension asset – ending (a) – (b)                                       | \$ (109,418) | \$ (91,569)                 | \$ (72,940) |
| Plan fiduciary net position as a percentage of the total pension liability | 146.9 %      | 133.0 %                     | 126.4 %     |
| Covered-employee payroll   | \$ 96,163    | \$ 112,865                  | \$ 138,664  |
| Net pension asset as a percentage of covered-employee payroll              | (113.8)%     | (81.1)%                     | (52.6)%     |

Note to schedule:

Measurement date is December 31, 2021.

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

See accompanying independent auditors' report.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>December 31</b> | <b>Actuarially<br/>determined<br/>contribution</b> | <b>Contributions<br/>in relation<br/>to the<br/>actuarially<br/>determined<br/>contribution</b> | <b>Contribution<br/>deficiency<br/>(excess)</b> | <b>Covered-<br/>employee<br/>payroll</b> | <b>Contributions<br/>as a<br/>percentage<br/>of covered-<br/>employee<br/>payroll</b> |
|--------------------|--|---|---|--|---|
| 2021               | \$ 6,960   | \$ 6,960  | \$ —  | \$ 96,163                                | 7.2 %   |
| 2020               | 4,135  | 4,363   | (228)   | 112,865                                  | 3.9   |
| 2019               | 4,723  | 11,100  | (6,377)   | 138,664                                  | 8.0   |

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 2021:

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

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

See accompanying independent auditors' report.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>Navicent Health Defined Benefit Plan measurement date</b> | <b>Annual money-weighted rate of return net of investment expenses</b> |
|--|--|
| December 31, 2021  | 15.6 %   |
| December 31, 2020  | 11.2   |
| December 31, 2019  | 17.0   |

### 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.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

|   | <b>December 31,<br/>2021</b> |
|---|------------------------------|
| Total pension liability:  |                              |
| Service cost  | \$ —                         |
| Interest cost   | 4,432                        |
| Differences between expected and actual experiences   | —                            |
| Changes of assumptions  | —                            |
| Benefit payments  | (5,088)                      |
| Net change in total pension liability   | (656)                        |
| Total pension liability – beginning   | 80,958                       |
| Total pension liability – ending (a)  | 80,302                       |
| Plan fiduciary net position:  |                              |
| Contributions – employer  | 1,114                        |
| Investment gains and other, net   | 8,345                        |
| Benefit payments  | (5,088)                      |
| Administrative expense  | (882)                        |
| Net change in plan fiduciary net position   | 3,489                        |
| Plan fiduciary net position – beginning   | 84,518                       |
| Plan fiduciary net position – ending (b)  | 88,007                       |
| Net pension asset – ending (a) – (b)  | \$ (7,705)                   |
| Plan fiduciary net position as a percentage of the total pension liability  | 109.6 %                      |
| Covered-employee payroll  | \$ 32,839                    |
| Net pension asset as a percentage of covered-employee payroll   | (23.5)%                      |
| Note to schedule:   |                              |
| Measurement date is December 31, 2021.  |                              |
| The schedule is intended to show information for 10 years. Additional years will be presented as the information becomes available. |                              |

See accompanying independent auditors' report.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>December 31</b> | <b>Actuarially<br/>determined<br/>contribution</b> | <b>Contributions<br/>in relation<br/>to the<br/>actuarially<br/>determined<br/>contribution</b> | <b>Contribution<br/>deficiency<br/>(excess)</b> | <b>Covered-<br/>employee<br/>payroll</b> | <b>Contributions<br/>as a<br/>percentage<br/>of covered-<br/>employee<br/>payroll</b> |
|--------------------|--|---|---|--|---|
| 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 2021:

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Traditional unit credit   |
| Asset valuation method        | 2-year smoothed market  |
| Salary increases              | Not applicable after 3/31/2014 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-2020. |

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

See accompanying independent auditors' report.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2021

*Dollars in thousands.*

| <b>Navicent Health Defined Benefit Plan measurement date</b> | <b>Annual money-weighted rate of return net of investment expenses</b> |
|--|--|
| 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, 2021

Dollars in thousands.

|   | Atrium Health<br>The Charlotte-<br>Mecklenburg<br>Hospital Authority | Atrium Health<br>Foundation | Eliminations | Exclude<br>AH Navicent | Exclude<br>AH Floyd | Exclude<br>Non-Obligated<br>Group Affiliates | Exclude<br>Consolidating<br>Eliminations | Total<br>Combined Group |
|---|--|-----------------------------|--------------|------------------------|---------------------|--|--|-------------------------|
| <b>Assets</b>   |  |                             |              |                        |                     |  |  |                         |
| Current assets:   |  |                             |              |                        |                     |  |  |                         |
| Cash and cash equivalents   | \$ 799,598   | \$ 4,026                    | \$ —         | \$ 61,028              | \$ 255,713          | \$ 18,229                                    | \$ —                                     | \$ 468,654              |
| Short term investments  | 39,326   | 11,542                      | —            | —                      | 39,326              | —  | —  | 11,542                  |
| Patient receivables - net   | 1,291,751  | —                           | —            | 230,691                | 89,388              | 1,076  | —  | 970,596                 |
| Accounts, grants and notes receivable, net                                | 141,561  | 33,540                      | (2,072)      | 13,172                 | 8,723               | 22,436                                       | —  | 128,698                 |
| Assets limited as to use - investments                                    | 47,321   | —                           | —            | —                      | 4,121               | —  | —  | 43,200                  |
| Other current assets  | 264,949  | 422                         | —            | 30,158                 | 24,424              | 169  | —  | 210,620                 |
| Total current assets  | 2,584,506  | 49,530                      | (2,072)      | 335,049                | 421,695             | 41,910                                       | —  | 1,833,310               |
| Property and equipment - net  | 4,684,832  | 4,181                       | —            | 470,481                | 157,344             | 28,228                                       | —  | 4,032,960               |
| Investments and assets limited as to use                                  | 8,355,490  | 378,369                     | —            | 888,711                | 92,011              | 77,535                                       | —  | 7,675,602               |
| Other assets  | 264,451  | 61,188                      | (6,717)      | 71,781                 | 4,359               | 5,936  | (17,991)                                 | 254,837                 |
| Total assets  | 15,889,279   | 493,268                     | (8,789)      | 1,766,022              | 675,409             | 153,609                                      | (17,991)                                 | 13,796,709              |
| Deferred outflows of resources  | 396,387  | —                           | —            | 28,215                 | 582                 | —  | —  | 367,590                 |
| Total assets and deferred outflows of resources                           | \$ 16,285,666  | \$ 493,268                  | \$ (8,789)   | \$ 1,794,237           | \$ 675,991          | \$ 153,609                                   | \$ (17,991)                              | \$ 14,164,299           |
| <b>Liabilities</b>  |  |                             |              |                        |                     |  |  |                         |
| Current liabilities:  |  |                             |              |                        |                     |  |  |                         |
| Accounts payable  | \$ 411,803   | \$ 13                       | \$ (4,300)   | \$ 11,939              | \$ 16,740           | \$ 1,577                                     | \$ —                                     | \$ 377,260              |
| Salaries and benefits payable   | 786,877  | —                           | —            | 57,362                 | 30,080              | 894  | —  | 698,541                 |
| Other liabilities and accruals  | 666,881  | 2,148                       | (2,072)      | 114,832                | 53,102              | 3,504  | —  | 495,519                 |
| Estimated third party payer settlements                                   | 321,328  | —                           | —            | 6,102                  | (1,739)             | —  | —  | 316,965                 |
| Current portion of long-term debt   | 772,270  | —                           | —            | 5,315                  | 6,000               | 1,984  | —  | 758,971                 |
| Total current liabilities   | 2,959,159  | 2,161                       | (6,372)      | 195,550                | 104,183             | 7,959  | —  | 2,647,256               |
| Notes payable, finance leases and line of credit - net of current portion | 229,282  | —                           | —            | —                      | 173,000             | 21,660                                       | —  | 34,622                  |
| Bonds Payable - net of current portion                                    | 2,620,184  | —                           | —            | 280,940                | —                   | —  | —  | 2,339,244               |
| Interest rate swap liability  | 263,120  | —                           | —            | 8,514                  | —                   | —  | —  | 254,606                 |
| Retirement benefits   | 90,622   | —                           | —            | (128,466)              | (6,293)             | —  | —  | 225,381                 |
| Other liabilities   | 640,866  | 3,385                       | (2,417)      | 115,067                | 25,918              | —  | —  | 500,849                 |
| Total liabilities   | 6,803,233  | 5,546                       | (8,789)      | 471,605                | 296,808             | 29,619                                       | —  | 6,001,958               |
| Deferred inflows of resources   | 277,416  | —                           | —            | 66,885                 | 1,694               | —  | —  | 208,837                 |
| Net position:   |  |                             |              |                        |                     |  |  |                         |
| Net investment in capital assets  | 1,628,733  | 4,181                       | —            | 179,030                | —                   | 4,584  | —  | 1,449,300               |
| Restricted - by donor   | 35,919   | 473,725                     | —            | —                      | —                   | 35,919                                       | —  | 473,725                 |
| Unrestricted  | 7,540,365  | 9,816                       | —            | 1,076,717              | 377,489             | 83,487                                       | (17,991)                                 | 6,030,479               |
| Total net position  | 9,205,017  | 487,722                     | —            | 1,255,747              | 377,489             | 123,990                                      | (17,991)                                 | 7,953,504               |
| Total liabilities and deferred inflows and net position                   | \$ 16,285,666  | \$ 493,268                  | \$ (8,789)   | \$ 1,794,237           | \$ 675,991          | \$ 153,609                                   | \$ (17,991)                              | \$ 14,164,299           |

The Total Combined Group column presented above represents the Combined Group, which consists of the Obligated Group and its Designated Affiliates, as such terms are defined in Section 101 of the Charlotte-Mecklenburg Hospital Authority's Second Amended and Restated Bond Order adopted as of September 9, 1997, as amended. Because none of the members of the Obligated Group have Designated Affiliates at this time, the only members of the Combined Group are the members of the Obligated Group.

**The Charlotte-Mecklenburg Hospital Authority Combined Group**

Combining Schedule of Revenues, Expenses and Changes in Net Position

December 31, 2021

Dollars in thousands.

|  | The Charlotte-Mecklenburg Hospital Authority | Atrium Health Foundation | Eliminations | Exclude AH Navicent | Exclude AH Floyd | Exclude Non-Obligated Group Affiliates | Exclude Consolidating Eliminations | Total Combined Group |
|--|--|--------------------------|--------------|---------------------|------------------|--|------------------------------------|----------------------|
| <b>Operating revenues and support</b>  |  |                          |              |                     |                  |  |                                    |                      |
| Patient service revenue  | \$ 8,120,786                                 | \$ —                     | \$ —         | \$ 867,690          | \$ 532,788       | \$ 5,409                               | \$ —                               | \$ 6,714,899         |
| Gifts, grants and contracts  | 82,527                                       | 50,432                   | (30,259)     | 6,587               | —                | —                                      | —                                  | 96,113               |
| Student tuition and fees - net   | 11,694                                       | —                        | —            | —                   | —                | —                                      | —                                  | 11,694               |
| Other sources  | 757,529                                      | 973                      | —            | 39,013              | 5,047            | 33,753                                 | (1,703)                            | 682,392              |
| Total operating revenues   | 8,972,536                                    | 51,405                   | (30,259)     | 913,290             | 537,835          | 39,162                                 | (1,703)                            | 7,505,098            |
| <b>Operating expenses</b>  |  |                          |              |                     |                  |  |                                    |                      |
| Personnel costs  | 5,119,128                                    | 4,610                    | —            | 541,194             | 318,585          | 11,199                                 | —                                  | 4,252,760            |
| Supplies   | 1,772,428                                    | —                        | —            | 188,690             | 85,131           | 726                                    | —                                  | 1,497,881            |
| Purchased services   | 635,616                                      | —                        | —            | 80,587              | 35,966           | 169                                    | —                                  | 518,894              |
| Other operating expenses   | 728,597                                      | 28,149                   | (25,959)     | 83,117              | 40,179           | 13,062                                 | (1,703)                            | 596,132              |
| Depreciation and amortization  | 394,488                                      | 262                      | —            | 42,587              | 21,576           | 2,189                                  | —                                  | 328,398              |
| Total operating expenses   | 8,650,257                                    | 33,021                   | (25,959)     | 936,175             | 501,437          | 27,345                                 | (1,703)                            | 7,194,065            |
| Operating income (loss)  | 322,279                                      | 18,384                   | (4,300)      | (22,885)            | 36,398           | 11,817                                 | —                                  | 311,033              |
| <b>Nonoperating gains</b>  |  |                          |              |                     |                  |  |                                    |                      |
| Interest expense   | (107,429)                                    | —                        | —            | (5,334)             | (4,494)          | (906)                                  | —                                  | (96,695)             |
| Stimulus grants  | 181,510                                      | —                        | —            | 14,900              | 17,210           | —                                      | —                                  | 149,400              |
| Net investment gains   | 757,608                                      | 50,514                   | —            | 79,379              | 2,690            | 20,613                                 | —                                  | 705,440              |
| Net gains on interest rate swap valuation  | 3,084  | —                        | —            | 3,084               | —                | —                                      | —                                  | —                    |
| Other, net   | (3,792)                                      | —                        | 4,300        | (47)                | (5,630)          | 16                                     | —                                  | 6,169                |
| Total nonoperating gains   | 830,981                                      | 50,514                   | 4,300        | 91,982              | 9,776            | 19,723                                 | —                                  | 764,314              |
| Excess of revenues over expenses and losses before capital and other contributions | \$ 1,153,260                                 | \$ 68,898                | \$ —         | \$ 69,097           | \$ 46,174        | \$ 31,540                              | \$ —                               | \$ 1,075,347         |
| <b>Changes in net position:</b>  |  |                          |              |                     |                  |  |                                    |                      |
| Capital contributions  | 7,748  | 23,607                   | —            | —                   | —                | (3,128)                                | —                                  | 34,483               |
| Other contributions  | (129,304)                                    | 905                      | —            | 10,762              | 39,086           | —                                      | —                                  | (178,247)            |
| Change in net position   | 1,031,704                                    | 93,410                   | —            | 79,859              | 85,260           | 28,412                                 | —                                  | 931,583              |
| Net position, beginning of year  | 8,173,313                                    | 394,312                  | —            | 1,175,888           | 292,229          | 95,578                                 | (17,991)                           | 7,021,921            |
| Net position, end of year  | \$ 9,205,017                                 | \$ 487,722               | \$ —         | \$ 1,255,747        | \$ 377,489       | \$ 123,990                             | \$ (17,991)                        | \$ 7,953,504         |

The Total Combined Group column presented above represents the Combined Group, which consists of the Obligated Group and its Designated Affiliates, as such terms are defined in Section 101 of the Charlotte-Mecklenburg Hospital Authority's Second Amended and Restated Bond Order adopted as of September 9, 1997, as amended. Because none of the members of the Obligated Group have Designated Affiliates at this time, the only members of the Combined Group are the members of the Obligated Group.

See accompanying independent auditors' report.



The Charlotte-Mecklenburg Hospital Authority Combined Group

Combining Schedule of Cash Flows

December 31, 2021

Dollars in thousands.

|  | Atrium Health<br>The Charlotte-<br>Mecklenburg<br>Hospital Authority | Atrium Health<br>Foundation | Eliminations | Exclude<br>AH Navicent | Exclude<br>AH Floyd | Exclude<br>Non-Obligated<br>Group Affiliates | Exclude<br>Consolidating<br>Eliminations | Total<br>Combined Group |
|--|--|-----------------------------|--------------|------------------------|---------------------|--|--|-------------------------|
| <b>Cash flows from operating activities:</b>   |  |                             |              |                        |                     |  |  |                         |
| Receipts from third-party payers and patients  | \$ 7,894,877   | \$ —                        | \$ —         | \$ 817,774             | \$ 522,611          | \$ 5,424                                     | \$ —                                     | \$ 6,549,068            |
| Payments to suppliers  | (2,946,106)  | (8,317)                     | —            | (322,836)              | (202,414)           | (13,996)                                     | —  | (2,415,177)             |
| Payments to employees  | (5,172,323)  | —                           | —            | (554,238)              | (322,949)           | (10,706)                                     | —  | (4,284,430)             |
| Other receipts (payments) – net  | 657,050  | (2,606)                     | (4,300)      | (7,054)                | 9,421               | 20,955                                       | —  | 626,822                 |
| Net cash provided by (used in) operating activities  | 433,498  | (10,923)                    | (4,300)      | (66,354)               | 6,669               | 1,677  | —  | 476,283                 |
| <b>Cash flows from financing activities:</b>   |  |                             |              |                        |                     |  |  |                         |
| <b>Cash flows from noncapital financing activities:</b>  |  |                             |              |                        |                     |  |  |                         |
| Proceeds from the issuance of commercial paper   | 250,000  | —                           | —            | —                      | —                   | —  | —  | 250,000                 |
| Retirements of commercial paper  | (100,000)  | —                           | —            | —                      | —                   | —  | —  | (100,000)               |
| Stimulus grants  | 181,510  | —                           | —            | 14,900                 | 17,210              | —  | —  | 149,400                 |
| Academic endowment and enrichment funds disbursed  | (160,000)  | —                           | —            | —                      | —                   | —  | —  | (160,000)               |
| Other activities   | (107,523)  | —                           | 4,300        | —                      | 70,399              | —  | —  | (173,622)               |
| Net cash provided by (used in) noncapital financing activities   | 63,987   | —                           | 4,300        | 14,900                 | 87,609              | —  | —  | (34,222)                |
| <b>Cash flows from capital and related financing activities:</b>   |  |                             |              |                        |                     |  |  |                         |
| Purchase of capital assets   | (797,112)  | (74)                        | —            | (24,634)               | (30,117)            | (792)  | —  | (741,643)               |
| Proceeds from sale of capital assets   | 8,166  | —                           | —            | 25                     | 6,779               | —  | —  | 1,362                   |
| Interest payments on short- and long-term debt   | (100,451)  | —                           | —            | (5,334)                | (4,494)             | (904)  | —  | (89,719)                |
| Principal payments, refunding and retirements on short- and long-term debt                               | (330,683)  | —                           | —            | (4,335)                | (173,062)           | (970)  | —  | (152,316)               |
| Proceeds from issuance of long-term debt   | 985,807  | —                           | —            | —                      | 179,000             | —  | —  | 806,807                 |
| Contributions restricted for building and equipment purchases  | 18,510   | 7,878                       | —            | 10,762                 | —                   | (2,726)                                      | —  | 18,352                  |
| Other contributions (distributions)  | —  | 1,099                       | —            | —                      | —                   | —  | —  | 1,099                   |
| Net cash (used in) provided by capital and related financing activities                                  | (215,763)  | 8,903                       | —            | (23,516)               | (21,894)            | (5,392)                                      | —  | (156,058)               |
| Net cash (used in) provided by financing activities  | (151,776)  | 8,903                       | 4,300        | (8,616)                | 65,715              | (5,392)                                      | —  | (190,280)               |
| <b>Cash flows from investing activities:</b>   |  |                             |              |                        |                     |  |  |                         |
| Investment earnings  | 19,821   | 1,934                       | —            | 15                     | 12,180              | 842  | —  | 8,718                   |
| Purchases of investments and assets limited as to use  | (54,071)   | (2)                         | —            | (22,791)               | —                   | (2,219)                                      | —  | (29,063)                |
| Sales of investments and assets limited as to use  | 124,233  | —                           | —            | 8,324                  | 98,703              | 17,206                                       | —  | —                       |
| Net cash provided by (used in) investing activities  | 89,983   | 1,932                       | —            | (14,452)               | 110,883             | 15,829                                       | —  | (20,345)                |
| Net increase (decrease) in cash and cash equivalents   | 371,705  | (88)                        | —            | (89,422)               | 183,267             | 12,114                                       | —  | 265,658                 |
| <b>Cash and cash equivalents:</b>  |  |                             |              |                        |                     |  |  |                         |
| Beginning of year  | 978,709  | 4,114                       | —            | 150,450                | 72,446              | 6,115  | —  | 753,812                 |
| End of year  | \$ 1,350,414   | \$ 4,026                    | \$ —         | \$ 61,028              | \$ 255,713          | \$ 18,229                                    | \$ —                                     | \$ 1,019,470            |
| <b>Reconciliation of cash and cash equivalents to the balance sheet:</b>                                 |  |                             |              |                        |                     |  |  |                         |
| Cash and cash equivalents  | 799,598  | 4,026                       | —            | 61,028                 | 255,713             | 18,229                                       | —  | 468,654                 |
| Restricted cash in investments and assets whose use is limited   | 550,816  | —                           | —            | —                      | —                   | —  | —  | 550,816                 |
| Total cash and cash equivalents  | \$ 1,350,414   | \$ 4,026                    | \$ —         | \$ 61,028              | \$ 255,713          | \$ 18,229                                    | \$ —                                     | \$ 1,019,470            |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |  |                             |              |                        |                     |  |  |                         |
| Operating income (loss)  | \$ 322,279   | \$ 18,384                   | \$ (4,300)   | \$ (22,885)            | \$ 36,398           | \$ 11,817                                    | \$ —                                     | \$ 311,033              |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |  |                             |              |                        |                     |  |  |                         |
| Depreciation and amortization  | 394,488  | 262                         | —            | 42,587                 | 21,576              | 2,189  | —  | 328,398                 |
| (Increase) decrease in patient accounts receivable – net   | (262,175)  | —                           | —            | (57,844)               | (9,233)             | 14   | —  | (195,112)               |
| (Increase) decrease in inventories and other current assets  | (39,274)   | (26,875)                    | 2,338        | 3,471                  | (8,893)             | (1,692)                                      | —  | (56,697)                |
| Decrease (increase) in other assets affecting operating activities                                       | 46,112   | (188)                       | —            | (13,919)               | 4,956               | (11,690)                                     | —  | 66,577                  |
| Increase (decrease) in accounts payable and other current liabilities                                    | 271,923  | (2,420)                     | (2,338)      | 37,981                 | 17,069              | 444  | —  | 211,671                 |
| (Decrease) increase in other liabilities affecting operating activities                                  | (336,121)  | (86)                        | —            | (63,673)               | (54,260)            | 595  | —  | (218,869)               |
| Increase (decrease) in estimated third party payer settlements   | 36,266   | —                           | —            | 7,928                  | (944)               | —  | —  | 29,282                  |
| Net cash provided by (used in) operating activities  | 433,498  | (10,923)                    | (4,300)      | (66,354)               | 6,669               | 1,677  | —  | 476,283                 |

The Total Combined Group column presented above represents the Combined Group, which consists of the Obligated Group and its Designated Affiliates, as such terms are defined in Section 101 of the Charlotte-Mecklenburg Hospital Authority's Second Amended and Restated Bond Order adopted as of September 9, 1997, as amended. Because none of the members of the Obligated Group have Designated Affiliates at this time, the only members of the Combined Group are the members of the Obligated Group.

## Atrium Health – Navicent

Combining Balance Sheet

December 31, 2021

Dollars in thousands.

|   | Carlyle Place     | All Other<br>Navicent | Atrium Health<br>Navicent |
|---|-------------------|-----------------------|---------------------------|
| <b>Assets</b>   |                   |                       |                           |
| Current assets:   |                   |                       |                           |
| Cash and cash equivalents   | \$ 302            | \$ 60,726             | \$ 61,028                 |
| Short term investments  | —                 | —                     | —                         |
| Patient receivables – net   | 95                | 230,596               | 230,691                   |
| Accounts, grants and notes receivable, net                                | (1,772)           | 14,944                | 13,172                    |
| Assets limited as to use – investments                                    | —                 | —                     | —                         |
| Other current assets  | 30                | 30,128                | 30,158                    |
| Total current assets  | (1,345)           | 336,394               | 335,049                   |
| Property and equipment – net  | 29,739            | 440,742               | 470,481                   |
| Investments and assets limited as to use                                  | 104,976           | 783,735               | 888,711                   |
| Other assets  | —                 | 71,781                | 71,781                    |
| Total assets  | 133,370           | 1,632,652             | 1,766,022                 |
| Deferred outflows of resources  | —                 | 28,215                | 28,215                    |
| Total assets and deferred outflows of resources                           | <u>\$ 133,370</u> | <u>\$ 1,660,867</u>   | <u>\$ 1,794,237</u>       |
| <b>Liabilities</b>  |                   |                       |                           |
| Current liabilities:  |                   |                       |                           |
| Accounts payable  | \$ —              | \$ 11,939             | \$ 11,939                 |
| Salaries and benefits payable   | 370               | 56,992                | 57,362                    |
| Other liabilities and accruals  | 37,063            | 77,769                | 114,832                   |
| Estimated third party payer settlements                                   | —                 | 6,102                 | 6,102                     |
| Current portion of long-term debt   | 947               | 4,368                 | 5,315                     |
| Total current liabilities   | 38,380            | 157,170               | 195,550                   |
| Notes payable, finance leases and line of credit – net of current portion | —                 | —                     | —                         |
| Bonds Payable – net of current portion                                    | 32,110            | 248,830               | 280,940                   |
| Interest rate swap liability  | —                 | 8,514                 | 8,514                     |
| Retirement benefits   | —                 | (128,466)             | (128,466)                 |
| Other liabilities   | 125               | 114,942               | 115,067                   |
| Total liabilities   | 70,615            | 400,990               | 471,605                   |
| Deferred inflows of resources   | —                 | 66,885                | 66,885                    |
| Net position:   |                   |                       |                           |
| Net investment in capital assets  | —                 | 179,030               | 179,030                   |
| Restricted – by donor   | —                 | —                     | —                         |
| Unrestricted  | 62,755            | 1,013,962             | 1,076,717                 |
| Total net position  | 62,755            | 1,192,992             | 1,255,747                 |
| Total liabilities and deferred inflows and net position                   | <u>\$ 133,370</u> | <u>\$ 1,660,867</u>   | <u>\$ 1,794,237</u>       |

See accompanying independent auditors' report.

## Atrium Health – Navicent

Combining Schedule of Revenues, Expenses and Changes in Net Position

December 31, 2021

Dollars in thousands.

|  | Carlyle Place    | All Other<br>Navicent | Atrium Health<br>Navicent |
|--|------------------|-----------------------|---------------------------|
| <b>Operating revenues and support</b>  |                  |                       |                           |
| Patient service revenue  | \$ 2,516         | \$ 865,174            | \$ 867,690                |
| Gifts, grants and contracts  | 74               | 6,513                 | 6,587                     |
| Student tuition and fees - net   | —                | —                     | —                         |
| Other sources  | 13,256           | 25,757                | 39,013                    |
| Total operating revenues and support   | <u>15,846</u>    | <u>897,444</u>        | <u>913,290</u>            |
| <b>Operating expenses</b>  |                  |                       |                           |
| Personnel costs  | 9,315            | 531,879               | 541,194                   |
| Supplies   | 1,669            | 187,021               | 188,690                   |
| Purchased services   | 1,453            | 79,134                | 80,587                    |
| Other operating expenses   | 1,817            | 81,300                | 83,117                    |
| Depreciation and amortization  | 2,594            | 39,993                | 42,587                    |
| Total operating expenses   | <u>16,848</u>    | <u>919,327</u>        | <u>936,175</u>            |
| Operating loss   | (1,002)          | (21,883)              | (22,885)                  |
| <b>Nonoperating gains</b>  |                  |                       |                           |
| Interest Expense   | (605)            | (4,729)               | (5,334)                   |
| Stimulus grants  | 12               | 14,888                | 14,900                    |
| Net investment gains   | 10,067           | 69,312                | 79,379                    |
| Net gains on interest rate swap valuation                                    | 166              | 2,918                 | 3,084                     |
| Other, net   | 3                | (50)                  | (47)                      |
| Total nonoperating gains   | <u>9,643</u>     | <u>82,339</u>         | <u>91,982</u>             |
| Excess of revenues and support over expenses and losses before contributions | 8,641            | 60,456                | 69,097                    |
| Capital contributions  | —                | 10,762                | 10,762                    |
| Other contributions  | —                | 10,762                | 10,762                    |
| Change in net position   | 8,641            | 71,218                | 79,859                    |
| Net position:  |                  |                       |                           |
| Net position, beginning of year  | 54,114           | 1,121,774             | 1,175,888                 |
| Net position, end of year  | <u>\$ 62,755</u> | <u>\$ 1,192,992</u>   | <u>\$ 1,255,747</u>       |

See accompanying independent auditors' report.

**Atrium Health – Navicent**

Combining Schedule of Cash Flows

December 31, 2021

*Dollars in thousands.*

|  | Carlyle Place<br>Navicent Health | All Other<br>Navicent | Atrium Health<br>Navicent |
|--|----------------------------------|-----------------------|---------------------------|
| <b>Cash flows from operating activities:</b>   |                                  |                       |                           |
| Receipts from third-party payers and patients  | \$ 2,425                         | \$ 815,349            | \$ 817,774                |
| Payments to suppliers  | 28,496                           | (351,332)             | (322,836)                 |
| Payments to employees  | (9,704)                          | (544,534)             | (554,238)                 |
| Other (payments) receipts – net  | (21,704)                         | 14,650                | (7,054)                   |
| Net cash used in operating activities  | (487)                            | (65,867)              | (66,354)                  |
| <b>Cash flows from financing activities:</b>   |                                  |                       |                           |
| <b>Cash flows from noncapital financing activities:</b>                                  |                                  |                       |                           |
| Proceeds from the issuance of commercial paper   | —                                | —                     | —                         |
| Retirements of commercial paper  | —                                | —                     | —                         |
| Stimulus grants  | 12                               | 14,888                | 14,900                    |
| Academic endowment and enrichment funds disbursed  | —                                | —                     | —                         |
| Other activities   | —                                | —                     | —                         |
| Net cash provided by noncapital financing activities                                     | 12                               | 14,888                | 14,900                    |
| <b>Cash flows from capital and related financing activities:</b>                         |                                  |                       |                           |
| Purchase of capital assets   | (2,872)                          | (21,762)              | (24,634)                  |
| Proceeds from sale of capital assets   | —                                | 25                    | 25                        |
| Interest payments on short- and long-term debt   | (605)                            | (4,729)               | (5,334)                   |
| Principal payments, refunding and retirements on short- and long-term debt               | (902)                            | (3,433)               | (4,335)                   |
| Proceeds from issuance of long-term debt   | —                                | —                     | —                         |
| Contributions restricted for building and equipment purchases                            | —                                | 10,762                | 10,762                    |
| Other contributions (distributions)  | —                                | —                     | —                         |
| Net cash used in capital and related financing activities                                | (4,379)                          | (19,137)              | (23,516)                  |
| Net cash used in financing activities  | (4,367)                          | (4,249)               | (8,616)                   |
| <b>Cash flows from investing activities:</b>   |                                  |                       |                           |
| Investment earnings  | 9,101                            | (9,086)               | 15                        |
| Purchases of investments and assets limited as to use                                    | (8,324)                          | (14,467)              | (22,791)                  |
| Sales of investments and assets limited as to use  | 4,013                            | 4,311                 | 8,324                     |
| Net cash provided by (used in) investing activities                                      | 4,790                            | (19,242)              | (14,452)                  |
| Net decrease in cash and cash equivalents  | (64)                             | (89,358)              | (89,422)                  |
| <b>Cash and cash equivalents:</b>  |                                  |                       |                           |
| Beginning of year  | 366                              | 150,084               | 150,450                   |
| End of year  | \$ 302                           | \$ 60,726             | \$ 61,028                 |
| <b>Reconciliation of cash and cash equivalents to the balance sheet:</b>                 |                                  |                       |                           |
| Cash and cash equivalents  | 302                              | 60,726                | 61,028                    |
| Restricted cash in investments and assets whose use is limited                           | —                                | —                     | —                         |
| Total cash and cash equivalents  | \$ 302                           | \$ 60,726             | \$ 61,028                 |
| <b>Reconciliation of operating loss to net cash used in operating activities:</b>        |                                  |                       |                           |
| Operating loss   | (1,000)                          | (21,885)              | (22,885)                  |
| <b>Adjustments to reconcile operating loss to net cash used in operating activities:</b> |                                  |                       |                           |
| Depreciation and amortization  | 2,594                            | 39,993                | 42,587                    |
| (Decrease) increase in patient accounts receivable – net                                 | 8                                | (57,852)              | (57,844)                  |
| Decrease in inventories and other current assets   | 1,887                            | 1,584                 | 3,471                     |
| Decrease (increase) in other assets affecting operating activities                       | 169                              | (14,088)              | (13,919)                  |
| Increase in accounts payable and other current liabilities                               | 33,051                           | 4,930                 | 37,981                    |
| Decrease in other liabilities affecting operating activities                             | (37,097)                         | (26,576)              | (63,673)                  |
| (Decrease) increase in estimated third party payer settlements                           | (99)                             | 8,027                 | 7,928                     |
| Net cash used in operating activities  | \$ (487)                         | \$ (65,867)           | \$ (66,354)               |

See accompanying independent auditors' report.

## Atrium Health – Floyd

Combining Balance Sheet

December 31, 2021

Dollars in thousands.

|   | Polk Medical<br>Center, Inc. | Floyd<br>Cherokee Medical<br>Center, LLC | All Other<br>Floyd | Atrium Health<br>Floyd |
|---|------------------------------|--|--------------------|------------------------|
| <b>Assets</b>   |                              |  |                    |                        |
| Current assets:   |                              |  |                    |                        |
| Cash and cash equivalents   | \$ 23,709                    | \$ 7,740                                 | \$ 224,264         | \$ 255,713             |
| Short term investments  | 4,577                        | —  | 34,749             | 39,326                 |
| Patient receivables - net   | 5,718                        | 1,579                                    | 82,091             | 89,388                 |
| Accounts, grants and notes receivable, net                                | 945                          | 736                                      | 7,042              | 8,723                  |
| Assets limited as to use - investments                                    | 832                          | —  | 3,289              | 4,121                  |
| Other current assets  | 868                          | 349                                      | 23,207             | 24,424                 |
| Total current assets  | 36,649                       | 10,404                                   | 374,642            | 421,695                |
| Property and equipment - net  | 19,727                       | 2,260                                    | 135,357            | 157,344                |
| Investments and assets limited as to use                                  | 24,202                       | —  | 67,809             | 92,011                 |
| Other assets  | —                            | —  | 4,359              | 4,359                  |
| Total assets  | 80,578                       | 12,664                                   | 582,167            | 675,409                |
| Deferred outflows of resources  | —                            | —  | 582                | 582                    |
| Total assets and deferred outflows of resources                           | \$ 80,578                    | \$ 12,664                                | \$ 582,749         | \$ 675,991             |
| <b>Liabilities</b>  |                              |  |                    |                        |
| Current liabilities:  |                              |  |                    |                        |
| Accounts payable  | \$ 668                       | \$ 393                                   | \$ 15,679          | \$ 16,740              |
| Salaries and benefits payable   | 1,145                        | 677                                      | 28,258             | 30,080                 |
| Other liabilities and accruals  | 4,584                        | 16,982                                   | 31,536             | 53,102                 |
| Estimated third party payer settlements                                   | 1,381                        | (30)                                     | (3,090)            | (1,739)                |
| Current portion of long-term debt   | —                            | —  | 6,000              | 6,000                  |
| Total current liabilities   | 7,778                        | 18,022                                   | 78,383             | 104,183                |
| Notes payable, finance leases and line of credit - net of current portion | —                            | —  | 173,000            | 173,000                |
| Bonds Payable - net of current portion                                    | —                            | —  | —                  | —                      |
| Interest rate swap liability  | —                            | —  | —                  | —                      |
| Retirement benefits   | —                            | —  | (6,293)            | (6,293)                |
| Other liabilities   | 22,815                       | 341                                      | 2,762              | 25,918                 |
| Total liabilities   | 30,593                       | 18,363                                   | 247,852            | 296,808                |
| Deferred inflows of resources   | —                            | —  | 1,694              | 1,694                  |
| Net position:   |                              |  |                    |                        |
| Net investment in capital assets  | —                            | —  | —                  | —                      |
| Restricted - by donor   | —                            | —  | —                  | —                      |
| Unrestricted  | 49,985                       | (5,699)                                  | 333,203            | 377,489                |
| Total net position  | 49,985                       | (5,699)                                  | 333,203            | 377,489                |
| Total liabilities and deferred inflows and net position                   | \$ 80,578                    | \$ 12,664                                | \$ 582,749         | \$ 675,991             |

See accompanying independent auditors' report.

## Atrium Health – Floyd

Combining Schedule of Revenues, Expenses and Changes in Net Position

December 31, 2021

Dollars in thousands.

|   | Polk Medical<br>Center, Inc. | Floyd<br>Cherokee Medical<br>Center, LLC | All Other<br>Floyd | Atrium Health<br>Floyd |
|---|------------------------------|--|--------------------|------------------------|
| <b>Operating revenues and support</b>   |                              |  |                    |                        |
| Patient service revenue   | \$ 36,792                    | \$ 18,014                                | \$ 477,982         | \$ 532,788             |
| Gifts, grants and contracts   | —                            | —  | —                  | —                      |
| Student tuition and fees - net  | —                            | —  | —                  | —                      |
| Other sources   | 124                          | 451                                      | 4,472              | 5,047                  |
| Total operating revenues and support  | <u>36,916</u>                | <u>18,465</u>                            | <u>482,454</u>     | <u>537,835</u>         |
| <b>Operating expenses</b>   |                              |  |                    |                        |
| Personnel costs   | 15,557                       | 11,044                                   | 291,984            | 318,585                |
| Supplies  | 2,851                        | 2,567                                    | 79,713             | 85,131                 |
| Purchased services  | 2,213                        | 2,137                                    | 31,616             | 35,966                 |
| Other operating expenses  | 1,795                        | 1,185                                    | 37,199             | 40,179                 |
| Depreciation and amortization   | 2,303                        | 379                                      | 18,894             | 21,576                 |
| Total operating expenses  | <u>24,719</u>                | <u>17,312</u>                            | <u>459,406</u>     | <u>501,437</u>         |
| Operating income  | 12,197                       | 1,153                                    | 23,048             | 36,398                 |
| <b>Nonoperating gains</b>   |                              |  |                    |                        |
| Interest expense  | (648)                        | (17)                                     | (3,829)            | (4,494)                |
| Stimulus grants   | 3,846                        | 943                                      | 12,421             | 17,210                 |
| Net investment gains  | 386                          | 1  | 2,303              | 2,690                  |
| Net gains on interest rate swap valuation   | —                            | —  | —                  | —                      |
| Other, net  | 668                          | 19                                       | (6,317)            | (5,630)                |
| Total nonoperating gains  | <u>4,252</u>                 | <u>946</u>                               | <u>4,578</u>       | <u>9,776</u>           |
| Excess of revenues and support over expenses before capital and other contributions | \$ 16,449                    | \$ 2,099                                 | \$ 27,626          | \$ 46,174              |
| Capital contributions   | —                            | —  | —                  | —                      |
| Other contributions   | (20,000)                     | —  | 59,086             | 39,086                 |
| Change in net position  | (3,551)                      | 2,099                                    | 86,712             | 85,260                 |
| Net position:   |                              |  |                    |                        |
| Net position, beginning of year   | 53,536                       | (7,798)                                  | 246,491            | 292,229                |
| Net position, end of year   | <u>\$ 49,985</u>             | <u>\$ (5,699)</u>                        | <u>\$ 333,203</u>  | <u>\$ 377,489</u>      |

See accompanying independent auditors' report.

**Atrium Health – Floyd**

Combining Schedule of Cash Flows

December 31, 2021

*Dollars in thousands.*

|  | Polk Medical<br>Center, Inc. | Floyd<br>Cherokee Medical<br>Center, LLC | All Other<br>Floyd | Atrium Health<br>Floyd |
|--|------------------------------|--|--------------------|------------------------|
| <b>Cash flows from operating activities:</b>   |                              |  |                    |                        |
| Receipts from third-party payers and patients  | \$ 36,945                    | \$ 18,129                                | \$ 467,537         | \$ 522,611             |
| Payments to suppliers  | (8,320)                      | (14,126)                                 | (179,968)          | (202,414)              |
| Payments to employees  | (15,482)                     | (10,873)                                 | (296,594)          | (322,949)              |
| Other receipts – net   | 792                          | 1,395                                    | 7,234              | 9,421                  |
| Net cash provided by (used in) operating activities  | <u>13,935</u>                | <u>(5,475)</u>                           | <u>(1,791)</u>     | <u>6,669</u>           |
| <b>Cash flows from financing activities:</b>   |                              |  |                    |                        |
| <b>Cash flows from noncapital financing activities:</b>  |                              |  |                    |                        |
| Proceeds from the issuance of commercial paper   | —                            | —  | —                  | —                      |
| Retirements of commercial paper  | —                            | —  | —                  | —                      |
| Stimulus grants  | 3,846                        | —  | 13,364             | 17,210                 |
| Academic endowment and enrichment funds disbursed  | —                            | —  | —                  | —                      |
| Other activities   | —                            | —  | 70,399             | 70,399                 |
| Net cash (used in) provided by noncapital financing activities   | <u>3,846</u>                 | <u>—</u>                                 | <u>83,763</u>      | <u>87,609</u>          |
| <b>Cash flows from capital and related financing activities:</b>   |                              |  |                    |                        |
| Purchase of capital assets   | (188)                        | (2,009)                                  | (27,920)           | (30,117)               |
| Proceeds from sale of capital assets   | —                            | —  | 6,779              | 6,779                  |
| Interest payments on short- and long-term debt   | (649)                        | (47)                                     | (3,798)            | (4,494)                |
| Principal payments, refunding and retirements on short- and long-term debt                               | (33,112)                     | —  | (139,950)          | (173,062)              |
| Proceeds from issuance of long-term debt   | —                            | 623                                      | 178,377            | 179,000                |
| Net cash used in capital and related financing activities  | <u>(33,949)</u>              | <u>(1,433)</u>                           | <u>13,488</u>      | <u>(21,894)</u>        |
| Net cash (used in) provided by financing activities  | <u>(30,103)</u>              | <u>(1,433)</u>                           | <u>97,251</u>      | <u>65,715</u>          |
| <b>Cash flows from investing activities:</b>   |                              |  |                    |                        |
| Investment earnings  | 407                          | —  | 11,773             | 12,180                 |
| Purchases of investments and assets limited as to use  | —                            | —  | —                  | —                      |
| Sales of investments and assets limited as to use  | 27,857                       | —  | 70,846             | 98,703                 |
| Net cash provided by investing activities  | <u>28,264</u>                | <u>—</u>                                 | <u>82,619</u>      | <u>110,883</u>         |
| Net increase (decrease) in cash and cash equivalents   | 12,096                       | (6,908)                                  | 178,079            | 183,267                |
| <b>Cash and cash equivalents:</b>  |                              |  |                    |                        |
| Beginning of year  | 11,613                       | 14,648                                   | 46,185             | 72,446                 |
| End of year  | <u>\$ 23,709</u>             | <u>\$ 7,740</u>                          | <u>\$ 224,264</u>  | <u>\$ 255,713</u>      |
| <b>Reconciliation of cash and cash equivalents to the balance sheet:</b>                                 |                              |  |                    |                        |
| Cash and cash equivalents  | 23,709                       | 7,740                                    | 224,264            | 255,713                |
| Restricted cash in investments and assets whose use is limited   | —                            | —  | —                  | —                      |
| Total cash and cash equivalents  | <u>\$ 23,709</u>             | <u>\$ 7,740</u>                          | <u>\$ 224,264</u>  | <u>\$ 255,713</u>      |
| <b>Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:</b> |                              |  |                    |                        |
| Operating income   | 12,197                       | 2,698                                    | 21,503             | 36,398                 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities:        |                              |  |                    |                        |
| Depreciation and amortization  | 2,303                        | 615                                      | 18,658             | 21,576                 |
| Decrease (increase) in patient accounts receivable – net   | 226                          | 115                                      | (9,574)            | (9,233)                |
| Decrease (increase) in inventories and other current assets  | 684                          | (166)                                    | (9,411)            | (8,893)                |
| Increase in other assets affecting operating activities  | —                            | —  | 4,956              | 4,956                  |
| Increase (decrease) in accounts payable and other current liabilities                                    | 1,840                        | (7,572)                                  | 22,801             | 17,069                 |
| Increase (decrease) in other liabilities affecting operating activities                                  | (3,241)                      | (1,165)                                  | (49,854)           | (54,260)               |
| Decrease in estimated third party payer settlements  | (74)                         | —  | (870)              | (944)                  |
| Net cash provided by (used in) operating activities  | <u>\$ 13,935</u>             | <u>\$ (5,475)</u>                        | <u>\$ (1,791)</u>  | <u>\$ 6,669</u>        |

See accompanying independent auditors' report.

Atrium Health – Wake Forest Baptist

Combining Balance Sheet

December 31, 2021

Dollars in thousands.

|   | NCBH         | WFUHS        | WFUBMC       | Other Affs | Eliminations   | Atrium Health<br>Wake Forest<br>Baptist | Non-Designated<br>Entities | Eliminations | Wake Forest<br>Baptist<br>Combined Group |
|---|--------------|--------------|--------------|------------|----------------|---|----------------------------|--------------|--|
| <b>Assets</b>   |              |              |              |            |                |   |                            |              |  |
| Current assets:   |              |              |              |            |                |   |                            |              |  |
| Cash and cash equivalents   | \$ 58,582    | \$ 11,412    | \$ 258,678   | \$ 3,809   | \$ —           | \$ 332,481                              | \$ (69,761)                | \$ —         | \$ 262,720                               |
| Short term investments  | —            | —            | —            | —          | —              | —                                       | —                          | —            | —  |
| Patient receivables - net   | 195,154      | 76,506       | 83,005       | 2,372      | —              | 357,037                                 | (20,480)                   | —            | 336,557                                  |
| Accounts, grants and notes receivable, net                                | 247,701      | 233,299      | 182,635      | 10,989     | (526,234)      | 148,390                                 | (22,079)                   | —            | 126,311                                  |
| Assets limited as to use - investments                                    | —            | —            | —            | —          | —              | —                                       | —                          | —            | —  |
| Other current assets  | 83,448       | 11,448       | 16,043       | 150        | —              | 111,089                                 | (5,561)                    | —            | 105,528                                  |
| Total current assets  | 584,885      | 332,665      | 540,361      | 17,320     | (526,234)      | 948,997                                 | (117,881)                  | —            | 831,116                                  |
| Property and equipment - net  | 583,160      | 364,873      | 326,696      | 9,472      | —              | 1,284,201                               | (79,702)                   | —            | 1,204,499                                |
| Investments and assets limited as to use                                  | 1,329,058    | 1,253,000    | 333,935      | 144        | (467,875)      | 2,448,262                               | (83,894)                   | 25,035       | 2,389,403                                |
| Operating lease right-of-use assets, net                                  | 21,203       | 143,057      | 116,816      | —          | (84,600)       | 196,476                                 | (38,271)                   | —            | 158,205                                  |
| Other assets  | 46,438       | 32,194       | 107,299      | —          | —              | 185,931                                 | (92,465)                   | —            | 93,466                                   |
| Total assets  | \$ 2,564,744 | \$ 2,125,789 | \$ 1,425,107 | \$ 26,936  | \$ (1,078,709) | \$ 5,063,867                            | \$ (412,213)               | \$ 25,035    | \$ 4,676,689                             |
| <b>Liabilities</b>  |              |              |              |            |                |   |                            |              |  |
| Current liabilities:  |              |              |              |            |                |   |                            |              |  |
| Accounts payable  | \$ 67,372    | \$ 169,981   | \$ 465,039   | \$ 5,288   | \$ (522,785)   | \$ 184,895                              | \$ (139,207)               | \$ —         | \$ 45,688                                |
| Salaries and benefits payable   | 88,127       | 219,235      | 57,844       | 380        | —              | 365,586                                 | (12,577)                   | —            | 353,009                                  |
| Other liabilities and accruals  | 116,941      | 86,564       | 24,738       | 117        | (9,175)        | 219,185                                 | (3,374)                    | —            | 215,811                                  |
| Estimated third party payer settlements                                   | 75,810       | —            | —            | —          | —              | 75,810                                  | 1,427                      | —            | 77,237                                   |
| Operating lease liabilities   | 4,944        | 23,279       | 17,185       | —          | (4,575)        | 40,833                                  | (11,569)                   | —            | 29,264                                   |
| Current portion of long-term debt   | 93,055       | 11,645       | 52,271       | 1,159      | —              | 158,130                                 | (1,363)                    | —            | 156,767                                  |
| Total current liabilities   | 446,249      | 510,704      | 617,077      | 6,944      | (536,535)      | 1,044,439                               | (166,663)                  | —            | 877,776                                  |
| Notes payable, finance leases and line of credit - net of current portion | 16,624       | 42,530       | 25,919       | 3,484      | —              | 88,557                                  | (24,688)                   | —            | 63,869                                   |
| Bonds Payable - net of current portion                                    | 398,580      | 120,519      | 208,860      | —          | —              | 727,959                                 | —                          | —            | 727,959                                  |
| Operating lease liabilities - less current portion                        | 15,903       | 124,743      | 92,638       | —          | (70,350)       | 162,934                                 | (27,732)                   | —            | 135,202                                  |
| Interest rate swap liability  | —            | 3,525        | —            | —          | —              | 3,525                                   | —                          | —            | 3,525                                    |
| Retirement benefits   | 72,294       | 23,253       | 713          | —          | —              | 96,260                                  | (713)                      | —            | 95,547                                   |
| Other liabilities   | 46,916       | 64,924       | 15,316       | 49         | (3,949)        | 123,256                                 | (6,170)                    | —            | 117,086                                  |
| Total liabilities   | 996,566      | 890,198      | 960,523      | 10,477     | (610,834)      | 2,246,930                               | (225,966)                  | —            | 2,020,964                                |
| Net assets:   |              |              |              |            |                |   |                            |              |  |
| Without donor restrictions  | 1,557,536    | 924,951      | 371,526      | 16,459     | (467,875)      | 2,402,597                               | (185,157)                  | 25,035       | 2,242,475                                |
| With donor restrictions   | 10,642       | 310,640      | 93,058       | —          | —              | 414,340                                 | (1,090)                    | —            | 413,250                                  |
| Total net assets  | 1,568,178    | 1,235,591    | 464,584      | 16,459     | (467,875)      | 2,816,937                               | (186,247)                  | 25,035       | 2,655,725                                |
| Total liabilities and net assets  | \$ 2,564,744 | \$ 2,125,789 | \$ 1,425,107 | \$ 26,936  | \$ (1,078,709) | \$ 5,063,867                            | \$ (412,213)               | \$ 25,035    | \$ 4,676,689                             |

See accompanying independent auditors' report.



**Atrium Health – Wake Forest Baptist**

Combining Statement of Operations and Changes in Net Assets

December 31, 2021

Dollars in thousands.

|  | NCBH         | WFUHS        | WFUBMC     | Other Affs | Eliminations | Atrium Health<br>Wake Forest<br>Baptist | Non-Designated<br>Entities | Eliminations | Wake Forest<br>Baptist<br>Combined Group |
|--|--------------|--------------|------------|------------|--------------|---|----------------------------|--------------|--|
| <b>Operating revenues and support</b>                                    |              |              |            |            |              |   |                            |              |  |
| Patient service revenue  | \$ 1,706,567 | \$ 708,602   | \$ 794,147 | \$ 18,745  | \$ —         | \$ 3,228,061                            | \$ (220,919)               | \$ —         | \$ 3,007,142                             |
| Gifts, grants and contracts  | 21,224       | 212,890      | 10,343     | —          | (128)        | 244,329                                 | (9,648)                    | —            | 234,681                                  |
| Student tuition and fees - net   | 1,885        | 41,733       | —          | —          | —            | 43,618                                  | —                          | —            | 43,618                                   |
| Investment return designated for current operations                      | 1,462        | 29,413       | 1,328      | 320        | —            | 32,523                                  | (1,690)                    | —            | 30,833                                   |
| Net assets released from restrictions                                    | 407          | 35,717       | 1,548      | —          | —            | 37,672                                  | (21)                       | —            | 37,651                                   |
| Other sources  | 431,515      | 249,770      | 37,108     | 197        | (226,088)    | 492,502                                 | (51,734)                   | —            | 440,768                                  |
| Total operating revenues   | 2,163,060    | 1,278,125    | 844,474    | 19,262     | (226,216)    | 4,078,705                               | (284,012)                  | —            | 3,794,693                                |
| <b>Operating expenses</b>  |              |              |            |            |              |   |                            |              |  |
| Personnel costs  | 994,678      | 980,102      | 431,234    | 5,459      | 5,598        | 2,417,071                               | (171,114)                  | —            | 2,245,957                                |
| Supplies   | 690,495      | 120,158      | 165,618    | 1,292      | —            | 977,563                                 | (35,066)                   | —            | 942,497                                  |
| Purchased services   | 287,270      | 31,588       | 46,006     | 3,782      | (219,174)    | 149,472                                 | (13,727)                   | —            | 135,745                                  |
| Other operating expenses   | 124,720      | 132,715      | 101,291    | 3,450      | (12,640)     | 349,536                                 | (66,808)                   | —            | 282,728                                  |
| Depreciation and amortization  | 81,841       | 35,199       | 25,588     | 1,275      | —            | 143,903                                 | (5,500)                    | —            | 138,403                                  |
| Financing costs  | 13,136       | 7,443        | 9,345      | 99         | —            | 30,023                                  | (975)                      | —            | 29,048                                   |
| Total operating expenses   | 2,192,140    | 1,307,205    | 779,082    | 15,357     | (226,216)    | 4,067,568                               | (293,190)                  | —            | 3,774,378                                |
| Operating (loss) income  | (29,080)     | (29,080)     | 65,392     | 3,905      | —            | 11,137                                  | 9,178                      | —            | 20,315                                   |
| <b>Nonoperating gains (losses)</b>                                       |              |              |            |            |              |   |                            |              |  |
| Net investment gains (losses)  | 92,850       | 71,073       | 4,869      | 863        | —            | 169,655                                 | (3,937)                    | —            | 165,718                                  |
| Net gains on interest rate swap valuation                                | —            | 1,208        | —          | —          | —            | 1,208                                   | —                          | —            | 1,208                                    |
| Net assets released from restriction                                     | —            | 150,000      | —          | —          | —            | 150,000                                 | —                          | —            | 150,000                                  |
| Pension and postretirement costs   | (7,618)      | 1,894        | 779        | —          | —            | (4,945)                                 | (779)                      | —            | (5,724)                                  |
| Gains from equity-method affiliates                                      | 42,816       | 45,615       | 4,477      | —          | (80,883)     | 12,025                                  | (163)                      | (9,982)      | 1,880                                    |
| Contribution from business combinations, net                             | —            | —            | 10,709     | —          | —            | 10,709                                  | (10,709)                   | —            | —  |
| Other, net   | 13,522       | (46)         | (33)       | (3,146)    | 2,360        | 12,657                                  | (10,687)                   | (2,360)      | (390)                                    |
| Total nonoperating gains (losses)  | 141,570      | 269,744      | 20,801     | (2,283)    | (78,523)     | 351,309                                 | (26,275)                   | (12,342)     | 312,692                                  |
| Excess of revenues and support over expenses and losses                  | 112,490      | 240,664      | 86,193     | 1,622      | (78,523)     | 362,446                                 | (17,097)                   | (12,342)     | 333,007                                  |
| <b>Changes in net assets without donor restrictions:</b>                 |              |              |            |            |              |   |                            |              |  |
| Pension and postretirement net adjustments                               | 37,831       | 968          | 1,976      | —          | —            | 40,775                                  | (1,976)                    | —            | 38,799                                   |
| Other  | —            | —            | —          | —          | —            | —                                       | —                          | —            | —  |
| <b>Changes in net assets without donor restrictions</b>                  | 150,321      | 241,632      | 88,169     | 1,622      | (78,523)     | 403,221                                 | (19,073)                   | (12,342)     | 371,806                                  |
| <b>Changes in net assets with donor restrictions:</b>                    |              |              |            |            |              |   |                            |              |  |
| Contributions  | 960          | 36,570       | 1,403      | —          | —            | 38,933                                  | (419)                      | —            | 38,514                                   |
| Investment return in excess of amounts designated for current operations | 242          | 8,290        | —          | —          | —            | 8,532                                   | —                          | —            | 8,532                                    |
| Net assets released from restrictions                                    | (407)        | (185,717)    | (1,548)    | —          | —            | (187,672)                               | 21                         | —            | (187,651)                                |
| Net investment gains   | 274          | 31,835       | —          | —          | —            | 32,109                                  | —                          | —            | 32,109                                   |
| Other  | (53)         | 7,115        | (10,017)   | —          | —            | (2,955)                                 | —                          | —            | (2,955)                                  |
| Change in net assets with donor restrictions                             | 1,016        | (101,907)    | (10,162)   | —          | —            | (111,053)                               | (398)                      | —            | (111,451)                                |
| Change in total net assets   | 151,337      | 139,725      | 78,007     | 1,622      | (78,523)     | 292,168                                 | (19,471)                   | (12,342)     | 260,355                                  |
| Net assets, beginning of year  | 1,416,841    | 1,095,866    | 386,577    | 14,837     | (389,352)    | 2,524,769                               | (166,776)                  | 37,377       | 2,395,370                                |
| Net assets, end of year  | \$ 1,568,178 | \$ 1,235,591 | \$ 464,584 | \$ 16,459  | \$ (467,875) | \$ 2,816,937                            | \$ (186,247)               | \$ 25,035    | \$ 2,655,725                             |

See accompanying independent auditors' report.