



# 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, 2022

**Atrium Health Enterprise**  
**Combined Financial Statements**  
**December 31, 2022**

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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 then ended December 31, 2022, 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, 2022, 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, 2022, 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, 2022, 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, 2022, 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 75.2% and 67.8% 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.

### *Emphasis of Matter – Adoption of New Accounting Standard*

As discussed in Note 3(n) to the combined financial statements, in 2022, Atrium Health CMHA adopted GASB Statement No. 87 *Leases*. Our opinion is not modified with respect to this matter.

### *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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the respective financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher



than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the respective financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Atrium Health CMHA's, Atrium Health Wake Forest Baptist's, and Atrium Health Enterprise's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the 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 audit, 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 12, 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 100 – 117 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 118 – 126 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 127 – 128 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  
April 11, 2023



# ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2022

*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, 2022 and 2021. 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.

## **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

## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

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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.

As discussed in note 3(n) of the notes to the combined financial statements, Atrium Health CMHA implemented GASB Statement 87, *Leases*, during the fiscal year 2022. Because this Statement was required to be adopted retrospectively, the balance sheet as of December 31, 2021 has been restated.

### 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>2022</b>	<b>2021</b>
Current assets	\$ 2,569,221	\$ 2,591,586
Capital assets – net	4,891,477	4,684,832
Other noncurrent assets	7,364,623	9,265,378
Total assets	14,825,321	16,541,796
Deferred outflows of resources	224,046	396,387
Total assets and deferred outflows of resources	<u>\$ 15,049,367</u>	<u>\$ 16,938,183</u>
	<b>2022</b>	<b>2021</b>
Current liabilities	\$ 2,630,520	\$ 3,044,709
Long-term liabilities	4,271,924	4,347,955
Total liabilities	6,902,444	7,392,664
Deferred inflows of resources	100,518	356,646
Net investment in capital assets	1,295,720	1,520,162
Restricted – by donor	34,557	35,919
Unrestricted	6,716,128	7,632,792
Total net position	8,046,405	9,188,873
Total liabilities, deferred inflows of resources and net position	<u>\$ 15,049,367</u>	<u>\$ 16,938,183</u>

Atrium Health CMHA classifies net position as either net investment in capital assets, restricted – by donor, or unrestricted. The change in net investment in capital assets over the prior year was driven by

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

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*Dollars in thousands*

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the expenditure of bond proceeds offset by additional capital expenditures and debt principal payments. The unrestricted net position decrease for the year ended December 31, 2022 was driven primarily by unfavorable operating performance and investment returns.

The net position of Atrium Health CMHA at December 31, 2022 decreased \$1,142,468 from December 31, 2021. The decrease in net position was due to negative results of operations of \$134,152 and nonoperating losses of \$1,015,262, offset by capital and other contributions of \$6,946.

Atrium Health CMHA's cash and investment position at December 31, 2022 and 2021 was \$6,948,551 and \$8,410,364, respectively.

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 303 and 393 at December 31, 2022 and 2021, respectively.

More detailed information about Atrium Health CMHA's cash, investments and other financial instruments is presented in notes 4, 6 and 7 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)

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

	<u>2022</u>	<u>2021</u>
Operating revenues and support:		
Net patient service revenue	\$ 8,402,733	\$ 8,120,786
Other operating revenue	863,240	851,750
Total operating revenues	<u>9,265,973</u>	<u>8,972,536</u>
Operating expenses:		
Personnel costs	5,531,415	5,119,128
Supplies	1,896,703	1,772,428
Purchased services	732,475	635,616
Other operating expenses	733,211	728,597
Depreciation and amortization	506,321	394,488
Total operating expenses	<u>9,400,125</u>	<u>8,650,257</u>
Operating (loss) income	<u>(134,152)</u>	<u>322,279</u>
Nonoperating gains (losses):		
Interest expense	(132,249)	(107,429)
Stimulus grants	113,449	181,510
Net investment (loss) income	(989,968)	760,692
Other, net	(6,494)	(3,792)
Total nonoperating (losses) gains	<u>(1,015,262)</u>	<u>830,981</u>
(Deficiency) excess of revenues over expenses before contributions	(1,149,414)	1,153,260
Capital contributions	—	7,748
Other contributions	6,946	(129,304)
(Decrease) increase in net position	(1,142,468)	1,031,704
Beginning net position	9,188,873	8,173,313
Implementation of GASB 87	—	(16,144)
Ending net position	<u>\$ 8,046,405</u>	<u>\$ 9,188,873</u>

**Operating Revenues**

Operating revenues in 2022 increased 3.3% from 2021 largely due to increases in patient volumes and revenues. More detail of operating revenue can be found in notes 2 and 14 of the notes to combined financial statements.

**Operating Expenses**

Operating expenses in 2022 increased 8.7% from the prior year. Personnel costs, comprising 58.8% of the total Atrium Health CMHA operating expenses in 2022, increased due to volume growth at hospital

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facilities, increases in patient length of stay, higher use of clinical contract labor, and inflationary increases on wages and benefits. Other expenses, consisting primarily of pharmaceutical and supply costs, professional fees, rent and purchased services, increased 7.2%, 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 unfavorably in 2022 by a decline in the market value of Atrium Health CMHA's investments.

Nonoperating activity from Atrium Health CMHA's investment return on equity, fixed income, and cash investments was a (\$989,968) loss in 2022 and a \$760,692 gain in 2021.

Interest and dividend income on Atrium Health CMHA's investment portfolio in 2022 was \$125,508 and net realized and unrealized losses on the portfolio were (\$1,115,476). The net realized/unrealized losses were due to negative market performance in 2022.

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

Nonoperating gains and losses in 2022 also included \$113,400 in grant revenues related to Federal stimulus legislation. Other net nonoperating expenses were \$6,494 and \$3,792 for the years ended December 31, 2022 and 2021, respectively.

### Capital Assets and Debt Administration

#### Capital Assets

Capital assets, net of depreciation and impairment at December 31, 2022 and 2021 are summarized in Table 3 and are discussed below.

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

	<u>2022</u>	<u>2021</u>
Land	\$ 330,929	\$ 328,477
Buildings and land improvements	5,422,679	5,145,764
Equipment	3,356,380	2,965,945
Construction in progress	758,349	984,472
Subtotal	<u>9,868,337</u>	<u>9,424,658</u>
Accumulated depreciation	<u>(4,976,860)</u>	<u>(4,739,826)</u>
Total	<u>\$ 4,891,477</u>	<u>\$ 4,684,832</u>

## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

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

Greater Charlotte Epic Electronic Health Record	\$	93,919
Carolinas Medical Center Tower and Infrastructure Upgrades		66,836
Union West New Hospital and Medical Office Buildings		38,743
Charlotte Rehabilitation Replacement Facility		32,472
Floyd Epic Electronic Health Record		26,670
Atrium Health Pineville New Bed Tower		22,559
Musculoskeletal Institute		21,982
Proton Therapy and Gamma Knife		21,198
Innovation District Site And Infrastructure		12,116

During the prior 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

Ongoing capital requirements are funded from a combination of operating cash, debt proceeds, and contributions. Atrium Health CMHA's annual capital budget for 2022 and 2021 was \$874,511 and \$795,659, respectively. Cash outflows related to capital additions, net of retirements, for 2022 and 2021 totaled \$618,293 and \$788,946, respectively. Total depreciation expense on capital assets was \$409,508 and \$388,396 for 2022 and 2021, respectively. At December 31, 2022, Atrium Health CMHA has planned future capital spending of approximately \$4,143,165 for 2023-2027 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 8 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).

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*Dollars in thousands*

Debt service for the CMHA Combined Group (scheduled principal and interest payments and net interest rate swap payments, excluding refinancing activity) for 2022 and 2021 totaled \$137,376 and \$80,331, 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 2022 and 2021 was 5.95 and 15.10, respectively. The Bond Order requires an actual annual debt service coverage ratio of not less than 1.1.

In March 2023, the CMHA Combined group remarketed the 2018 C bonds in the long term rate mode with a new mandatory tender date of October 31, 2025.

More detailed information about Atrium Health CMHA's outstanding debt is presented in note 10 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. A healthcare 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 COVID-19 pandemic and on-going clinical labor shortages, as well as investment market volatility, 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; and 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, navigate the disruptions of the pandemic, and weather investment market fluctuations.

At the outset of 2023, most providers and healthcare systems were trying to recover from the financial performance disruption created by COVID-19. After "scaling down" non-essential patient care services at the height of the pandemic, providers have attempted to "ramp-back-up" non-emergent patient care services, but must contend with the uneven return of consumer confidence, on-going clinical labor shortages, and rising inflation. In their recent Not-For-Profit Outlook, Moody's Investor Service noted, these factors, in addition to an end to the CARES Act funding and Medicare's 2023 expected payment rate cuts, as considerations for its negative outlook on the not-for-profit healthcare sector.

As patient volumes begin to recover, the clinical labor shortage presents the greatest challenge to hospital performance. According to the *American College of Healthcare Executives*, for the second year in a row, hospital CEOs have indicated that workforce challenges are their number one concern. The rising nurse turnover rates, 31.7% at the end of 2022 according to *Nursing Solutions, Inc.*, have increased the competition for nurses and other specialized clinical personnel, thereby driving increased reliance on contract employees as well as contributing to significant rises in both contract and employee labor rates. As of December 2022, the national average weekly pay rate for travel nurses had increased 67% since the beginning of 2020 according to the nurse staffing platform *Vivian Health*; while the national average annual nursing salary over that same period increased approximately 7%.

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

## ATRIUM HEALTH CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health CMHA)

Management's Discuss and Analysis - Unaudited

December 31, 2022

*Dollars in thousands*

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American Hospital Association, it was estimated that approximately 500,000 nurses were going to leave the workforce by the end of 2022; thereby bringing the overall nursing shortage in the United States to 1.1 million as many nurses continued to leave the field due to stress and fatigue. Given the high turnover rates of new nurses, the lack of nursing schools and training facilities, and the amount of time required to graduate new nursing staff, the healthcare industry will continue to be faced with on-going labor shortages and the high costs that accompany them.

It is expected that patient volumes will continue to moderate back to pre-pandemic levels; however, providers will be challenged to find opportunities to combat the negative financial impacts of the nursing and other clinical care giver labor shortages as well as to navigate ongoing commercial and governmental reimbursement pressures. Providers must accept these challenges so they can generate capital spending capacity for their organizations, but because of the unpredictable nature of the healthcare industry and the clinical labor market, the future financial impacts cannot fully be determined at this time.

Atrium Health CMHA remains committed to its mission to provide health, hope and healing for all. As a financially viable entity with a strong governing board; an experienced management team; a broad, growing and connected continuum of highly specialized world-class clinical services; and a commitment to superior levels of quality and safety, differentiated patient experience, operational and population health excellence, and teammate engagement; Atrium Health CMHA is positioned to meet the demands of this 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, 2022

Dollars in thousands

	Atrium Health Charlotte- Mecklenburg Hospital Authority	Atrium Health Wake Forest Baptist	Atrium Health Enterprise
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 655,826	\$ 320,705	\$ 981,899
Short term investments	59,956	—	91,502
Patient receivables – net	1,394,426	393,740	1,788,167
Accounts, grants and notes receivable, net	129,669	166,860	303,279
Assets limited as to use – investments	51,239	—	51,239
Other current assets	278,105	106,701	381,368
Total current assets	2,569,221	988,006	3,597,454
Property and equipment – net	4,891,477	1,260,602	6,334,278
Investments and assets limited as to use	6,512,042	2,098,334	9,052,463
Operating lease right-of-use assets, net	530,083	157,902	662,071
Other assets	322,498	174,550	362,754
Total assets	14,825,321	\$ 4,679,394	20,009,020
Deferred outflows of resources	224,046		
Total assets and deferred outflows of resources	\$ 15,049,367		
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 487,897	\$ 189,755	\$ 669,557
Salaries and benefits payable	680,454	385,169	1,067,717
Other liabilities and accruals	358,366	190,905	547,434
Estimated third party payer settlements	235,756	40,725	276,483
Operating lease liabilities	82,707	36,335	115,206
Current portion of long-term debt	785,340	54,468	839,494
Total current liabilities	2,630,520	897,357	3,515,891
Notes payable, finance leases and line of credit – net of current portion	220,441	79,350	394,459
Bonds payable – net of current portion	2,549,630	806,950	3,289,961
Operating lease liabilities – less current portion	485,899	128,896	583,552
Interest rate swap liability	84,677	1,181	85,858
Retirement benefits	362,380	90,646	676,806
Other liabilities	568,897	100,620	614,349
Total liabilities	6,902,444	2,105,000	9,160,876
Net assets:			
Without donor restrictions		2,182,915	9,971,820
With donor restrictions		391,479	876,324
Total net assets		2,574,394	10,848,144
Total liabilities and net assets		\$ 4,679,394	\$ 20,009,020
Deferred inflows of resources	100,518		
Net position:			
Net investment in capital assets	1,295,720		
Restricted – by donor	34,557		
Unrestricted	6,716,128		
Total net position	8,046,405		
Total liabilities and deferred inflows and net position	\$ 15,049,367		

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, 2022

Dollars in thousands

	Atrium Health Charlotte- Mecklenburg Hospital Authority	Atrium Health Wake Forest Baptist	Atrium Health Enterprise
<b>Operating revenues and support</b>			
Patient service revenue	\$ 8,402,733	\$ 3,380,768	\$ 11,783,729
Other sources	863,240	933,419	1,874,497
Total operating revenues	<u>9,265,973</u>	<u>4,314,187</u>	<u>13,658,226</u>
<b>Operating expenses</b>			
Personnel costs	5,531,415	2,593,984	8,085,980
Supplies	1,896,703	1,033,336	2,930,098
Purchased services	732,475	137,433	869,718
Other operating expenses	733,211	397,615	1,243,260
Depreciation and amortization	506,321	144,747	570,535
Financing costs	—	31,062	139,901
Total operating expenses	<u>9,400,125</u>	<u>4,338,177</u>	<u>13,839,492</u>
Operating loss	(134,152)	(23,990)	(181,266)
<b>Nonoperating losses</b>			
Interest expense	(132,249)	—	—
Stimulus grants	113,449	—	—
Net investment losses	(989,968)	(198,902)	(1,178,176)
Net gains on interest rate swap valuation	—	2,344	180,787
Other, net	(6,494)	(2,405)	97,107
Total nonoperating losses	<u>(1,015,262)</u>	<u>(198,963)</u>	<u>(900,282)</u>
Deficiency of revenues and support over expenses and losses before capital and other contributions	\$ (1,149,414)	\$ (222,953)	\$ (1,081,548)
<b>Changes in net position:</b>			
Capital and other contributions	6,946		
Change in net position	(1,142,468)		
Net position, beginning of year (note 3(n))	9,188,873		
Net position, end of year	<u>\$ 8,046,405</u>		
<b>Changes in net assets without donor restrictions:</b>			
Pension and postretirement net adjustments		5,271	212,339
Other		(2,000)	5,901
Changes in net assets without donor restrictions		<u>(219,682)</u>	<u>(863,308)</u>
<b>Changes in net assets with donor restrictions:</b>			
Contributions		52,290	136,459
Investment return in excess of amounts designated for current operations		8,924	8,924
Net assets released from restrictions		(56,144)	(121,437)
Net investment losses		(28,011)	(79,446)
Other		80	(851)
Change in net assets with donor restrictions		<u>(22,861)</u>	<u>(56,351)</u>
Change in total net assets		(242,543)	(919,659)
Net assets, beginning of year		2,816,937	11,767,803
Net assets, end of year		<u>\$ 2,574,394</u>	<u>\$ 10,848,144</u>

See accompanying notes to combined financial statements.

## Atrium Health Enterprise

Combined Statements of Cash Flows - Atrium Health Enterprise

December 31, 2022

Dollars in thousands

	Atrium Health Charlotte- Mecklenburg Hospital Authority	Atrium Health Wake Forest Baptist	Atrium Health Enterprise
Cash flows from operating activities:			
Receipts from third-party payers and patients	\$ 8,214,486	\$ 3,308,980	\$ 11,523,694
Payments to suppliers	(3,764,107)	(1,587,881)	(5,318,940)
Payments to employees	(5,444,265)	(2,574,305)	(8,259,113)
Other receipts – net	825,027	822,175	1,754,584
Net cash used in operating activities	<u>(168,859)</u>	<u>(31,031)</u>	<u>(299,775)</u>
Cash flows from financing activities:			
Cash flows from noncapital financing activities:			
Proceeds from the issuance of commercial paper	100,000	—	—
Retirements of commercial paper	(100,000)	—	—
Stimulus grants	50,596	—	—
Academic enrichment funds disbursed	(10,000)	—	—
Other activities	(20,098)	—	—
Net cash provided by noncapital financing activities	20,498	—	—
Cash flows from capital and related financing activities:			
Purchase of capital assets	(635,239)	—	—
Proceeds from sale of capital assets	15,373	—	—
Interest payments on short- and long-term debt	(131,207)	—	—
Principal payments, refunding and retirements on short- and long-term debt	(407,254)	(137,009)	(666,198)
Proceeds from issuance of long-term debt	363,084	105,905	563,785
Payments on finance lease obligations	—	(2,770)	(7,557)
Contributions restricted for building and equipment purchases	16,946	—	17,961
Other contributions	—	10,000	28,750
Net cash used in capital and related financing activities	<u>(778,297)</u>	<u>(23,874)</u>	<u>(63,259)</u>
Net cash used in financing activities	<u>(757,799)</u>	<u>(23,874)</u>	<u>(63,259)</u>
Cash flows from investing activities:			
Investment earnings	8,089	—	17,580
Purchases of investments and assets limited as to use	(187,562)	(1,888,657)	(6,036,681)
Sales of investments and assets limited as to use	495,815	2,049,045	6,483,560
Purchase of capital assets	—	(120,500)	(740,789)
Proceeds from sale of capital assets	—	2	15,375
Net cash provided by (used in) investing activities	<u>316,342</u>	<u>39,890</u>	<u>(260,955)</u>
Net decrease in cash, cash equivalents and restricted cash	(610,316)	(15,015)	(623,989)
Cash and cash equivalents:			
Beginning of year	1,350,414	338,517	1,692,957
End of year	<u>\$ 740,098</u>	<u>\$ 323,502</u>	<u>\$ 1,068,968</u>
Reconciliation of cash and cash equivalents to the balance sheet:			
Cash and cash equivalents	655,826	320,705	981,899
Restricted cash in investments and assets whose use is limited	84,272	2,797	87,069
Total cash, cash equivalents and restricted cash	<u>\$ 740,098</u>	<u>\$ 323,502</u>	<u>\$ 1,068,968</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (134,152)		
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	506,321		
Increase in patient accounts receivable – net	(102,675)		
Decrease in inventories and other current assets	9,771		
Decrease in other assets affecting operating activities	165,818		
Decrease in accounts payable and other current liabilities	(524,089)		
Decrease in other liabilities affecting operating activities	(4,281)		
Decrease in estimated third party payer settlements	(85,572)		
Net cash used in operating activities	<u>\$ (168,859)</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, 2022

*Dollars in thousands*

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 5,370
Short term investments	31,546
Accounts, grants and notes receivable, net	30,616
Other current assets	437
Total current assets	67,969
Property and equipment – net	3,971
Investments and assets limited as to use	329,405
Other assets	61,504
Total assets	462,849
Deferred outflows of resources	—
Total assets and deferred outflows of resources	\$ 462,849
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 1,313
Other liabilities and accruals	2,439
Total current liabilities	3,752
Other liabilities	3,076
Total liabilities	6,828
Deferred inflows of resources	—
Net position:	
Net investment in capital assets	3,971
Restricted – by donor	445,045
Unrestricted	7,005
Total net position	456,021
Total liabilities and deferred inflows and net position	\$ 462,849

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, 2022

*Dollars in thousands*

### Operating revenues and support

Gifts, grants and contracts	\$	51,195
Other sources		1,771
Total operating revenues		<u>52,966</u>

### Operating expenses

Personnel costs		5,454
Other operating expenses		32,189
Depreciation and amortization		258
Total operating expenses		<u>37,901</u>
Operating income		<u>15,065</u>

### Nonoperating losses

Net investment losses		<u>(51,279)</u>
Total nonoperating losses		<u>(51,279)</u>
Deficiency of revenue and support over expenses and losses before capital and other contributions		(36,214)
Capital contributions		(987)
Other contributions		5,500
Change in net position		<u>(31,701)</u>
Net position, beginning of year		<u>487,722</u>
Net position, end of year	\$	<u><u>456,021</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, 2022

*Dollars in thousands*

Cash flows from operating activities:	
Payments to suppliers	\$ (5,369)
Other payments – net	14,740
Net cash provided operating activities	<u>9,371</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(48)
Contributions restricted for building and equipment purchases	8,921
Other contributions	5,663
Net cash provided by capital and related financing activities	<u>14,536</u>
Cash flows from investing activities:	
Purchases of investments and assets limited as to use	(29,063)
Sales of investments and assets limited as to use	6,500
Net cash used in investing activities	<u>(22,563)</u>
Net increase in cash and cash equivalents	1,344
Cash and cash equivalents:	
Beginning of year	4,026
End of year	<u>\$ 5,370</u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and cash equivalents	5,370
Restricted cash in investments and assets whose use is limited	—
Total cash and cash equivalents	<u>\$ 5,370</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 15,065
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	258
Increase in inventories and other current assets	(7,581)
Decrease in other assets affecting operating activities	103
Increase in accounts payable and other current liabilities	1,526
Net cash provided by operating activities	<u>\$ 9,371</u>

See accompanying notes to combined financial statements.

# Atrium Health Charlotte-Mecklenburg Hospital Authority

## Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2022

*Dollars in thousands*

<b>Assets</b>	
Cash and cash equivalents	\$ 32,407
Investments at fair value:	
Fixed income:	
U.S. government treasuries and agencies	78,241
Corporate bonds	89,610
Fixed income - other	95,717
Total fixed income	<u>263,568</u>
Equity:	
Domestic equities	282,575
International equities	121,077
Global equities	117,836
Total equity	<u>521,488</u>
Global asset allocation funds	8,826
Real asset funds	110,187
Total investments at fair value	<u>904,069</u>
Investments at net asset value:	
Domestic equities	41,216
Global asset allocation funds	40,118
Global equity funds	63,852
International Equity	40,543
Multi-strategy hedge funds	15,712
Private equity funds	53,102
Total investments	<u>254,543</u>
Total assets	<u>1,158,612</u>
Total assets	<u>1,191,019</u>
<b>Liabilities</b>	
Accounts payable and other liabilities	<u>801</u>
Total liabilities	<u>801</u>
<b>Net position restricted for pensions</b>	<u>\$ 1,191,820</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, 2022

*Dollars in thousands*

#### **Additions**

Employer contributions	\$	35,891
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#### **Deductions**

Investment income:

Change in fair value of investments	(220,027)
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Interest and dividends	15,474
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(204,553)

Less investment expense	2,789
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Net investment loss	(207,342)
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Benefit payments	(180,113)
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Administrative expense	(3,041)
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Total deductions	(390,496)
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Net decrease in fiduciary net position	(354,605)
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#### **Fiduciary net position restricted for pensions:**

Beginning of year	1,546,425
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End of year	\$ 1,191,820
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See accompanying notes to combined financial statements.



**1. Organization and Basis of Presentation****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. In accordance with a December 2022 joint operating agreement (see Note 2), management

authority for the Atrium Health Enterprise was delegated to Advocate Health, Inc. Enterprise participants still retain certain reserved powers.

Subsequent to the Advocate Health combination, the AHI Board of Directors consists of 10 directors, including seven 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 CMHA is divided into the "Primary Enterprise", "Discrete Component Unit," and "Fiduciary Activities." The Primary Enterprise consists of Atrium Health CMHA and all of its controlled affiliates (Atrium Health Charlotte) and two blended component units (Atrium Health Navicent and Atrium Health Floyd) described below. The Discrete Component Unit is The Atrium Health Foundation, Inc. (the Foundation), which raises and holds economic resources for the direct benefit of Atrium Health CMHA. The Foundation operates to raise funds to enhance, promote and support medical services, scientific education, and research. It solicits contributions for Atrium Health CMHA entities, and, in the absence of donor restrictions, its Board of Directors has discretionary control over the amounts to be distributed. 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 \$29,429 for the year ended December 31, 2022. The Foundation is reported on a basis consistent with Atrium Health CMHA's calendar year and is discretely presented.

Atrium Health CMHA is the sole member of AH Georgia, Inc., which is the sole member of two non-profit hospital systems in Georgia: Navicent Health, Inc., which with its subsidiaries does business as Atrium Health Navicent in central and southern Georgia, and Floyd Healthcare Management, Inc., which with its affiliates does business as Atrium Health Floyd in northwest Georgia and northeast Alabama. Each of Atrium Health Navicent and Atrium Health Floyd retains and appoints a majority of its Board of Directors, but Atrium Health CMHA holds customary approval rights, including approving budgets and any borrowings or discharging of debt. In addition, Atrium Health CMHA agrees to ensure, but does not formally guarantee, that neither Atrium Health Navicent nor Atrium Health Floyd defaults under any indebtedness agreements, notes or bonds, or other debt-related liabilities. Both Atrium Health Navicent and Atrium Health Floyd are component units of Atrium Health CMHA and, because a controlled subsidiary of Atrium Health CMHA is the sole member of each, financial information of both entities is blended with the Atrium Health CMHA Primary Enterprise as of and for the year ended December 31, 2022. 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.

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, 2022, 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.

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.

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 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, 2022, the WFB Obligated Group is liable for \$832,760 of bonds payable under the WFB MTI. 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.

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. 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.

**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 a 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.

## **2. Significant Events**

**a. Advocate Health**

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

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

The Enterprise continued to feel the effects of the COVID-19 pandemic in 2022, resulting in lost revenues and higher cost of care; particularly as the impact of the nursing and other clinical labor shortages contributed toward higher salary and wage costs.

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, beginning in 2020, 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 \$50,600 from the Relief Fund in 2022 to replace lost revenues or reimburse for COVID-19 related costs. In fiscal year 2022, the Enterprise recorded approximately \$131,200 to other sources of revenue. Remaining unrecognized funds at

December 31, 2022 totaling approximately \$40,000 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 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 \$113,400 to non-operating revenue for the year ended December 31, 2022.

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, and completed that process this year such that there were no Medicare advance payments in other liabilities and accruals at December 31, 2022.

In January, 2023, the Biden Administration announced its intent to end the federal COVID-19 Public Health Emergency (the "PHE"). Following the White House's statement, the U.S. Department of Health & Human Services ("HHS") renewed the PHE in February 2023, for a final 90-day term (effective through May 11).

### **3. Summary of Significant Accounting Policies**

#### **a. 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.

**b. 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 (deficiency) 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 limited as to use 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.

**c. 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. 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. 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 Useful Life in Years</b>
	<hr/>
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.

**d. Leases**

Atrium Health CMHA, 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.

Under GASB, operating and finance leases as a lessee are included in operating lease right-of-use assets, net and operating lease liabilities in the combined balance sheets. Balances related to lessor leases are included in accounts, grants and notes receivable, net, other assets and deferred inflow of resources.

Under FASB, 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 assets 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.

e. **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.

Under FASB, goodwill from business combinations 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 \$116,840 of goodwill as of December 31, 2022.

f. **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, 2022 is composed of the following:

Refunding of debt	\$ 151,492
Aggregate change in fair value of swaps (note 11)	(83,643)
Deferred outflows of resources related to Atrium Health Charlotte DB Plan (note 12)	89,590
Deferred outflows of resources related to Atrium Health Navicent DB Plan (note 12)	36,428
Deferred outflows of resources related to Atrium Health Floyd DB Plan (note 12)	10,388
Excess cost of net position acquired	19,791
	<u>\$ 224,046</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, benefit plan difference between expected and actual investment



earnings, and the expected future receipts of lease payments, which is being amortized over the term of leases.

Sale-leaseback gain	\$	4,412
Deferred inflows of resources related to Atrium Health Charlotte DB Plan (note 12)		13,424
Deferred inflows of resources related to Atrium Health Navicent DB Plan (note 12)		770
Deferred inflows of resources related to Atrium Health Floyd DB Plan (note 12)		5,710
GASB 87 lessor leases (note 9)		76,202
	<u>\$</u>	<u>100,518</u>

**g. 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.

**h. Net Position and Net Assets**

Under GASB, net position is classified as either net investment in capital assets, restricted-by donor, or 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 according to the absence or existence of donor-imposed restrictions. Board-designated net assets are net assets without donor restrictions that have been set aside by governing Boards for specific purposes. WFBUMC’s Board of Directors has designated \$487,983 from Atrium Health WFB net assets without donor restrictions as an endowment fund at December 31, 2022. 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. Net assets with donor restrictions are those assets, including contributions and accumulated investment returns, whose use has been limited by donors for a specific purpose or time or are those for which donors require the principal of the gifts to be maintained in perpetuity to provide a permanent source of income. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time 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.

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

	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
Academic instruction and research	\$ 239,219	\$ 323,619
Healthcare services	23,507	418,980
General administration	128,753	133,725
Total net assets with donor restrictions	<u>\$ 391,479</u>	<u>\$ 876,324</u>

**i. 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 (deficiency) of revenues and support over expenses and losses. Changes in net assets without donor restrictions that are excluded from excess (deficiency) 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.

**j. 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.

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. Management 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.

As the Enterprise's performance obligations relate to contracts with a duration of less than one year, the Enterprise has applied the optional exemption provided in the guidance 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 uses the portfolio approach practical expedient in the guidance to account for categories of patient contracts as a collective group, rather than individual contracts, based on the payment pattern expected in each 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 an individual 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. 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, 2022 was not material to the combined statement of revenues, expenses and changes in net assets.

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.

For the year ended December 31, 2022, adjustments arising from changes in the Enterprise's estimates of transaction price for performance obligations related to prior year were not significant.

k. **Other Sources of Revenue**

Other sources of revenue for the Enterprise is composed of the following amounts for the year ended December 31, 2022:

	<b>Atrium Health CMHA</b>	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
Gifts, grants and contracts	\$ 95,311	\$ 257,104	\$ 376,534
Net student tuition and fees	11,534	42,927	56,568
Reimbursed services provided to affiliates	32,495	—	32,495
Pharmacy sales	447,788	413,091	860,556
Rental and other revenue	276,112	220,297	548,344
	<u>\$ 863,240</u>	<u>\$ 933,419</u>	<u>\$ 1,874,497</u>

**l. 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, 2019 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, 2022, 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, 2022.

**m. 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 limited as to use, 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.

**n. Recent Accounting Pronouncements*****GASB Pronouncements Adopted***

In 2017, the GASB issued Statement No. 87, Leases. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases on the balance sheet. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this Statement are required to be adopted retrospectively no later than the year ended December 31, 2022. Atrium Health CMHA adopted this Statement in 2022, and as of December 31, 2021, Atrium Health CMHA added approximately \$576,000 of right-of-use assets, \$82,000 of receivables, \$606,000 of lease liabilities, \$11,000 of other liabilities and \$79,000 of deferred inflows of resources, with a \$(16,000) direct impact to Net Position.

**4. Liquidity and Availability**

As of December 31, 2022, Atrium Health Charlotte had cash and cash equivalents of \$413,609. Of the total cash and cash equivalents, \$330,487 was 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, 2022, Atrium Health Navicent had uncollateralized cash and cash equivalents of \$48,065 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, 2022, Atrium Health Floyd had uncollateralized cash and cash equivalents of \$194,152 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, 2022:

	<b>Atrium Health CMHA</b>	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
Cash and cash equivalents	\$ 655,826	\$ 320,705	\$ 981,899
Patient receivables	1,394,426	393,740	1,788,167
Current accounts, grants and notes receivable, net	129,669	166,860	303,279
Investments available to be liquidated	<u>6,269,112</u>	<u>1,543,467</u>	<u>7,822,273</u>
Financial assets available within one year	<u>\$ 8,449,033</u>	<u>\$ 2,424,772</u>	<u>\$ 10,895,618</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, 2022, which it could draw upon. Additionally, the Enterprise has board-designated endowment funds of \$487,983 at December 31, 2022. 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.

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

Net accounts, grants and notes receivable consist of the following at December 31, 2022:

	<b>Atrium Health CMHA</b>	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
Accounts receivable	\$ 110,846	\$ 70,572	\$ 117,861
Grants receivable	18,054	77,817	95,871
Notes receivable	12,301	15,520	27,822
Contributions receivable	—	61,384	154,575
	<u>141,201</u>	<u>225,293</u>	<u>396,129</u>
Accounts, grants and notes receivable, net	141,201	225,293	396,129
Less current portion	<u>(129,669)</u>	<u>(166,860)</u>	<u>(303,279)</u>
	<u>\$ 11,532</u>	<u>\$ 58,433</u>	<u>\$ 92,850</u>
Accounts, grants and notes receivable, long-term	<u>\$ 11,532</u>	<u>\$ 58,433</u>	<u>\$ 92,850</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, 2022:

	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
One year or less	\$ 19,679	\$ 50,807
One to five years	43,103	100,150
More than five years	812	25,112
	<u>63,594</u>	<u>176,069</u>
Contributions receivable, gross	63,594	176,069
Estimated uncollectible amounts	(1,620)	(4,503)
Discount to present value	<u>(590)</u>	<u>(16,991)</u>
	<u>\$ 61,384</u>	<u>\$ 154,575</u>
Contributions receivable, net	<u>\$ 61,384</u>	<u>\$ 154,575</u>

Contributions receivable are discounted at a rate commensurate with the scheduled timing of receipt. Such amounts outstanding as of December 31, 2022 were discounted at rates ranging from 2% to 5 % for Atrium Health WFB and 2% to 7% for Atrium Health Enterprise.

**6. 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 trusted 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, 2022, the fair value of investments designated for capital improvements of \$6,201,776 is substantially less than the historical cost of property, plant and equipment of \$9,868,337.

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, 2022, 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			\$ 137,739	\$ 94,920	\$ 15,945	\$ 4,377	\$ 14,583
Fixed income:							
U.S. government treasuries and agencies	AAA	9.46	139,379	2,922	15,590	—	3,555
	AA	2.64	73,482	5,920	8,219	—	1,874
	A	5.76	—	80	—	—	—
Mortgage pass-throughs	AAA	5.17	143,564	4,597	16,059	—	3,662
	AA	3.32	120,427	1,988	13,471	—	3,072
	A	3.17	4,165	91	466	—	106
	BBB	4.17	3,480	95	389	—	89
Collateralized mortgage obligations	AAA	2.78	6,987	—	782	—	178
	AA	1.60	8,461	—	946	—	216
Corporate bonds	AAA	3.33	11,317	738	1,266	—	289
	AA	4.63	36,966	1,374	4,135	—	943
	A	5.44	154,323	3,908	17,262	49,614	3,936
	BBB	4.00	66,112	1,711	7,395	—	1,686
	BB	3.70	613	48	69	—	16
Municipal bonds	AAA	3.77	11,188	419	1,251	—	285
	AA	3.67	17,891	130	2,001	—	456
	A	6.29	2,660	58	298	—	68
Asset-backed securities	AAA	2.20	25,167	560	2,815	—	642
	AA	3.60	27,444	1,278	3,070	—	700
	A	3.60	4,693	—	525	—	120
Fixed income - funds	N/A	3.87	786,177	21,596	87,939	—	20,052
Diversifying strategies	N/A	N/A	266,826	—	29,846	3,942	6,806
Total fixed income (weighted-average duration)		4.98	1,911,322	47,513	213,794	53,556	48,751
Domestic equities			1,235,537	45,878	138,204	16,329	31,512
International equities			795,836	26,309	89,020	1,186	20,298
Global equities			856,207	21,536	95,773	20,987	21,838
Total equity			2,887,580	93,723	322,997	38,502	73,648
Global asset allocation funds			275,167	7,246	30,779	—	7,018
Real assets funds			215,890	8,638	24,149	—	5,506
Multi-strategy hedge funds			—	2,137	19	—	—
Commodity funds			—	—	—	135	—
Private equity funds			5,319	59,543	22,605	—	136
Total reported value			\$ 5,433,017	\$ 313,720	\$ 630,288	\$ 96,570	\$ 149,642



The investments designated for capital improvements of \$6,201,776 includes \$630,288 of Atrium Health Navicent funds, and \$138,471 of Atrium Health Floyd funds. Of the Atrium Health Navicent funds, \$605,548 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. All the Atrium Health Floyd funds are invested alongside Atrium Health Charlotte funds under the terms of an Investment Coordination Agreement (ICA) between Atrium Health Charlotte and Atrium Health Floyd, under which Atrium Health Floyd retains beneficial ownership of the funds. Atrium Health Navicent funds invested under the ICA represent approximately 9.76% and Atrium Health Floyd funded invested under the ICA represent approximately 2.24% of the combined portfolio of \$6,201,776. Atrium Health Navicent's funds also include \$24,740 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, 2022, 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, 2022, 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, 2022, Atrium Health CMHA's fixed income portfolio met these overall average requirements. The quality ratings of Atrium Health CMHA's investments in fixed income securities (excluding diversifying strategies), as determined by nationally recognized statistical rating organizations, are disclosed in the preceding tables.

**Concentration of Credit Risk**

Credit concentration risk results from not adequately diversifying investments. Per Atrium Health CMHA's investment policy, equity and fixed income restrictions include, (1) no more than 7% of any investment manager's equity portfolio may be invested in securities of any one issuing corporation, and (2) fixed income investments in any single issuer (excluding obligations of the U.S. government and its agencies) may not exceed 5% of any investment manager's portfolio market value at the time of purchase. Although exceptions to these policy restrictions are at times granted to investment managers, at no time may an investment in any one corporation exceed 5% of that corporation's outstanding shares while fixed income investments in any single issuer (excluding obligations of the U.S. government and its agencies) may not exceed 5% of the total issue at the time of purchase. At December 31, 2022, 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, 2022:

	<b>Atrium Health CMHA</b>	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
Short-term investments <sup>(a)</sup>	\$ 267,563	\$ 168,477	\$ 478,179
Absolute return <sup>(b)</sup>	623,688	830,620	1,471,551
Commodities <sup>(c)</sup>	254,318	18,846	287,478
Fixed income <sup>(d)</sup>	1,971,457	313,110	2,362,708
Private equity <sup>(e)</sup>	87,603	490	106,652
Public equity <sup>(f)</sup>	3,416,451	448,576	4,055,582
Real estate <sup>(g)</sup>	—	8,072	8,072
Pooled investments held at WFU <sup>(h)</sup>	—	1,646	1,646
Beneficial interest in perpetual trusts and assets held by others <sup>(i)</sup>	—	19,754	19,754
Investments in equity-method affiliates <sup>(j)</sup>	112,683	87,311	199,994
Other <sup>(k)</sup>	2,156	201,432	203,588
Total investments and assets limited as to use	<u>\$ 6,735,919</u>	<u>\$ 2,098,334</u>	<u>\$ 9,195,204</u>

(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 \$12,581,447 at December 31, 2022.

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

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*Dollars in thousands*

The following is a summary of redemption frequency for the Enterprise's investments at December 31, 2022:

Category	Redemption frequency (in days), if currently eligible	Redemption notice period (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	1 to 30	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 held by others	N/A	N/A
Investments in equity-method affiliates	N/A	N/A
Other	N/A	N/A

Short term investments, assets limited as to use – investments and investments and assets limited as to use consist of the following at December 31, 2022 for Atrium Health WFB and the Enterprise, respectively:

	Without donor restrictions	With donor restrictions	Atrium Health WFB Total
Endowment funds	487,983	235,463	\$ 723,446
Funds designated for capital improvements	848,416	—	848,416
Funds designated for settlement of professional liability costs	2,361	—	2,361
Collateral for derivative agreements	1,180	—	1,180
Beneficial interests in perpetual trusts and assets held by others	—	19,754	19,754
Funds held under retirement and benefit plans	109,517	—	109,517
Designated for restricted purposes	2,991	54,270	57,261
Assets whose use is limited	1,452,448	309,487	1,761,935
Other unrestricted investments			249,088
Investments in equity-method affiliates			87,311
Investments and assets whose use is limited			2,098,334

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

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Dollars in thousands

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Atrium Health Enterprise Total</u>
Endowment funds	487,983	\$ 235,463	\$ 723,446
Funds designated for capital improvements	7,061,363	—	7,061,363
Funds designated for settlement of professional liability costs	215,414	—	215,414
Collateral for derivative agreements	1,180	—	1,180
Beneficial interests in perpetual trusts and assets held by others	—	19,754	19,754
Funds held under retirement and benefit plans	131,753	—	131,753
Designated for restricted purposes	<u>156,510</u>	<u>436,702</u>	<u>593,212</u>
Assets whose use is limited	<u>8,054,203</u>	<u>\$ 691,919</u>	8,746,122
Other unrestricted investments			249,088
Investments in equity-method affiliates			<u>199,994</u>
Investments and assets whose use is limited			<u>9,195,204</u>

#### Investment Return

Total investment return included change in net position for Atrium Health CMHA and 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, 2022:

	<u>Atrium Health CMHA</u>	<u>Atrium Health WFB</u>	<u>Atrium Health Enterprise</u>
Interest and dividend income, net	\$ 125,508	\$ 28,907	\$ 154,005
Net realized gains	187,582	16,715	217,375
Net unrealized losses	<u>(1,303,058)</u>	<u>(208,459)</u>	<u>(1,513,491)</u>
Total investment return	<u>\$ (989,968)</u>	<u>\$ (162,837)</u>	<u>\$ (1,142,111)</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, 2022:

	<b>Atrium Health CMHA</b>	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating:			
Investment return designated for current operations	\$       —	\$    36,065	\$    36,065
Nonoperating:			
Net investment losses	<u>(989,968)</u>	<u>(198,902)</u>	<u>(1,178,176)</u>
Total investment return included in change in net assets without donor restrictions	<u>(989,968)</u>	<u>(162,837)</u>	<u>(1,142,111)</u>
With donor restrictions:			
Investment return in excess of amounts designated for current operations	—	8,924	8,924
Net investment losses	<u>—</u>	<u>(28,011)</u>	<u>(79,446)</u>
Total investment return included in change in net assets with donor restrictions	<u>—</u>	<u>(19,087)</u>	<u>(70,522)</u>
Total investment return	<u>\$ (989,968)</u>	<u>\$ (181,924)</u>	<u>\$ (1,212,633)</u>

## 7. 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.

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

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*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.

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, 2022, respectively:

	Atrium Health CMHA				
	Fair Value Measurements			Investments Reported at NAV <sup>1</sup>	Total
	Level 1	Level 2	Level 3		
Investments and assets whose use is limited at fair value:					
Short-term investments	\$ 267,563	—	\$ —	\$ —	\$ 267,563
Absolute return	—	—	—	623,688	623,688
Commodities	254,318	—	—	—	254,318
Fixed income	652,336	1,051,751	—	267,370	1,971,457
Private equity	—	—	—	87,603	87,603
Public equity	2,752,170	—	—	664,281	3,416,451
Other	—	—	—	2,156	2,156
Investments and assets whose use is limited at fair value	<u>\$ 3,926,387</u>	<u>\$ 1,051,751</u>	<u>\$ —</u>	<u>\$ 1,645,098</u>	<u>\$ 6,623,236</u>
Equity method affiliates					112,683
Total investments and assets whose use is limited					<u>\$ 6,735,919</u>
Other liabilities at fair value:					
Interest rate swaps	—	84,677	—	—	84,677
Total other liabilities at fair value	<u>\$ —</u>	<u>\$ 84,677</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 84,677</u>

1) Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2022.

# ATRIUM HEALTH ENTERPRISE

## Notes to Combined Financial Statements

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Dollars in thousands

	Atrium Health WFB				
	Fair Value Measurements			Investments	Total
	Level 1	Level 2	Level 3	Reported at NAV <sub>1</sub>	
Investments and assets whose use is limited at fair value:					
Short-term investments	\$ 82,963	\$ 85,514	\$ —	\$ —	\$ 168,477
Absolute return	4,238	—	—	826,382	830,620
Commodities	18,846	—	—	—	18,846
Fixed income	198,543	114,567	—	—	313,110
Private equity	—	—	490	—	490
Public equity	264,796	183,780	—	—	448,576
Real estate	8,044	—	28	—	8,072
Pooled investments held at WFU	—	—	1,646	—	1,646
Beneficial interest in perpetual trusts and assets held by others	—	—	19,754	—	19,754
Other	87,001	114,431	—	—	201,432
	<u>\$ 664,431</u>	<u>\$ 498,292</u>	<u>\$ 21,918</u>	<u>\$ 826,382</u>	<u>\$ 2,011,023</u>
Investments and assets whose use is limited at fair value					
Equity method affiliates					87,311
Total investments and assets whose use is limited					<u>\$ 2,098,334</u>
Other liabilities at fair value:					
Employee benefits - nonrecurring	—	109,518	—	—	109,518
Interest rate swaps	—	1,181	—	—	1,181
Annuities payable - nonrecurring	—	3,804	—	—	3,804
Total other liabilities at fair value	<u>\$ —</u>	<u>\$ 114,503</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 114,503</u>

1) Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2022.

	Atrium Health Enterprise				
	Fair Value Measurements			Investments	Total
	Level 1	Level 2	Level 3	Reported at NAV <sub>1</sub>	
Investments and assets whose use is limited at fair value:					
Short-term investments	\$ 392,665	\$ 85,514	\$ —	\$ —	\$ 478,179
Absolute return	4,238	—	—	1,467,313	1,471,551
Commodities	287,478	—	—	—	287,478
Fixed income	868,220	1,197,204	—	297,284	2,362,708
Private equity	—	—	490	106,162	106,652
Public equity	3,174,290	183,780	—	697,512	4,055,582
Real estate	8,044	—	28	—	8,072
Pooled investments held at WFU	—	—	1,646	—	1,646
Beneficial interest in perpetual trusts and assets held by others	—	—	19,754	—	19,754
Other	87,001	114,431	—	2,156	203,588
	<u>\$ 4,821,936</u>	<u>\$ 1,580,929</u>	<u>\$ 21,918</u>	<u>\$ 2,570,427</u>	<u>\$ 8,995,210</u>
Investments and assets whose use is limited at fair value					
Equity method affiliates					199,994
Total investments and assets whose use is limited					<u>\$ 9,195,204</u>
Other liabilities at fair value:					
Employee benefits - nonrecurring	—	109,518	—	—	109,518
Interest rate swaps	—	85,858	—	—	85,858
Annuities payable - nonrecurring	—	3,804	—	—	3,804
Total other liabilities at fair value	<u>\$ —</u>	<u>\$ 199,180</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 199,180</u>

1) Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2022.



## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

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The fair values of the Enterprise's interest rate swaps (see note 11) 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 \$85,858 at December 31, 2022.

The following table presents the activity for Level 3 investments and assets whose use is limited held at the Enterprise for the year ended December 31, 2022:

	Beginning balance	Realized and unrealized losses	Purchases	Sales	Transfers into and (out) of Level 3	Ending balance
Level 3 investments:						
Private equity	\$ 519	\$ (8)	\$ —	\$ (21)	\$ —	\$ 490
Real estate	29	(1)	—	—	—	28
Pooled investments held at WFU	2,162	(122)	—	(394)	—	1,646
Beneficial interest in perpetual trusts and assets held by others	23,243	(3,353)	—	(136)	—	19,754
Total Level 3 investments	<u>\$ 25,953</u>	<u>\$ (3,484)</u>	<u>\$ —</u>	<u>\$ (551)</u>	<u>\$ —</u>	<u>\$ 21,918</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, 2022 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	\$ 42,138	\$ —	\$ —	\$ —	\$ 42,138
Absolute return	—	—	—	34,080	34,080
Commodities	14,314	—	—	—	14,314
Fixed income	17,342	30,886	—	13,077	61,305
Private equity	—	—	—	18,559	18,559
Public equity	157,324	—	—	33,231	190,555
Investments at fair value	<u>\$ 231,118</u>	<u>\$ 30,886</u>	<u>\$ —</u>	<u>\$ 98,947</u>	<u>\$ 360,951</u>

1) Fund Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2022.

**8. Property and Equipment**

Property and equipment for Atrium Health CMHA is summarized as follows for the year ended December 31, 2022:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending balance</u>
Depreciable capital assets:					
Land improvements	\$ 130,906	\$ 257	\$ 487	\$ (505)	\$ 131,145
Buildings	5,014,858	13,502	283,410	(20,236)	5,291,534
Equipment	2,965,945	42,925	503,062	(155,552)	3,356,380
Depreciable capital assets – gross	8,111,709	56,684	786,959	(176,293)	8,779,059
Accumulated depreciation	<u>(4,739,826)</u>	<u>(409,508)</u>	<u>—</u>	<u>172,474</u>	<u>(4,976,860)</u>
Depreciable capital assets – net	3,371,883	(352,824)	786,959	(3,819)	3,802,199
Nondepreciable capital assets:					
Land	328,477	68	3,024	(640)	330,929
Construction in progress	984,472	563,707	(789,830)	—	758,349
Net capital assets	<u>\$ 4,684,832</u>	<u>\$ 210,951</u>	<u>\$ 153</u>	<u>\$ (4,459)</u>	<u>\$ 4,891,477</u>

Depreciation expense for Atrium Health CMHA was \$409,290 for the year ended December 31, 2022.

Property and equipment for Atrium Health WFB and Atrium Health Enterprise are summarized as follows at December 31, 2022:

	<u>Atrium Health WFB</u>	<u>Atrium Health Enterprise</u>
Land and land improvements	\$ 191,952	\$ 664,467
Buildings and other improvements	1,943,591	7,386,450
Fixed and movable equipment	1,230,088	4,596,324
Construction in progress	136,289	931,462
	3,501,920	13,578,703
Less: accumulated depreciation	<u>(2,241,318)</u>	<u>(7,244,425)</u>
Total property and equipment	<u>\$ 1,260,602</u>	<u>\$ 6,334,278</u>

Total depreciation expense for Atrium Health WFB and the Enterprise was \$144,747 and \$564,696, respectively, for the year ended December 31, 2022.

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 \$11,524 in 2022.

**9. Leases**
**Atrium Health CMHA:**

Under GASB, Atrium Health CMHA determines if an arrangement is a lease at the inception of a contract. Atrium Health CMHA has leases for real estate and equipment that are reported in accordance with GASB lease guidance.

The following table presents the components of the right-of-use lease assets, lease liabilities, and deferred inflows and their classification in the combined balance sheet as of December 31, 2022:

Components of lease balances	Classification in combined balance sheet	Atrium Health CMHA
Right-of-use assets:	Operating lease right-of-use assets, net	
Buildings		\$ 681,130
Accumulated amortization		(163,052)
Equipment		30,940
Accumulated amortization		(25,006)
Land		6,534
Accumulated amortization		(463)
Total lease assets, net		<u>\$ 530,083</u>
Lessor receivables:	Accounts, grants and notes receivable, net	
Current receivables	Other assets	\$ 11,411
Long-term receivables		68,969
Total lessor receivables		<u>\$ 80,380</u>
Lease liabilities:		
Current lease liabilities:	Current portion of operating lease liabilities	
Buildings		\$ 78,316
Equipment		4,312
Land		79
Total current lease liabilities		<u>\$ 82,707</u>
Long-term lease liabilities:	Operating lease liabilities, net of current portion	
Buildings		\$ 479,333
Equipment		309
Land		6,257
Total long-term lease liabilities		<u>\$ 485,899</u>
Total lease liabilities		<u>\$ 568,606</u>
Lessor deferred inflows:	Deferred inflow of resources	
Buildings		\$ 41,073
Land		35,129
Total lease deferred inflows		<u>\$ 76,202</u>

## ATRIUM HEALTH ENTERPRISE

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Future annual lease payments are as follows:

Year Ending December 31,	Atrium Health CMHA Lease Payables		
	Principal	Interest	Total
2023	\$ 82,704	\$ 11,736	\$ 94,440
2024	65,963	10,471	76,434
2025	58,960	9,291	68,251
2026	52,685	8,162	60,847
2027	46,288	7,091	53,379
All years thereafter	262,006	33,213	295,219
	<u>\$ 568,606</u>	<u>\$ 79,964</u>	<u>\$ 648,570</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.

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, 2022:

Components of lease balances	Classification in combined balance sheet	Atrium Health WFB	Atrium Health Enterprise
<b>Assets:</b>			
Operating lease assets	Operating lease right-of-use assets, net	\$ 157,902	\$ 662,071
Finance lease assets	Property and equipment, net	67,414	101,140
Total leased assets		<u>\$ 225,316</u>	<u>\$ 763,211</u>
<b>Liabilities:</b>			
Operating lease liabilities:			
Current	Current portion of operating lease liabilities	\$ 36,335	\$ 115,206
Long-term	Operating lease liabilities, net of current portion	128,896	583,552
Total operating lease liabilities		<u>\$ 165,231</u>	<u>\$ 698,758</u>
Finance lease liabilities:			
Current	Current portion of long-term debt	\$ 2,887	\$ 6,769
Long-term	Notes payable, finance leases, and line of credit, net of current portion	59,212	91,137
Total finance lease liabilities		<u>\$ 62,099</u>	<u>\$ 97,906</u>
Total lease liabilities		<u>\$ 227,330</u>	<u>\$ 796,664</u>

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2022

Dollars in thousands

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, 2022:

Components of lease expense	Classification in combined statement of operations and changes in net assets	Atrium Health WFB	Atrium Health Enterprise
Operating lease expense	Other operating expenses	\$ 47,669	\$ 143,732
Finance lease expense:			
Amortization of leased assets	Depreciation and amortization	4,173	9,647
Interest on lease liabilities	Financing costs	2,673	4,283
Total finance lease expense		\$ 6,846	\$ 13,930
Variable and short-term lease expense	Other operating expenses	9,092	13,482
Total lease expense		\$ 63,607	\$ 171,144

The following table presents the weighted-average lease terms and discount rates for operating and finance leases as of December 31, 2022:

	Atrium Health WFB	Atrium Health Enterprise
Weighted-average remaining lease term:		
Operating leases	5.19 years	8.70 years
Finance leases	19.70 years	17.90 years
Weighted-average discount rate:		
Operating leases	2.88 %	2.27 %
Finance leases	4.30 %	4.26 %

Cash flow and other information related to leases is included in the following table for the year ended December 31, 2022:

	Atrium Health WFB	Atrium Health Enterprise
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 47,679	\$ 140,039
Operating cash flows from finance leases	2,673	4,162
Financing cash flows from finance leases	2,778	7,557

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2022

*Dollars in thousands*

Future maturities of lease liabilities at December 31, 2022 are presented in the following table for Atrium Health WFB and the Enterprise, respectively:

	<b>Operating leases</b>	<b>Finance leases</b>	<b>Atrium Health WFB Total</b>
2023	\$ 40,578	\$ 5,499	\$ 46,077
2024	33,236	5,073	38,309
2025	30,215	4,825	35,040
2026	30,152	4,529	34,681
2027	24,157	4,510	28,667
Thereafter	<u>20,741</u>	<u>70,386</u>	<u>91,127</u>
Total lease payments	179,079	94,822	273,901
Less: imputed interest	<u>13,848</u>	<u>32,723</u>	<u>46,571</u>
Total lease obligations	165,231	62,099	227,330
Less: current lease obligations	<u>36,335</u>	<u>2,887</u>	<u>39,222</u>
Long-term lease obligations	<u>\$ 128,896</u>	<u>\$ 59,212</u>	<u>\$ 188,108</u>

  

	<b>Operating leases</b>	<b>Finance leases</b>	<b>Atrium Health Enterprise Total</b>
2023	\$ 129,713	\$ 10,813	\$ 140,526
2024	106,383	8,359	114,742
2025	95,255	8,037	103,292
2026	87,750	7,778	95,528
2027	74,390	7,656	82,046
Thereafter	<u>284,941</u>	<u>101,054</u>	<u>385,995</u>
Total lease payments	778,432	143,697	922,129
Less: imputed interest	<u>79,674</u>	<u>45,791</u>	<u>125,465</u>
Total lease obligations	698,758	97,906	796,664
Less: current lease obligations	<u>115,206</u>	<u>6,769</u>	<u>121,975</u>
Long-term lease obligations	<u>\$ 583,552</u>	<u>\$ 91,137</u>	<u>\$ 674,689</u>

For the Enterprise, lease income is included in other sources of revenue in the combined statements of revenues, expenses and changes in net assets and amounted to \$17,768 for the year ended December 31, 2022.

**10. 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, 2022:

**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, 2022 was 1.98%)	\$ 32,115
Series 2007 B Variable Rate Refunding Revenue Bonds, maturing 2023 through 2038, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2022 was 0.97%)	74,135
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, 2022 was 0.97%)	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, 2022 was 2.09%)	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, 2022 was 0.97%)	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, 2022 was 2.09%)	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, 2022 was 1.98%)	111,170
Series 2007 H Variable Rate Revenue Bonds, maturing 2027 through 2045, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2022 was 2.51%)	166,050
Series 2013 A Revenue and Refunding Revenue Bonds, maturing 2023 through 2039 bearing interest at 3.5% to 5.0%	106,350
Series 2015 A Taxable Refunding Revenue Bonds, maturing 2023 through 2024 bearing interest at 2.64%	3,190
Series 2015 B Taxable Commercial Paper Revenue Bonds (weighted average interest rate for the year ended December 31, 2022 was 3.24%)	400,000

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2022

*Dollars in thousands*

#### Atrium Health Charlotte:

Series 2016 A Refunding Revenue Bonds, maturing 2023 through 2047 bearing interest at 3.0% to 5.0%	\$ 306,370
Series 2018 A Refunding Revenue Bonds, maturing 2023 through 2039 bearing interest at 4.0% to 5.0%	149,760
Series 2018 B Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at 5.0% through long- term rate period ending November 1, 2029	50,000
Series 2018 C Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at 5.0% through the initial long-term rate period ending February 28, 2023	50,000
Series 2018 D Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates plus 0.60% through the initial index floating rate period ending November 30, 2023, which are adjusted weekly (weighted average rate for the year ended December 31, 2022 was 1.83%)	50,000
Series 2018 E Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at 0.80% through the initial long-term rate period ending October 30, 2025	50,000
Series 2018 F Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2022 was 1.23%)	100,000
Series 2018 G Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2022 was 0.97%)	50,000
Series 2018 H Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2022 was 0.97%)	50,000
Series 2021 A Taxable Revenue Bonds, maturing 2051 bearing interest at 3.20%	300,000
Series 2021 B Variable Rate Revenue Bonds, maturing 2050 bearing interest at 5.0% through the initial long-term rate period ending December 1, 2024	100,000
Series 2021 C Variable Rate Revenue Bonds, maturing 2050 bearing interest at 5.0% through the initial long-term rate period ending November 30, 2028	100,000
Series 2021 D Variable Rate Revenue Bonds, maturing 2050 bearing interest at 5.0% through the initial long-term rate period ending November 30, 2031	100,000
Series 2021 E Variable Rate Refunding Revenue Bonds, maturing 2023 through 2042, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2022 was 0.96%)	122,775
Series 2022 A Refunding Revenue Bonds, maturing 2023 through 2043 bearing interest at 4.0% to 5.0%	118,070
Other long-term debt	<u>57,110</u>



**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

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*Dollars in thousands*

Atrium Health Charlotte:	
Total Atrium Health Charlotte Long-term Debt	\$ 2,936,145
Commercial paper and current portion	<u>(769,402)</u>
Total Atrium Health Charlotte Long-term Debt, minus current portion	2,166,743
Net unamortized premiums	160,577
Unamortized gains on debt-related derivative agreements	<u>1,174</u>
Total Atrium Health Charlotte long-term debt, net	<u>2,328,494</u>
Atrium Health Navicent:	
Series 2017A Revenue Anticipation Certificates, maturing 2042 through 2045 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2022 was 2.70%)	40,000
Series 2017B Revenue Anticipation Certificates, maturing 2020 through 2042 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2022 was 2.70%)	180,215
Taxable Variable Term Loan, maturing 2038 through 2048 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2022 was 3.07%)	60,000
Other long-term debt	<u>330</u>
Total Atrium Health Navicent Long-term Debt	280,545
Current portion	<u>(5,906)</u>
Total Atrium Health Navicent Long-term Debt, net	<u>274,639</u>
Atrium Health Floyd:	
Term loans	176,970
Current portion	<u>(10,032)</u>
Total Atrium Health Floyd Long-term Debt, net	<u>166,938</u>
Combined Atrium Health CMHA Long-term Debt	<u>\$ 2,770,071</u>

A summary of Atrium Health CMHA changes in long-term debt during 2022 is as follows:

	Beginning balance	Additions	Retirements	Ending balance
Atrium Health Charlotte:				
Fixed rate revenue bonds	\$ 1,033,865	\$ 118,070	\$ (171,385)	\$ 980,550
Variable rate revenue bonds	1,065,625	50,000	(53,860)	1,061,765
Commercial paper revenue bonds	400,000	100,000	(100,000)	400,000
Direct placement revenue bonds	438,255	166,050	(167,585)	436,720
Notes from direct borrowings	59,827	—	(2,717)	57,110
	<u>2,997,572</u>	<u>434,120</u>	<u>(495,547)</u>	<u>2,936,145</u>
Atrium Health Navicent:				
Direct placement revenue anticipation certificates	225,530	—	(5,310)	220,220
Note from direct borrowings	60,725	—	(400)	60,325
	<u>286,255</u>	<u>—</u>	<u>(5,710)</u>	<u>280,545</u>
Atrium Health Floyd:				
Term Loan	179,000	3,970	(6,000)	176,970
	<u>179,000</u>	<u>3,970</u>	<u>(6,000)</u>	<u>176,970</u>
Total	<u>\$ 3,462,827</u>	<u>\$ 438,090</u>	<u>\$ (507,257)</u>	<u>\$ 3,393,660</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 2022, Atrium Health Charlotte utilized a mandatory tender process to convert Series 2007 H from direct purchase bonds with weekly interest rate mode to direct purchase bonds with a daily interest rate mode with a new mandatory tender date of November 3, 2025. As a result of this mandatory tender process, these bonds were deemed extinguished and remarketed bonds were treated as a new issuance.
- (e) *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.
- (f) *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.

- (g) *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.
- (h) *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.
- (i) *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. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance. Upon the initial mandatory tender of March 1, 2023, the Series 2018 C Bonds were extended to a new mandatory tender date of October 31, 2025.
- (j) *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.
- (k) *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.

- (l) *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.
- (m) *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.
- (n) *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.
- (o) *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.
- (p) *Series 2022 A Refunding Revenue Bonds* – In February 2022, Atrium Health Charlotte issued Series 2022 A Refunding Revenue Bonds which currently refunded \$141,920 of the outstanding Series 2012 A Revenue and Refunding Revenue Bonds. Interest on the Series 2022 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.
- (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 \$22,042 at December 31, 2022 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 \$34,622 at December 31, 2022.

(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, 2022, commercial paper totaling \$400,000, with a weighted average maturity and interest rate of 110 days and 4.7%, 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, 2022, Atrium Health Charlotte was in compliance with these financial covenants.

Deferred financing costs, net of accumulated amortization, totaled \$4,050 as of December 31, 2022. Premiums, net of accumulated amortization, totaled \$160,577 as of December 31, 2022. 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 expired 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, 2022 was 2.7%). 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, 2022 was 2.7%).

- (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, 2022 was 3.07%).

**Atrium Health Floyd Components of Debt**

*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, 2022 relationship between the Securities Information and Financial Markets Association (SIFMA) Municipal Swap Index and the one month London InterBank Offered Rate (LIBOR) of approximately 83%, 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

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

	Fixed rate and variable rate revenue bonds		Notes from direct borrowings and direct placements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 27,620	\$ 64,525	\$ 27,685	\$ 30,424	\$ 55,305	\$ 94,949
2024	33,735	62,721	24,588	28,657	58,323	91,378
2025	35,370	58,195	23,928	27,840	59,298	86,035
2026	37,085	56,913	24,888	27,012	61,973	83,925
2027	40,920	55,253	23,976	26,157	64,896	81,410
2028-2032	229,440	236,551	132,080	119,984	361,520	356,535
2033-2037	295,755	171,583	163,774	94,138	459,529	265,721
2038-2042	228,950	130,420	344,920	56,100	573,870	186,520
2043-2047	463,420	97,914	169,185	13,785	632,605	111,699
2048-2052	650,020	41,203	16,321	1,485	666,341	42,688
	<u>\$ 2,042,315</u>	<u>\$ 975,278</u>	<u>\$ 951,345</u>	<u>\$ 425,582</u>	<u>\$ 2,993,660</u>	<u>\$ 1,400,860</u>

Atrium Health Charlotte's Revenue Bonds (other than the Series 2015 A, Series 2015 B Revenue Bonds and Series 2021A Revenue Bonds which are taxable) are tax exempt and are secured on a parity basis by and payable from Atrium Health Charlotte's revenues as defined in 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, 2022, Atrium Health Charlotte and Atrium Health Navicent were in compliance with these financial covenants.

Atrium Health Charlotte's parity obligation revenue bonds totaling \$2,479,035 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 \$1,061,765 certain agreements contain terms related to significant termination events with finance-related consequences. For revenue bonds totaling \$261,770 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 \$199,995 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 \$436,720, 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 \$280,215 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 \$280,215, 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.

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, Series 2018 G and H Revenue Bonds, or Series 2021 E 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	2025

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

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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 \$132,249 for the year ended December 31, 2022. Interest paid to bond holders and other lenders totaled \$131,207 for the year ended December 31, 2022.

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

Atrium Health Enterprise's debt consists of the following at December 31, 2022:

## Atrium Health Charlotte:

Series 2005BCD	\$ 32,115.00
Series 2005BCD unamortized gains on debt-related derivative agreements	1,174
Series 2007B	74,135
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 2013A	106,350
Series 2013A unamortized bond premium	8,139
Series 2015A	3,190
Series 2016A	306,370
Series 2016A unamortized bond premium	35,711
Series 2018A	149,760
Series 2018A unamortized bond premium	11,422
Series 2018B	50,000
Series 2018B unamortized bond premium	3,384
Series 2018B bond issuance costs	(151)
Series 2018C	50,000
Series 2018C unamortized bond premium	4,153
Series 2018D	50,000
Series 2018E	50,000
Series 2018E bond issuance costs	(113)
Series 2018F	100,000
Series 2018G	50,000
Series 2018H	50,000

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Series 2021A	\$ 300,000
Series 2021A bond issuance costs	(1,653)
Series 2021B	100,000
Series 2021B unamortized bond premium	15,149
Series 2021B bond issuance costs	(284)
Series 2021C	100,000
Series 2021C unamortized bond premium	27,279
Series 2021C bond issuance costs	(284)
Series 2021D	100,000
Series 2021D unamortized bond premium	33,835
Series 2021D bond issuance costs	(378)
Series 2021E	122,775
Series 2021E bond issuance costs	(152)
Series 2022A	118,070
Series 2022A unamortized bond premium	23,903
Series 2022A bond issuance costs	(1,034)
Notes payable, finance leases and line of credit	<u>57,110</u>
Total debt	<u>2,696,245</u>
Commercial paper, net	397,603
Less commercial paper and current portion	<u>(769,238)</u>
Total Atrium Health Charlotte long-term debt	<u>2,324,610</u>
Atrium Health Navicent:	
Series 2017A	40,000
Series 2017B	180,215
Taxable Variable Term Loan	60,000
Other Long-Term Debt	<u>330</u>
Total debt	280,545
Less current portion	<u>(5,906)</u>
Total Atrium Health Navicent long-term debt	<u>274,639</u>
Atrium Health Floyd:	
Term Loan	172,945
Finance Lease	<u>35,808</u>
Total notes payable, finance leases and line of credit	208,753
Less current portion	<u>(9,882)</u>
Total Atrium Health Floyd long-term debt	<u>198,871</u>
Atrium Health WFB:	
Series 2012A (a)	118,405
Series 2012A unamortized bond premium	3,068
Series 2012A bond issuance costs	(764)
Series 2012B (a)	72,025
Series 2012B unamortized bond premium	8,533
Series 2012B bond issuance costs	(501)

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Series 2012D (a)	\$ 80,000
Series 2012D bond issuance costs	(236)
Series 2016 (b)	150,000
Series 2016 bond issuance costs	(1,150)
Series 2019A (c)	34,935
Series 2019A unamortized bond premium	4,684
Series 2019A bond issuance costs	(295)
Series 2019B (c)	105,905
Series 2019C (c)	60,605
Series 2019C bond issuance costs	(526)
Series 2020 (d)	198,620
Series 2020 bond issuance costs	(548)
Total bonds payable	<u>832,760</u>
Line of credit <sup>(e)</sup>	19,199
Loan agreement <sup>(f)</sup>	667
Loan agreements <sup>(g)</sup>	1,498
Loan agreement <sup>(h)</sup>	24,266
Finance leases <sup>(i)</sup>	3,730
Finance lease <sup>(j)</sup>	36,953
Finance lease <sup>(k)</sup>	21,204
Loan agreements <sup>(l)</sup>	279
Finance leases <sup>(m)</sup>	212
Total notes payable, finance leases and line of credit	<u>108,008</u>
Total debt	940,768
Less current portion	<u>(54,468)</u>
Total Atrium Health WFB long-term debt	<u>886,300</u>
Total Atrium Health Enterprise debt	4,523,914
Less total Atrium Health Enterprise current portion	<u>(839,494)</u>
Total Atrium Health Enterprise long-term debt	<u>\$ 3,684,420</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 Charlotte	Atrium Health Navicent	Atrium Health Floyd	Atrium Health WFB	Atrium Health Enterprise
2023	\$ 46,652	\$ 5,906	\$ 9,882	\$ 54,468	\$ 116,908
2024	53,342	5,865	8,398	36,432	104,037
2025	53,932	6,150	8,506	35,199	103,787
2026	55,705	6,460	8,834	110,333	181,332
2027	58,104	6,785	9,025	32,586	106,500
All years thereafter	<u>2,428,510</u>	<u>249,379</u>	<u>164,108</u>	<u>671,750</u>	<u>3,513,747</u>
	<u>\$ 2,696,245</u>	<u>\$ 280,545</u>	<u>\$ 208,753</u>	<u>\$ 940,768</u>	<u>\$ 4,126,311</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. In December 2022, the bonds were converted from long-term rate put bonds to direct purchase bonds bearing interest at SIFMA plus 0.616% with an initial term date of December 31, 2029. 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 refunded 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, 2024, and bears interest at daily simple Secured Overnight Financing Rate (SOFR) plus 0.55%. 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 an original amount of \$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 maturity in 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 an initial 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 an initial 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 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 May 27, 2024, and bears interest at the term SOFR rate plus 0.65%. There is no outstanding balance on the facility at December 31, 2022.

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 issuance costs, net of accumulated amortization, totaled (\$4,020) as of December 31, 2022. Premiums, net of accumulated amortization, totaled \$16,285 as of December 31, 2022. These costs are being amortized over the estimated duration of the related debt using the effective interest method.

**11. 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.

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The significant terms and features of the above transactions as of and for the year ended December 31, 2022, 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 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	\$ 74,135	\$ 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 Charlotte pays	5.52 %	4.36 %	4.38 %
Atrium Health Charlotte receives	75% of LIBOR	SIFMA	SIFMA
Fair value at			
December 31, 2022	\$ (1,094)	\$ (7,719)	\$ (8,255)
Change in fair value during the year	2,836	17,451	18,080

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 Charlotte pays	3.88 %	3.89 %	3.89 %
Atrium Health Charlotte 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, 2022	\$ (11,195)	\$ (13,236)	\$ (9,192)
Change in fair value during the year	17,624	20,646	14,372

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Associated bonds	2007 G	2007 H	2021 E
Notional amount	\$ 111,170	\$ 166,050	\$ 122,775
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 Charlotte pays	3.90 %	3.88 %	1.97 %
Atrium Health Charlotte 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, 2022	\$ (16,455)	\$ (21,853)	\$ 6,472
Change in fair value during the year	25,806	36,037	19,227

The fair value of the swaps of \$82,527, at December 31, 2022, 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, 2022, 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 \$172,078 for the year ended December 31, 2022, are deferred and are reported on the combined balance sheet as a deferred outflow of resources. See note 7 for further discussion of the measurement techniques and inputs utilized in the measurement of the swaps' fair value. For the year ended December 31, 2022, the swaps produced annual net cash outflows of approximately \$20,234. Cash flows associated with the swaps are treated as interest expense.

As of December 31, 2022, 14 of the 15 swaps had a negative fair value. The negative fair value may be countered by a reduction in total interest payments required under Atrium Health Charlotte's associated variable rate revenue bonds, creating a lower synthetic interest rate. Because the coupons on the variable rate revenue bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

As of December 31, 2022, Atrium Health Charlotte was exposed to slight credit risk as one of the swaps had a positive fair value. Atrium Health's exposure to credit risk was \$6,472, the amount of the swap's 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, 2022. 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, 2022.

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, 2022, the fair values of these swap agreements were (\$1,094), (\$18,917), and (\$7,987). 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, 2022, the fair value of this swap agreement was (\$10,923). 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, 2022, the fair value of this swap agreement was (\$19,440). 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, 2022, the fair value of this insured swap agreement was (\$30,637). 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 2022 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,

2022, the fair value of this swap agreement was \$6,472. 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, 2022, the SIFMA rate was 3.66% and LIBOR was 4.39%, resulting in a SIFMA to LIBOR relationship of approximately 83.34%.

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 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 transaction were amended in April 2018 and again in April 2021, as of and for the year ended December 31, 2022, are summarized in the below table. The notional amount of the swap neither effectively match the principal amounts of the associated debt nor contain scheduled reductions to outstanding notional amounts that follow scheduled or anticipated reductions in the associated debt.

<u>Associated certificates</u>	<u>2017 B</u>
Notional amount	\$ 46,355
Swap type	Floating-to-fixed
Origination date	August 1, 2005
Final swap maturity	May 1, 2024
Atrium Health Navicent pays	3.29 %
Atrium Health Navicent receives	67% of LIBOR
Fair value at	
December 31, 2022	\$ (2,150)
Change in fair value during the year	6,364

The fair value of the remaining swap of \$2,150, at December 31, 2022, is reported as a long-term liability on the combined balance sheet. As of December 31, 2022, Atrium Health Navicent has determined that its interest rate swap is not an effective hedging derivative instruments, resulting in changes in its fair value of \$6,364 for the year ended December 31, 2022, being reported in nonoperating income. See note 7 for further discussion of the measurement techniques and inputs utilized in the measurement of the swaps' fair value. For the year ended December 31, 2022, the swap produced annual net cash outflows of approximately \$980. Cash flows associated with the swap are treated as interest expense.

As of December 31, 2022, 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, 2022, 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, 2022.

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, 2022, the fair value of this swap agreement was (\$2,150). 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

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SIFMA and LIBOR interest rates and the SIFMA to LIBOR relationship remain the same, as of December 31, 2022, were as follows:

	Variable rate bonds and revenue anticipation certificates		Interest rate swap – net	Total
	Principal	Interest		
2023	\$ 18,055	\$ 17,835	\$ 4,734	\$ 40,624
2024	17,120	17,496	3,647	38,263
2025	17,895	17,141	3,502	38,538
2026	18,770	16,768	3,347	38,885
2027	26,225	16,299	3,287	45,811
2028–2032	127,115	74,522	16,084	217,721
2033–2037	226,450	58,479	13,458	298,387
2038–2042	380,855	30,555	8,330	419,740
2043–2047	143,025	1,225	647	144,897
	<u>\$ 975,510</u>	<u>\$ 250,320</u>	<u>\$ 57,036</u>	<u>\$ 1,282,866</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, 2022:

	<u>2002 Agreement</u>
Notional amount	\$ 17,339
Swap type	Fixed Payer
Origination date	August 20, 2002
Final bond maturity	July 1, 2034
Atrium Health WFB pays	3.67 %
Atrium Health WFB receives	67% of 1-Month LIBOR
Fair value at	
December 31, 2022	\$ (1,181)
Change in fair value during the year	2,344

Atrium Health WFB records its interest rate swap agreement 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 \$1,181 at December 31, 2022 for which Atrium Health WFB has posted collateral of \$1,180 as of December 31, 2022. 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 78% fixed as of December 31, 2022.

**The Enterprise**

The Enterprise had a net gain of \$180,787 on interest rate swaps reflected in nonoperating gains in the combined statement of revenues, expenses and changes in net assets as of December 31, 2022. After taking into account the aforementioned swap agreement, Atrium Health Enterprise's adjusted debt portfolio was approximately 59% fixed as of December 31, 2022.

**12. 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.

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 \$322,615 for the year ended December 31, 2022.

***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 \$1,404 as of December 31, 2022. The plan had a projected benefit obligation of \$28,894 and fair value of plan assets of \$27,490 as of December 31, 2022. The annual income for the WMC Defined Benefit Pension Plan was \$574 for 2022.

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#### **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, 2022</b>	
	<b>Contribution</b>	<b>Net Pension Liability</b>
Atrium Health Charlotte DB Plan	\$ 32,777	\$ 543,691
Atrium Health Navicent DB Plan	2,500	4,675
Atrium Health Floyd DB Plan	614	21,458
Atrium Health NCBH DB Plan	—	71,097
Totals	<u>\$ 35,891</u>	<u>\$ 640,921</u>

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:

	<b>2022</b>				
	<b>Fair Value Measurements</b>			<b>Investments</b>	<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Reported at NAV<sub>1</sub></b>	
<b>Atrium Health Charlotte DB Plan:</b>					
Investments at fair value:					
Short-term investments	\$ 28,697	\$ —	\$ —	\$ —	\$ 28,697
Absolute return	—	—	—	81,333	81,333
Commodities	33,063	—	—	—	33,063
Fixed income	40,892	68,805	—	26,472	136,169
Public equity	403,711	—	—	104,387	508,098
Private equity	—	—	—	53,102	53,102
Total plan investments	<u>\$ 506,363</u>	<u>\$ 68,805</u>	<u>\$ —</u>	<u>\$ 265,294</u>	<u>840,462</u>
Total Atrium Health Charlotte DB plan assets					<u>\$ 840,462</u>
<b>Atrium Health Navicent DB Plan:</b>					
Investments at fair value:					
Short-term investments	\$ 1,768	\$ —	\$ —	\$ —	\$ 1,768
Absolute return	22,797	—	—	—	22,797
Commodities	69,448	—	—	—	69,448
Fixed income	44,543	—	—	39,900	84,443
Public equity	85,450	—	—	—	85,450
Private equity	—	—	—	15,712	15,712
Other	—	—	—	9	9
Total plan investments	<u>\$ 224,006</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 55,621</u>	<u>279,627</u>
Total Atrium Health Navicent DB plan assets					<u>\$ 279,627</u>

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

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*Dollars in thousands*

	2022				
	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	\$ 1,942	\$ —	\$ —	\$ —	\$ 1,942
Commodities	—	7,676	—	—	7,676
Fixed income	—	42,956	—	—	42,956
Public equity	—	18,356	—	—	18,356
Total plan investments	<u>\$ 1,942</u>	<u>\$ 68,988</u>	<u>\$ —</u>	<u>\$ —</u>	<u>70,930</u>
Total Atrium Health Floyd DB plan assets					<u>\$ 70,930</u>
<b>Atrium Health NCBH DB Plan:</b>					
Investments at fair value:					
Short-term investments	\$ 2,070	\$ —	\$ —	\$ —	\$ 2,070
Absolute return	—	—	—	25,740	25,740
Fixed income	4,634	144,283	—	—	148,917
Public equity	98,637	—	—	—	98,637
Total plan investments	<u>\$ 105,341</u>	<u>\$ 144,283</u>	<u>\$ —</u>	<u>\$ 25,740</u>	<u>275,364</u>
Accruals carried at cost					(19,349)
Total Atrium Health NCBH DB plan assets					<u>\$ 256,015</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 7.

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, 2022 are as follows:

Asset category:	Atrium Health Charlotte DB Plan		Atrium Health Navicent DB Plan		Atrium Health Floyd DB Plan		Atrium Health NCBH DB Plan	
	Allocation Target Range	Actual 2022	Allocation Target Range	Actual 2022	Allocation Target Range	Actual 2022	Allocation Target Range	Actual 2022
Equities	67 %	67 %	36 %	36 %	28 %	26 %	40 %	39 %
Fixed income	19 %	19 %	55 %	56 %	60 %	60 %	50 %	51 %
Diversified alternatives	14 %	14 %	9 %	8 %	12 %	14 %	10 %	10 %
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>

## ATRIUM HEALTH ENTERPRISE

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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, 2022</b>		
	<b>Accumulated Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Underfunded Amount</b>
Atrium Health Charlotte DB Plan	\$ 1,384,153	\$ 840,462	\$ 543,691
Atrium Health Navicent DB Plan	284,302	279,627	4,675
Atrium Health Floyd DB Plan	92,388	70,930	21,458
Atrium Health NCBH DB Plan	327,112	256,015	71,097
Totals:	<u>\$ 2,087,955</u>	<u>\$ 1,447,034</u>	<u>\$ 640,921</u>

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

	<b>Year Ending December 31, 2022</b>			
	<b>Atrium Health Charlotte DB Plan</b>	<b>Atrium Health Navicent DB Plan</b>	<b>Atrium Health Floyd DB Plan</b>	<b>Atrium Health NCBH DB Plan</b>
2023	\$ 164,857	\$ 16,354	\$ 5,388	\$ 20,008
2024	152,360	17,121	5,518	20,471
2025	143,395	17,834	5,562	21,031
2026	138,043	18,576	5,608	21,546
2027	130,183	19,309	5,623	21,987
2028 to 2032	529,380	104,585	29,034	112,900

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, 2022:

	Pension Benefits			
	Charlotte	Navicent	Floyd	NCBH
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 1,916,274	\$ 389,372	\$ 110,222	\$ 428,145
Interest cost	62,658	11,445	2,619	12,515
Actuarial (gains) losses	(434,396)	(101,990)	(15,248)	(95,832)
Benefits paid	(26,581)	(14,525)	(5,205)	(17,716)
Settlements	(133,802)	—	—	—
Benefit obligation, end of year	<u>1,384,153</u>	<u>284,302</u>	<u>92,388</u>	<u>327,112</u>
Change in plan assets:				
Fair value of plan assets, beginning of year	1,114,803	342,815	88,007	356,066
Actual return on plan assets	(146,735)	(51,163)	(11,618)	(82,335)
Employer's contributions	32,777	2,500	614	—
Expense paid	—	—	(869)	(17,716)
Benefits paid	(26,581)	(14,525)	(5,204)	—
Settlements	(133,802)	—	—	—
Fair value of plan assets, end of year	<u>840,462</u>	<u>279,627</u>	<u>70,930</u>	<u>256,015</u>
Amounts recognized in the combined balance sheets (funded status):				
Retirement benefits	<u>\$ (543,691)</u>	<u>\$ (4,675)</u>	<u>\$ (21,458)</u>	<u>\$ (71,097)</u>
Amounts recognized in net assets without donor restrictions:				
Net actuarial (losses) gains	<u>(349,542)</u>	<u>(69,463)</u>	<u>(6,611)</u>	<u>(63,154)</u>
Total	<u>\$ (349,542)</u>	<u>\$ (69,463)</u>	<u>\$ (6,611)</u>	<u>\$ (63,154)</u>

Components of net periodic pension cost (benefit) for the plans for year ended December 31, 2022 are as follows:

	Charlotte	Navicent	Floyd	NCBH
Interest cost	\$ 62,658	\$ 11,445	\$ 2,619	\$ 12,515
Expected return on plan assets	(70,232)	(22,632)	(4,870)	(17,438)
Amortization of actuarial net loss (gain)	(12,764)	—	—	5,073
Settlement credit	(29,774)	—	—	—
Total net periodic pension cost (benefit)	<u>\$ (50,112)</u>	<u>\$ (11,187)</u>	<u>\$ (2,251)</u>	<u>\$ 150</u>

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, 2022 are as follows:

	Pension Benefits							
	Charlotte		Navicent		Floyd		NCBH	
	Obligation	Cost	Obligation	Cost	Obligation	Cost	Obligation	Cost
Weighted-average assumptions:								
Discount rate	5.60 %	3.00 %	5.60 %	3.00 %	5.21 %	2.98 %	5.21 %	2.99 %
Expected return on plan assets	7.50 %	7.50 %	6.30 %	7.10 %	6.75 %	5.65 %	5.50 %	5.20 %
Interest crediting rate	4.17 %	4.18 %	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, 2022:

	<b>Atrium Health Navicent</b>	<b>Atrium Health WFB</b>
Current liability	\$ 2,094	\$ 2,003
Non-current liability	16,337	17,926
Total liability	<u>\$ 18,431</u>	<u>\$ 19,929</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 \$4,028,787 for the Atrium Health Charlotte DC Plans, \$437,961 for the Atrium Health Navicent DC Plan, and \$143,623 for the Atrium Health Floyd DC Plan at December 31, 2022. Total matching contribution expense was \$193,767 for the Atrium Health Charlotte DC Plan, \$10,169 for the Atrium Health Navicent DC Plan, and \$5,939 for the Atrium Health Floyd DC Plan for the year ended December 31, 2022.

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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, 2021 and rolled forward to the measurement date of July 1, 2022. The Atrium Health CMHA DB Plans' participant data as of July 1, 2022 is as follows:

	<b>2022</b>		
	<b>Atrium Health Charlotte DB Plan</b>	<b>Atrium Health Navicent DB Plan</b>	<b>Atrium Health Floyd DB Plan</b>
Retirees and beneficiaries receiving benefits	2,801	661	611
Previously employed plan members entitled to but not yet receiving benefits	7,845	1,436	230
Employed plan members	14,968	1,257	366
Total	<u>25,614</u>	<u>3,354</u>	<u>1,207</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, 2022 equaled 2.1%, 2.7%, and 1.9% 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, 2022.

*Atrium Health CMHA DB Plans' Actuarial Assumptions* – The total Atrium Health CMHA DB Plans' pension liability (asset) based on the July 1, 2022, measurement date was determined using the following actuarial assumptions:

	<b>2022</b>		
	<b>Atrium Health Charlotte DB Plan</b>	<b>Atrium Health Navicent DB Plan</b>	<b>Atrium Health Floyd DB Plan</b>
Inflation rate	3.0 %	2.5 %	2.3 %
Investment rate of return (net of investment expenses, including inflation)	7.5 %	6.5 %	6.6 %
Lump sum interest rate	3.3 %	—	—

Actuarial assumptions used in the July 1, 2022 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-2021 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, Atrium Health Navicent and Atrium Health Floyd of \$4,039, \$24,743 and \$7,322, 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, 6.5% for Atrium Health Navicent and 6.55% 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, 2021, the beginning of the measurement period, and are summarized in the following table:

Asset class	Atrium Health Charlotte DB Plan			Atrium Health Navicent 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	19.0 %	4.0 %	1.5 %	55.0 %	4.0 %	1.5 %	64.0 %	5.0 %	2.6 %
Long/short fixed income	10.0	6.1	3.6	9.0	6.1	3.6	—	- %	—
Domestic equities	25.0	6.9	4.4	12.0	6.9	4.4	13.0	7.4 %	5.0
International equities	17.0	7.0	4.5	5.0	7.0	4.5	8.0	7.8 %	5.4
Global equities	18.0	7.7	5.2	17.0	7.7	5.2	7.0	7.8 %	5.4
Private equity funds	7.0	10.3	7.8	2.0	10.3	7.8	—	—	—
Real asset funds	4.0	3.3	0.8	—	3.3	0.8	8.0	8.0 %	5.6
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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (11.1)% for Atrium Health Charlotte, (8.9%) for Atrium Health Navicent, and (10.1)% for Atrium Health Floyd. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

*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, 2022 was 7.5% for Charlotte, 6.5% for Navicent and 6.6% 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 Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive teammates. Therefore, the long-term expected rate of return on pension assets was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**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, 2022, are as follows:

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
<b>Atrium Health Charlotte:</b>			
Balances at December 31, 2021 (based on July 1, 2021 measurement date)	\$ 1,379,196	\$ 1,153,815	\$ 225,381
Changes for the fiscal year:			
Interest cost	96,970	—	96,970
Differences between expected and actual experiences	(7,416)	—	(7,416)
Changes in assumptions	4,039	—	4,039
Contributions - employer	—	32,777	(32,777)
Investment gains (losses) and other, net	—	(115,455)	115,455
Benefit payments	(172,599)	(172,599)	—
Administrative expense	—	(175)	175
Net changes	<u>(79,006)</u>	<u>(255,452)</u>	<u>176,446</u>
Ending balance	<u>\$ 1,300,190</u>	<u>\$ 898,363</u>	<u>\$ 401,827</u>
<b>Atrium Health Navicent:</b>			
Balances at December 31, 2021 (based on July 1, 2021 measurement date)	\$ 276,231	\$ 405,277	\$ (129,046)
Changes for the fiscal year:			
Interest cost	17,550	—	17,550
Differences between expected and actual experiences	23,916	—	23,916
Changes in assumptions	24,743	—	24,743
Contributions - employer	—	2,500	(2,500)
Investment gains (losses) and other, net	—	(25,086)	25,086
Benefit payments	(84,452)	(84,452)	—
Administrative expense	—	(1,973)	1,973
Net changes	<u>(18,243)</u>	<u>(109,011)</u>	<u>90,768</u>
Ending balance	<u>\$ 257,988</u>	<u>\$ 296,266</u>	<u>\$ (38,278)</u>

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	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
<b>Atrium Health Floyd:</b>			
Balances at December 31, 2021 (based on July 1, 2021 measurement date)	\$ 80,660	\$ 86,953	\$ (6,293)
Changes for the fiscal year:			
Interest cost	4,414	—	4,414
Differences between expected and actual experiences	675	—	675
Changes in assumptions	(7,322)	—	(7,322)
Contributions - employer	—	614	(614)
Investment gains (losses) and other, net		(7,109)	7,109
Benefit payments	(5,164)	(5,164)	—
Administrative expense	—	(862)	862
Net changes	(7,397)	(12,521)	5,124
Ending balances	73,263	74,432	(1,169)
Total balances at December 31, 2022 (based on July 1, 2022 measurement date)	<u>\$ 1,631,441</u>	<u>\$ 1,269,061</u>	<u>\$ 362,380</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, 2022 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 6.50%	Current rate 7.50%	1% Increase 8.50%
Atrium Health Charlotte net pension liability at July 1, 2022	\$ 481,614	\$ 401,827	\$ 331,300
	1% Decrease 5.50%	Current rate 6.50%	1% Increase 7.50%
Atrium Health Navicent net pension asset at July 1, 2022	\$ (9,514)	\$ (38,278)	\$ (62,502)
	1% Decrease 5.55%	Current rate 6.55%	1% Increase 7.55%
Atrium Health Floyd net pension liability (asset) at July 1, 2022	\$ 6,609	\$ (1,169)	\$ (7,722)

*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 7.

Atrium Health CMHA DB Plans' assets were invested as follows as of the July 1, 2022 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	\$ 15,972	\$ 15,972	\$ —	\$ 5,641	\$ 5,641	\$ —	\$ 2,278	\$ 2,278	\$ —
Fixed income:									
U.S. government treasuries and agencies	40,077	—	40,077	15,214	15,214	—	9,745	—	9,745
Corporate bonds	19,354	—	19,354	45,697	45,697	—	—	—	—
Fixed income - other	60,940	60,940	—	—	—	—	32,465	—	32,465
Total fixed income	120,371	60,940	59,431	60,911	60,911	—	42,210	—	42,210
Equity:									
Domestic equities	212,297	212,297	—	85,259	85,259	—	9,130	—	9,130
International equities	104,195	104,195	—	21,160	21,160	—	5,798	—	5,798
Global equities	89,234	89,234	—	24,467	24,467	—	5,040	—	5,040
Total equity	405,726	405,726	—	130,886	130,886	—	19,968	—	19,968
Global asset allocation funds	—	—	—	11,235	11,235	—	—	—	—
Real asset funds	43,793	43,793	—	43,407	43,407	—	9,976	—	9,976
Total investments by fair value level	585,862	\$ 526,431	\$ 59,431	252,080	\$ 252,080	\$ -	74,432	\$ 2,278	\$ 72,154
Investments measured at NAV:									
Fixed income - other	36,174	—	—	29,780	—	—	—	—	—
Global asset allocation funds	45,409	—	—	—	—	—	—	—	—
Global equity funds	64,955	—	—	—	—	—	—	—	—
Multi-strategy hedge funds	—	—	—	281	—	—	—	—	—
Domestic Equity	47,710	—	—	—	—	—	—	—	—
International Equity	38,423	—	—	—	—	—	—	—	—
Private equity funds	64,352	—	—	14,124	—	—	—	—	—
Total investments measured at NAV	297,023	—	—	44,185	—	—	—	—	—
Total investments measured at fair value	\$ 882,885	—	—	\$ 296,265	—	—	\$ 74,432	—	—

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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, 2022 measurement date:

	Atrium Health Charlotte DB Plan				Atrium Health Navicent DB Plan			
	Unfunded commitments as of July 1		Redemption frequency	Redemption notice period	Unfunded commitments as of July 1		Redemption frequency	Redemption notice period
	2022	2022			2022	2022		
Domestic Equity	\$ 47,710	\$ —	Monthly	5 days	\$ —	\$ —	Monthly	5 days
Global asset allocation funds	45,409	—	Daily	1 day	—	—	Daily	1 day
Fixed income - other	36,174	—	Daily	1 day	29,780	—	Daily	1 day
Multi-strategy hedge fund	—	—	N/A	N/A	281	—	N/A	N/A
Global Equity	64,955	—	Monthly	15 days	—	—	Monthly	15 days
International Equity	38,423	—	Monthly	10 days	—	—	N/A	10 days
Private equity funds	64,352	13,344	N/A	N/A	14,124	9,428	N/A	N/A
Total	<u>\$ 297,023</u>	<u>\$ 13,344</u>			<u>\$ 44,185</u>	<u>\$ 9,428</u>		

The Plans' presentation of asset segments is consistent with Atrium Health CMHA's presentation as detailed in note 6.

*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, 2022, Atrium Health CMHA recognized pension benefit expense of \$45,427 for the Atrium Health CMHA DB Plans. At December 31, 2022, Atrium Health CMHA Plans reported deferred outflows and inflows of resources as follows based on July 1, 2022 measurement date:

	Deferred outflows of resources			Deferred inflows of resources		
	Atrium Health Charlotte DB Plan	Atrium Health Navicent DB Plan	Atrium Health Floyd DB Plan	Atrium Health Charlotte DB Plan	Atrium Health Navicent DB Plan	Atrium Health Floyd DB Plan
Difference between expected and actual experience related to demographic factors	\$ 18,273	\$ 15,260	\$ 409	\$ (12,216)	\$ (415)	\$ —
Assumption changes	19,282	15,613	—	(1,208)	(355)	(4,439)
Difference between expected and actual investment earnings	52,035	5,555	9,979	—	—	(1,271)
Total	<u>\$ 89,590</u>	<u>\$ 36,428</u>	<u>\$ 10,388</u>	<u>\$ (13,424)</u>	<u>\$ (770)</u>	<u>\$ (5,710)</u>

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Amounts reported above as deferred outflows of resources and deferred inflows of resources related to the Atrium Health CMHA DB Plans at December 31, 2022 will be recognized in pension expense for the year ended December 31, as follows:

	Amount		
	Atrium Health Charlotte DB Plan	Atrium Health Navicent DB Plan	Atrium Health Floyd DB Plan
2023	\$ 23,756	\$ 14,556	\$ (545)
2024	17,134	14,178	658
2025	(3,480)	(3,525)	2,071
2026	38,756	10,449	2,494
	<u>\$ 76,166</u>	<u>\$ 35,658</u>	<u>\$ 4,678</u>

#### **Other Benefit Plans**

Atrium Health Navicent also sponsors an unfunded postretirement health and dental plan which has a liability of \$18,109 as December 31, 2022 (based on July 1, 2022 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, 2022, the fiscal year end for the three plans, in addition to information previously provided for the three plans as of July 1, 2022 regarding plan administration, membership, benefit terms, contributions, investment policy and actuarial assumptions. This information is presented as required by GASB Statement No. 67, *Financial Reporting for Pension Plans*, as no separate financial statements for these plans are issued.

##### **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, 2022 were as follows:

	Atrium Health Charlotte DB Plan	Atrium Health Navicent DB Plan	Atrium Health Floyd DB Plan
Total pension liability	\$ 1,279,014	\$ 258,655	\$ 71,596
Plan fiduciary net position	840,462	279,627	70,930
Atrium Health net pension liability (asset)	<u>\$ 438,552</u>	<u>\$ (20,972)</u>	<u>\$ 666</u>
Plan fiduciary net position as a percentage of total pension liability	66 %	108 %	99 %

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*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, 2022 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 6.50%</b>	<b>Current rate 7.50%</b>	<b>1% Increase 8.50%</b>
Atrium Health Charlotte net pension liability at December 31, 2022	\$ 515,329	\$ 438,552	\$ 370,657
	<b>1% Decrease 5.50%</b>	<b>Current rate 6.50%</b>	<b>1% Increase 7.50%</b>
Atrium Health Navicent net pension liability (asset) at December 31, 2022	\$ 7,365	\$ (20,972)	\$ (44,886)
	<b>1% Decrease 5.75%</b>	<b>Current rate 6.75%</b>	<b>1% Increase 7.75%</b>
Atrium Health Floyd net pension liability (asset) at December 31, 2022	\$ 8,046	\$ 666	\$ (5,573)

#### ***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 7.

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Atrium Health CMHA DB Plans' assets were invested as follows as of December 31, 2022:

	Atrium Health Charlotte DB Plan			Atrium Health Navient 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)
Cash and cash equivalents	\$ 28,697	\$ 28,697	\$ —	1,768	\$ 1,768	\$ —	\$ 1,942	\$ 1,942	\$ —
Fixed income:									
U.S. government treasuries and agencies	49,794	—	49,794	13,844	13,844	—	14,603	—	14,603
Corporate bonds	19,011	—	19,011	39,699	39,699	—	—	—	—
Fixed income – other	40,892	40,892	—	—	—	—	28,353	—	28,353
Total fixed income	109,697	40,892	68,805	53,543	53,543	—	42,956	—	42,956
Equity:									
Domestic equities	205,364	205,364	—	68,619	68,619	—	8,592	—	8,592
International equities	107,520	107,520	—	8,504	8,504	—	5,053	—	5,053
Global equities	90,828	90,828	—	22,297	22,297	—	4,711	—	4,711
Total equity	403,712	403,712	—	99,420	99,420	—	18,356	—	18,356
Global asset allocation funds	—	—	—	8,826	8,826	—	—	—	—
Real asset funds	33,063	33,063	—	69,449	69,449	—	7,676	—	7,676
Total investments by fair value level	575,169	\$ 506,364	\$ 68,805	233,006	\$ 233,006	\$ —	70,930	\$ 1,942	\$ 68,988
Investments measured at NAV:									
Fixed income - other	26,472			30,900			—		
Domestic equities	41,216			—			—		
Global asset allocation funds	40,118			—			—		
Global equity funds	63,852			—			—		
International Equity	40,533			9			—		
Multi-strategy hedge funds	—			15,712			—		
Private equity funds	53,102			—			—		
Total investments measured at NAV	265,293			46,621			—		
Total investments measured at fair value	\$ 840,462			\$ 279,627			\$ 70,930		



The table below discloses the unfunded commitments, redemption frequency, and redemption notice period for investments measure at net asset value as of December 31, 2022:

	Atrium Health Charlotte DB Plan				Atrium Health Navicent DB Plan			
	Unfunded commitments as of Dec 31		Redemption frequency	Redemption notice period	Unfunded commitments as of Dec 31		Redemption frequency	Redemption notice period
	2022	2022			2022	2022		
Domestic Equity	\$ 41,216	\$ —	Monthly	5 days	\$ —	\$ —	Monthly	5 days
Global asset allocation funds	40,118	—	Daily	1 day	—	—	Daily	1 day
Fixed Income - other	26,472	—	Daily	1 day	30,900	—	Daily	1 day
Multi-strategy hedge fund	—	—	N/A	N/A	9	—	N/A	N/A
Global Equity	63,852	—	Monthly	15 days	—	—	Monthly	15 days
International Equity	40,533	—	Monthly	10 days	—	—	Monthly	10 days
Private equity funds	53,102	13,283	N/A	N/A	15,712	7,912	N/A	N/A
Total	<u>\$ 265,293</u>	<u>\$ 13,283</u>			<u>\$ 46,621</u>	<u>\$ 7,912</u>		

### 13. 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, 2022. 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 2022. 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 \$2 million per occurrence and \$6 million in aggregate. For Polk Medical Center, Inc. and Floyd Cherokee Medical Center, LLC, wholly owned subsidiaries of Atrium Health Floyd, claims are covered by a claims-made general and professional liability insurance policy for each with specified deductibles of \$50,000 per incident and limits of \$1 million per occurrence and \$3 million in aggregate. In both the self-insured and insured plans, malpractice claims above the self-insurance retention limits or policy limits of the underlying policies as applicable are insured through umbrella coverage with commercial insurance carriers on a claims-made basis. The umbrella policy covers malpractice claims up to \$30 million in aggregate.

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, 2022. 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 \$487,928 at December 31, 2022.

Atrium Health WFB's estimated cost to complete construction in progress at December 31, 2022 is approximately \$112,075.

Effective January 1, 2012, under the terms of an Agreement between Atrium Health CMHA and Union County, Atrium Health CMHA leases hospital real estate from, and makes annual payments to, Union County. The initial term of the Agreement remains in effect until December 31, 2061, unless earlier terminated, extended, or renewed in accordance with the provisions of the Agreement. Upon the expiration of the initial term, unless certain events of default exist, Atrium Health CMHA has the option to extend and renew the Agreement for an initial renewal term of 25 years. During the term of the Agreement, Union County has the right to require Atrium Health CMHA to purchase the hospital real estate at a stated price determined in accordance with the Agreement. If Union County elects to require Atrium Health CMHA to purchase the hospital real estate, Atrium Health CMHA will have no further obligations under the Agreement. As of December 31, 2022, the purchase price as stated in the Agreement was \$127,809. The present value of Atrium Health CMHA's obligation for the annual payments, discounted using an effective interest rate of 4.34%, was \$119,136 as of December 31, 2022, and is recorded on the balance sheet as a long-term liability. The liability and related interest are payable in annual installments of approximately \$6,000 per year through 2061.

Additionally, as part of the Agreement between Atrium Health CMHA and Union County, Atrium Health CMHA has committed to reinvest in healthcare 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 Agreement.

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

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

In connection with the Health System Integration Agreement and related agreements between Atrium Health CMHA and Atrium Health WFB (see Note 1), the Atrium Health Enterprise, which includes both Atrium Health WFB and Atrium Health 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 2022) 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 to ensure and monitor compliance with HIPAA, as well as other applicable local, state and federal statutes and regulations.

**14. Patient Service Revenue and Patient Receivables**

Patient service revenue by major payer source, net of price concessions, is as follows for the year ended December 31, 2022:

	<b>Atrium Health CMHA</b>	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
Managed care and commercial insurance	\$ 4,274,532	\$ 1,378,701	\$ 5,653,351
Medicare	2,711,512	1,238,918	3,950,500
Medicaid	1,184,897	615,407	1,800,336
Direct from patient/other	231,792	147,742	379,542
Total	<u>\$ 8,402,733</u>	<u>\$ 3,380,768</u>	<u>\$ 11,783,729</u>

For North Carolina (NC) operations, the Enterprise receives Medicaid supplemental payments that flow from two separate and distinct categories. The first being Disproportionate Share Hospital (“DSH”) payments, intended to compensate hospitals for a portion of the cost of treating uninsured patients. The second category of payments relates to Graduate Medical Education (“GME”). These payments are intended to offset a portion of the costs incurred to operate various accredited residency programs. The Enterprise provides a portion of the state contribution needed to draw down the federal match needed to make these payments.

For Georgia operations, the Enterprise receives Medicaid supplemental payments in the form of “DSH”, “GME”, Upper Payment Limit (“UPL”) and Directed Payments (“DPP”). “UPL” payments provide enhancements to the existing Medicaid Fee For Service payment rates raising overall payment levels to approximate Medicare payment levels. The state of Georgia recently approved a new supplemental payment program, Strengthening the Reinvestment of a Necessary-workforce in Georgia (“GA-Strong”). “GA-Strong” is a “DPP” program that also enhances the current Medicaid Fee For Service rates beyond the current Medicare “UPL” equivalent.

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 position and net assets.

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

**ATRIUM HEALTH ENTERPRISE**

## Notes to Combined Financial Statements

December 31, 2022

*Dollars in thousands*

The following is a summary of the funds recognized and assessments paid under these programs for the year ended December 31, 2022:

	<b>Atrium Health CMHA</b>	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
Net funds recognized	\$ 137,524	\$ 73,154	\$ 210,678
Less assessments paid	(77,601)	(69,545)	(147,146)
Net amounts recognized	<u>\$ 59,923</u>	<u>\$ 3,609</u>	<u>\$ 63,532</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, 2022:

	<b>Atrium Health CMHA</b>	<b>Atrium Health WFB</b>	<b>Atrium Health Enterprise</b>
Medicare	28.3 %	31.6 %	29.0 %
Medicaid	15.0	19.9	16.1
Managed care and commercial insurance	32.6	30.8	32.2
Direct from patient/other	24.1	17.7	22.7
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

**15. Financial Assistance and Community Benefit**

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.

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. The Enterprise's cost of providing care associated with the charges foregone for financial assistance is estimated using applicable cost to charge ratios as follows:

	<b>Health CMHA</b>	<b>Health WFB</b>	<b>Health Enterprise</b>
Cost of financial assistance to uninsured patients	<u>\$ 258,966</u>	<u>\$ 51,311</u>	<u>\$ 310,277</u>

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 the Enterprise operates. These activities include:

- The unreimbursed cost of providing care to patients covered by Medicare and Medicaid programs.
- Other community benefit programs including the unreimbursed cost of various medical education programs, 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.
- The unreimbursed cost of care extended to underinsured patients who do not qualify for financial assistance, estimated using applicable cost to charge ratios.

## 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 2022 were \$57,192 and \$327,072 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, 2022 consist of the following for Atrium Health WFB and the Enterprise, respectively:

	Atrium Health WFB			Total
	Program		Supporting	
	Academic instruction and research	Healthcare services	General administration	
Personnel costs	\$ 242,139	\$ 2,102,244	\$ 249,601	\$ 2,593,984
Supplies	27,218	1,006,118	—	1,033,336
Purchased services	29,903	86,655	20,875	137,433
Other operating expenses	58,217	294,136	45,262	397,615
Depreciation and amortization	11,210	123,726	9,811	144,747
Financing costs	2,731	18,246	10,085	31,062
Total operating expenses	<u>\$ 371,418</u>	<u>\$ 3,631,125</u>	<u>\$ 335,634</u>	<u>\$ 4,338,177</u>

## ATRIUM HEALTH ENTERPRISE

### Notes to Combined Financial Statements

December 31, 2022

Dollars in thousands

	Atrium Health Enterprise			
	Program		Supporting	
	Academic instruction and research	Healthcare services	General administration	Total
Personnel costs	\$ 369,170	\$ 7,265,328	\$ 451,482	\$ 8,085,980
Supplies	32,931	2,869,042	28,125	2,930,098
Purchased services	45,672	749,738	74,308	869,718
Other operating expenses	81,167	1,030,277	131,816	1,243,260
Depreciation and amortization	17,861	407,398	145,276	570,535
Financing costs	4,515	91,613	43,773	139,901
Total operating expenses	<u>\$ 551,316</u>	<u>\$ 12,413,396</u>	<u>\$ 874,780</u>	<u>\$ 13,839,492</u>

### 17. Related-Party Transactions

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 \$10,000 to Atrium Health WFB during fiscal year 2022. Atrium Health WFB's contribution receivable from Atrium Health CMHA amounted to \$50,000 at December 31, 2022; Atrium Health WFB recorded \$10,000 of the contribution receivable in current assets and \$40,000 of the contribution receivable in other long-term assets in the accompanying combined balance sheet.

As part of the Advocate Health joint operating agreement, Atrium Health CMHA committed to fund an additional academic endowment at Atrium Health WFB of \$47,000, which was paid out in February 2023.

### 18. Subsequent Events

Effective February 2023, AHI, Atrium Health Navicent, and Houston Healthcare System, Inc. (Houston) entered into a ten-year Strategic Partnership Agreement and related agreements to provide defined strategic services and up to \$93,000 of capital investment funding that aligns with the strategy.

## 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, 2022

Dollars in thousands.

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

### 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, 2022

*Dollars in thousands.*

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

Notes to schedule:

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

Methods and assumptions used to determine contribution rate for 2022:

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

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

See accompanying independent auditors' report.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2022

*Dollars in thousands.*

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

Notes to schedule:

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

See accompanying independent auditors' report.

## 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, 2022

*Dollars in thousands.*

	<b>2022</b>	<b>December 31, 2021</b>	<b>2020</b>
Total pension liability:			
Service cost	\$ —	\$ —	\$ —
Interest cost	17,550	20,195	20,004
Differences between expected and actual experiences	23,916	(2,042)	2,382
Changes of assumptions	24,743	(1,221)	(1,507)
Benefit payments	(84,452)	(19,937)	(16,741)
Net change in total pension liability	(18,243)	(3,005)	4,138
Total pension liability – beginning	276,231	279,236	275,098
Total pension liability – ending (a)	257,988	276,231	279,236
Plan fiduciary net position:			
Contributions – employer	2,500	7,108	4,363
Investment (losses) gains and other, net	(25,086)	93,602	9
Benefit payments	(84,452)	(19,937)	(16,741)
Administrative expense	(1,973)	(2,202)	(2,756)
Net change in plan fiduciary net position	(109,011)	78,571	(15,125)
Plan fiduciary net position – beginning	405,277	326,706	341,831
Plan fiduciary net position – ending (b)	296,266	405,277	326,706
Net pension asset – ending (a) – (b)	\$ (38,278)	\$ (129,046)	\$ (47,470)
Plan fiduciary net position as a percentage of the total pension liability	114.8 %	146.7 %	117.0 %
Covered-employee payroll	\$ 94,325	\$ 96,163	\$ 118,953
Net pension asset as a percentage of covered-employee payroll	(40.6)%	(134.2)%	(39.9)%

### Note to schedule:

Measurement date is July 1 of each fiscal year presented.

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

See accompanying independent auditors' report.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2022

*Dollars in thousands.*

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

Notes to schedule:

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

Methods and assumptions used to determine contribution rate for 2022:

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.
Investment rate of return	6.50%, net of pension plan investment expense, including inflation
Minimum required contribution	ERISA plan's minimum contribution is determined under Section 430 of the IRC.
Retirement rates	Age-graded rates from 55 to 70
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2021. Prior to 1/1/2020, RP-2014 with generational projection using scale MP-2018.

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

See accompanying independent auditors' report.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2022

*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, 2022	(8.9)%
July 1, 2021	29.9
July 1, 2020	(0.5)
July 1, 2019	5.4

Notes to schedule:

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

See accompanying independent auditors' report.

## 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, 2022

	December 31	
	2022	2021
Total pension liability:		
Service cost	\$ —	\$ —
Interest cost	4,414	2,221
Differences between expected and actual experiences	675	—
Changes of assumptions	(7,322)	—
Benefit payments	(5,164)	(2,518)
Net change in total pension liability	(7,397)	(297)
Total pension liability – beginning	80,660	80,957
Total pension liability – ending (a)	73,263	80,660
Plan fiduciary net position:		
Contributions – employer	614	532
Investment (losses) gains and other, net	(7,109)	4,446
Benefit payments	(5,164)	(2,518)
Administrative expense	(862)	(25)
Net change in plan fiduciary net position	(12,521)	2,435
Plan fiduciary net position – beginning	86,953	84,518
Plan fiduciary net position – ending (b)	74,432	86,953
Net pension asset – ending (a) – (b)	\$ (1,169)	\$ (6,293)
Plan fiduciary net position as a percentage of the total pension liability	101.6 %	107.8 %
Covered-employee payroll	\$ 32,319	\$ 32,839
Net pension asset as a percentage of covered-employee payroll	(3.6)%	(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, 2022

*Dollars in thousands.*

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

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.
Investment rate of return	6.55%, net of pension plan investment expense, including inflation
Minimum required contribution	ERISA plan's minimum contribution is determined under Section 430 of the IRC.
Retirement rates	Age-graded rates from 57 to 62+
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2021.

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

See accompanying independent auditors' report.

## Atrium Health Charlotte - Mecklenburg Hospital Authority

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

December 31, 2022

*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, 2022	(10.1)%
July 1, 2021	20.2 %

Notes to schedule:

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

See accompanying independent auditors' report.



## 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, 2022

Dollars in thousands.

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

### Note to schedule:

Measurement date is December 31, 2022.

The December 31, 2022 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, 2022

*Dollars in thousands.*

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

Notes to schedule:

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

Methods and assumptions used to determine contribution rate for 2022:

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 1/1/2021, 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, 2022

*Dollars in thousands.*

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

Notes to schedule:

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

See accompanying independent auditors' report.

## 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, 2022

Dollars in thousands.

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

Note to schedule:

Measurement date is December 31, 2022.

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, 2022

*Dollars in thousands.*

<b>December 31</b>	<b>Actuarially determined contribution</b>	<b>Contributions in relation to the actuarially determined contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered- employee payroll</b>	<b>Contributions as a percentage of covered- employee payroll</b>
2022	\$ 2,500	\$ 2,500	\$ —	\$ 94,325	2.7 %
2021	6,960	6,960	—	96,163	7.2
2020	4,135	4,363	(228)	112,865	3.9

Notes to schedule:

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

Methods and assumptions used to determine contribution rate for 2022:

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.
Investment rate of return	6.50%, net of pension plan investment expense, including inflation
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 1/1/2021, 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, 2022

*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, 2022	(15.0)%
December 31, 2021	15.6
December 31, 2020	11.2

Notes to schedule:

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

See accompanying independent auditors' report.

## 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, 2022

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

Note to schedule:

Measurement date is December 31, 2022.

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, 2022

*Dollars in thousands.*

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

Notes to schedule:

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

Methods and assumptions used to determine contribution rate for 2022:

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.
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Minimum required contribution	ERISA plan's minimum contribution is determined under Section 430 of the IRC.
Retirement rates	Age-graded rates from 57 to 62+
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2021.

The 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, 2022

*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, 2022	(13.1)%
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, 2022

Dollars in thousands

	Atrium Health The Charlotte- Mecklenburg Hospital Authority	Atrium Health Foundation	Eliminations	Subtotal	Exclude AH Navicent	Exclude AH Floyd	Exclude Non-Obligated Group Affiliates	Exclude Consolidating Eliminations	Total Combined Group
<b>Assets</b>									
Current assets:									
Cash and cash equivalents	\$ 655,826	\$ 5,370	\$ —	\$ 661,196	\$ 48,065	\$ 194,152	\$ 16,571	\$ —	\$ 402,408
Short term investments	59,956	31,546	—	91,502	—	59,956	—	—	31,546
Patient receivables - net	1,394,426	—	—	1,394,426	233,466	102,622	8,943	—	1,049,395
Accounts, grants and notes receivable, net	129,669	30,616	(2,365)	157,920	(25,222)	(13,457)	(12,051)	—	208,650
Assets limited as to use - investments	51,239	—	—	51,239	—	3,289	—	—	47,950
Other current assets	278,105	437	—	278,542	36,232	27,046	245	—	215,019
Total current assets	2,569,221	67,969	(2,365)	2,634,825	292,541	373,608	13,708	—	1,954,968
Property and equipment - net	4,891,477	3,971	—	4,895,448	455,774	174,548	39,069	—	4,226,057
Investments and assets limited as to use	6,512,042	329,405	—	6,841,447	726,858	86,397	81,820	—	5,946,372
Operating lease right-of-use assets, net	530,083	—	—	530,083	12,184	34,649	—	—	483,250
Other assets	322,498	61,504	(7,470)	376,532	74,678	(115)	8,198	(25,632)	319,403
Total assets	14,825,321	462,849	(9,835)	15,278,335	1,562,035	669,087	142,795	(25,632)	12,930,050
Deferred outflows of resources	224,046	—	—	224,046	48,219	10,388	—	—	165,439
Total assets and deferred outflows of resources	\$ 15,049,367	\$ 462,849	\$ (9,835)	\$ 15,502,381	\$ 1,610,254	\$ 679,475	\$ 142,795	\$ (25,632)	\$ 13,095,489
<b>Liabilities</b>									
Current liabilities:									
Accounts payable	\$ 487,897	\$ 1,313	\$ (5,297)	\$ 483,913	\$ 35,325	\$ 15,752	\$ 471	\$ —	\$ 432,365
Salaries and benefits payable	680,454	—	—	680,454	51,118	41,018	3,312	—	585,006
Other liabilities and accruals	358,366	2,439	(2,365)	358,440	59,004	3,811	4,878	—	290,747
Estimated third party payer settlements	235,756	—	—	235,756	(26,293)	(32,133)	—	—	294,182
Operating lease liabilities	82,707	—	—	82,707	1,772	4,622	—	—	76,313
Current portion of long-term debt	785,340	—	—	785,340	5,906	10,032	1,984	—	767,418
Total current liabilities	2,630,520	3,752	(7,662)	2,626,610	126,832	43,102	10,645	\$ —	2,446,031
Notes payable, finance leases and line of credit - net of current portion	220,441	—	—	220,441	—	166,938	20,504	—	32,999
Bonds Payable - net of current portion	2,549,630	—	—	2,549,630	274,639	—	—	—	2,274,991
Operating lease liabilities - less current portion	485,899	—	—	485,899	10,792	32,032	—	—	443,075
Interest rate swap liability	84,677	—	—	84,677	2,150	—	—	—	82,527
Retirement benefits	362,380	—	—	362,380	(38,278)	(1,169)	—	—	401,827
Other liabilities	568,897	3,076	(2,173)	569,800	125,492	18,452	—	—	425,856
Total liabilities	6,902,444	6,828	(9,835)	6,899,437	501,627	259,355	31,149	—	6,107,306
Deferred inflows of resources	100,518	—	—	100,518	14,298	5,710	—	—	80,510
Net position:									
Net investment in capital assets	1,295,720	3,971	—	1,299,691	159,172	—	16,581	—	1,123,938
Restricted - by donor	34,557	445,045	—	479,602	—	—	23,487	—	456,115
Unrestricted	6,716,128	7,005	—	6,723,133	935,157	414,410	71,578	(25,632)	5,327,620
Total net position	8,046,405	456,021	—	8,502,426	1,094,329	414,410	111,646	(25,632)	6,907,673
Total liabilities and deferred inflows and net position	\$ 15,049,367	\$ 462,849	\$ (9,835)	\$ 15,502,381	\$ 1,610,254	\$ 679,475	\$ 142,795	\$ (25,632)	\$ 13,095,489

See accompanying independent auditors' report.

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

Combining Schedule of Revenues, Expenses and Changes in Net Position

December 31, 2022

Dollars in thousands

	The Charlotte-Mecklenburg Hospital Authority	Atrium Health Foundation	Eliminations	Subtotal	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	\$ 8,402,733	\$ —	\$ —	\$ 8,402,733	\$ 911,466	\$ 582,906	\$ 24,529	\$ —	\$ 6,883,832
Other sources	863,240	52,966	(34,726)	881,480	45,082	3,873	30,471	(157)	802,211
Total operating revenues	9,265,973	52,966	(34,726)	9,284,213	956,548	586,779	55,000	(157)	7,686,043
<b>Operating expenses</b>									
Personnel costs	5,531,415	5,454	—	5,536,869	588,079	354,785	32,021	—	4,561,984
Supplies	1,896,703	—	—	1,896,703	190,079	87,552	3,211	—	1,615,861
Purchased services	732,475	—	—	732,475	91,845	41,498	1,734	—	597,398
Other operating expenses	733,211	32,189	(29,429)	735,971	91,742	39,304	17,011	(157)	588,071
Depreciation and amortization	506,321	258	—	506,579	50,716	24,385	3,544	—	427,934
Total operating expenses	9,400,125	37,901	(29,429)	9,408,597	1,012,461	547,524	57,521	(157)	7,791,248
Operating (loss) income	(134,152)	15,065	(5,297)	(124,384)	(55,913)	39,255	(2,521)	—	(105,205)
<b>Nonoperating losses</b>									
Interest expense	(132,249)	—	—	(132,249)	(8,998)	(7,551)	(1,304)	—	(114,396)
Stimulus grants	113,449	—	—	113,449	8,100	7,100	—	—	98,249
Net investment losses	(989,968)	(51,279)	—	(1,041,247)	(106,863)	(1,444)	(135)	—	(932,805)
Other, net	(6,494)	—	5,297	(1,197)	7,075	428	—	—	(8,700)
Total nonoperating losses	(1,015,262)	(51,279)	5,297	(1,061,244)	(100,686)	(1,467)	(1,439)	—	(957,652)
(Deficiency) excess of revenues and support over expenses and losses before contributions	(1,149,414)	(36,214)	—	(1,185,628)	(156,599)	37,788	(3,960)	—	(1,062,857)
<b>Changes in net position:</b>									
Capital contributions	—	(987)	—	(987)	—	—	7,643	(7,641)	(989)
Other contributions	6,946	5,500	—	12,446	(4,841)	468	(16,027)	—	32,846
Changes in net position	(1,142,468)	(31,701)	—	(1,174,169)	(161,440)	38,256	(12,344)	(7,641)	(1,031,000)
Net position, beginning of year (note 3(n))	9,188,873	487,722	—	9,676,595	1,255,769	376,154	123,990	(17,991)	7,938,673
Net position, end of year	\$ 8,046,405	\$ 456,021	\$ —	\$ 8,502,426	\$ 1,094,329	\$ 414,410	\$ 111,646	\$ (25,632)	\$ 6,907,673

See accompanying independent auditors' report.

The Charlotte-Mecklenburg Hospital Authority Combined Group

Combining Schedule of Cash Flows

December 31, 2022

Dollars in thousands

	Atrium Health The Charlotte- Mecklenburg Hospital Authority	Atrium Health Foundation	Eliminations	Subtotal	Exclude AH Navicent	Exclude AH Floyd	Exclude Non-Obligated Group Affiliates	Exclude Consolidating Eliminations	Total Combined Group
Cash flows from operating activities:									
Receipts from third-party payers and patients	\$ 8,214,486	\$ —	\$ —	\$ 8,214,486	\$ 876,296	\$ 539,278	\$ 19,816	\$ —	\$ 6,779,096
Payments to suppliers	(3,764,107)	(5,369)	—	(3,769,476)	(398,282)	(197,277)	(3,786)	—	(3,170,131)
Payments to employees	(5,444,265)	—	—	(5,444,265)	(593,467)	(343,847)	(30,499)	—	(4,476,452)
Other receipts (payments) – net	825,027	14,740	(5,297)	834,470	120,827	730	28,062	—	684,851
Net cash (used in) provided by operating activities	(168,859)	9,371	(5,297)	(164,785)	5,374	(1,116)	13,593	—	(182,636)
Cash flows from financing activities:									
Cash flows from noncapital financing activities:									
Proceeds from the issuance of commercial paper	100,000	—	—	100,000	—	—	—	—	100,000
Retirements of commercial paper	(100,000)	—	—	(100,000)	—	—	—	—	(100,000)
Stimulus grants	50,596	—	—	50,596	—	—	—	—	50,596
Academic enrichment funds disbursed	(10,000)	—	—	(10,000)	—	—	—	—	(10,000)
Other activities	(20,098)	—	5,297	(14,801)	726	—	—	—	(15,527)
Net cash provided by noncapital financing activities	20,498	—	5,297	25,795	726	—	—	—	25,069
Cash flows from capital and related financing activities:									
Purchase of capital assets	(635,239)	(48)	—	(635,287)	(33,153)	(35,069)	(11,660)	—	(555,405)
Proceeds from sale of capital assets	15,373	—	—	15,373	165	121	—	—	15,087
Interest payments on short- and long-term debt	(131,207)	—	—	(131,207)	(8,998)	(7,551)	(866)	—	(113,792)
Principal payments, refunding and retirements on short- and long-term debt	(407,254)	—	—	(407,254)	(5,710)	(6,000)	(1,156)	—	(394,388)
Proceeds from issuance of long-term debt	363,084	—	—	363,084	—	3,970	—	—	359,114
Contributions restricted for building and equipment purchases	16,946	8,921	—	25,867	5,159	468	7,643	—	12,597
Other contributions (distributions)	—	5,663	—	5,663	—	—	(4,784)	—	10,447
Net cash (used in) provided by capital and related financing activities	(778,297)	14,536	—	(763,761)	(42,537)	(44,061)	(10,823)	—	(666,340)
Net cash (used in) provided by financing activities	(757,799)	14,536	5,297	(737,966)	(41,811)	(44,061)	(10,823)	—	(641,271)
Cash flows from investing activities:									
Investment earnings	8,089	—	—	8,089	—	(612)	921	—	7,780
Purchases of investments and assets limited as to use	(187,562)	(29,063)	—	(216,625)	(8,189)	(149,637)	(5,636)	—	(53,163)
Sales of investments and assets limited as to use	495,815	6,500	—	502,315	31,663	133,865	287	—	336,500
Net cash provided by (used in) investing activities	316,342	(22,563)	—	293,779	23,474	(16,384)	(4,428)	—	291,117
Net (decrease) increase in cash, cash equivalents and restricted cash	(610,316)	1,344	—	(608,972)	(12,963)	(61,561)	(1,658)	—	(532,790)
Cash and cash equivalents:									
Beginning of year	1,350,414	4,026	—	1,354,440	61,028	255,713	18,229	—	1,019,470
End of year	\$ 740,098	\$ 5,370	\$ —	\$ 745,468	\$ 48,065	\$ 194,152	\$ 16,571	\$ —	\$ 486,680
Reconciliation of cash and cash equivalents to the balance sheet:									
Cash and cash equivalents	655,826	5,370	—	661,196	48,065	194,152	16,571	—	402,408
Restricted cash in investments and assets whose use is limited	84,272	—	—	84,272	—	—	—	—	84,272
Total cash, cash equivalents and restricted cash	\$ 740,098	\$ 5,370	\$ —	\$ 745,468	\$ 48,065	\$ 194,152	\$ 16,571	\$ —	\$ 486,680
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:									
Operating (loss) income	\$ (134,152)	\$ 15,065	\$ (5,297)	\$ (124,384)	\$ (55,913)	\$ 39,255	\$ (2,521)	\$ —	\$ (105,205)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:									
Depreciation and amortization	506,321	258	—	506,579	50,716	24,385	3,544	—	427,934
Increase in patient accounts receivable – net	(102,675)	—	—	(102,675)	(2,775)	(13,234)	(4,713)	—	(81,953)
Decrease (increase) in inventories and other current assets	9,771	(7,581)	(293)	1,897	44,965	19,533	18,283	—	(80,884)
Decrease (increase) in other assets affecting operating activities	165,818	103	—	165,921	(2,418)	5,230	(2,251)	—	165,360
(Decrease) increase in accounts payable and other current liabilities	(524,089)	1,526	293	(522,270)	(29,315)	(43,256)	1,251	—	(450,950)
(Decrease) increase in other liabilities affecting operating activities	(4,281)	—	—	(4,281)	32,509	(2,635)	—	—	(34,155)
Decrease in estimated third party payer settlements	(85,572)	—	—	(85,572)	(32,395)	(30,394)	—	—	(22,783)
Net cash (used in) provided by operating activities	\$ (168,859)	\$ 9,371	\$ (5,297)	\$ (164,785)	\$ 5,374	\$ (1,116)	\$ 13,593	\$ —	\$ (182,636)

See accompanying independent auditors' report.

## Atrium Health – Navicent

Combining Balance Sheet

December 31, 2022

Dollars in thousands

	Carlyle Place	All Other Navicent	Atrium Health Navicent
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 446	\$ 47,619	\$ 48,065
Short term investments	—	—	—
Patient receivables – net	231	233,235	233,466
Accounts, grants and notes receivable, net	(1,506)	(23,716)	(25,222)
Assets limited as to use – investments	—	—	—
Other current assets	33	36,199	36,232
Total current assets	(796)	293,337	292,541
Property and equipment – net	33,127	422,647	455,774
Investments and assets limited as to use	87,042	639,816	726,858
Operating lease right-of-use assets, net	—	12,184	12,184
Other assets	—	74,678	74,678
Total assets	119,373	1,442,662	1,562,035
Deferred outflows of resources	—	48,219	48,219
Total assets and deferred outflows of resources	<u>\$ 119,373</u>	<u>\$ 1,490,881</u>	<u>\$ 1,610,254</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 35,325	\$ 35,325
Salaries and benefits payable	422	50,696	51,118
Other liabilities and accruals	40,539	18,465	59,004
Estimated third party payer settlements	—	(26,293)	(26,293)
Operating lease liabilities	—	1,772	1,772
Current portion of long-term debt	994	4,912	5,906
Total current liabilities	41,955	84,877	126,832
Notes payable, finance leases and line of credit – net of current portion	—	—	—
Bonds Payable – net of current portion	31,116	243,523	274,639
Operating lease liabilities – less current portion	—	10,792	10,792
Interest rate swap liability	—	2,150	2,150
Retirement benefits	—	(38,278)	(38,278)
Other liabilities	125	125,367	125,492
Total liabilities	73,196	428,431	501,627
Deferred inflows of resources	—	14,298	14,298
Net position:			
Net investment in capital assets	—	159,172	159,172
Restricted – by donor	—	—	—
Unrestricted	46,177	888,980	935,157
Total net position	46,177	1,048,152	1,094,329
Total liabilities and deferred inflows and net position	<u>\$ 119,373</u>	<u>\$ 1,490,881</u>	<u>\$ 1,610,254</u>

See accompanying independent auditors' report.

## Atrium Health – Navicent

Combining Schedule of Revenues, Expenses and Changes in Net Position

December 31, 2022

Dollars in thousands

	Carlyle Place	All Other Navicent	Atrium Health Navicent
<b>Operating revenues and support</b>			
Patient service revenue	\$ 3,064	\$ 908,402	\$ 911,466
Other sources	13,769	31,313	45,082
Total operating revenues and support	<u>16,833</u>	<u>939,715</u>	<u>956,548</u>
<b>Operating expenses</b>			
Personnel costs	10,204	577,875	588,079
Supplies	1,827	188,252	190,079
Purchased services	2,039	89,806	91,845
Other operating expenses	2,434	89,308	91,742
Depreciation and amortization	2,538	48,178	50,716
Total operating expenses	<u>19,042</u>	<u>993,419</u>	<u>1,012,461</u>
Operating loss	(2,209)	(53,704)	(55,913)
<b>Nonoperating gains</b>			
Interest Expense	(1,025)	(7,973)	(8,998)
Stimulus grants	—	8,100	8,100
Net investment gains	(13,299)	(93,564)	(106,863)
Other, net	(45)	7,120	7,075
Total nonoperating gains	<u>(14,369)</u>	<u>(86,317)</u>	<u>(100,686)</u>
Deficiency of revenues and support over expenses and losses before contributions	(16,578)	(140,021)	(156,599)
Capital contributions			
Other contributions	—	(4,841)	(4,841)
Change in net position	<u>(16,578)</u>	<u>(144,862)</u>	<u>(161,440)</u>
Net position:			
Net position, beginning of year (note 3(n))	62,755	1,193,014	1,255,769
Net position, end of year	<u>\$ 46,177</u>	<u>\$ 1,048,152</u>	<u>\$ 1,094,329</u>

See accompanying independent auditors' report.

**Atrium Health – Navicent**

Combining Schedule of Cash Flows

December 31, 2022

Dollars in thousands

	Carlyle Place Navicent Health	All Other Navicent	Atrium Health Navicent
Cash flows from operating activities:			
Receipts from third-party payers and patients	\$ 2,928	\$ 873,368	\$ 876,296
Payments to suppliers	(2,828)	(395,454)	(398,282)
Payments to employees	(10,152)	(583,315)	(593,467)
Other (payments) receipts – net	13,503	107,324	120,827
Net cash provided by operating activities	<u>3,451</u>	<u>1,923</u>	<u>5,374</u>
Cash flows from financing activities:			
Cash flows from noncapital financing activities:			
Proceeds from the issuance of commercial paper	—	—	—
Retirements of commercial paper	—	—	—
Stimulus grants	—	—	—
Academic endowment and enrichment funds disbursed	—	—	—
Other activities	—	726	726
Net cash provided by noncapital financing activities	<u>—</u>	<u>726</u>	<u>726</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(5,970)	(27,183)	(33,153)
Proceeds from sale of capital assets	—	165	165
Interest payments on short- and long-term debt	(1,025)	(7,973)	(8,998)
Principal payments, refunding and retirements on short- and long-term debt	(947)	(4,763)	(5,710)
Proceeds from issuance of long-term debt	—	—	—
Contributions restricted for building and equipment purchases	—	5,159	5,159
Other contributions (distributions)	—	—	—
Net cash used in capital and related financing activities	<u>(7,942)</u>	<u>(34,595)</u>	<u>(42,537)</u>
Net cash used in financing activities	<u>(7,942)</u>	<u>(33,869)</u>	<u>(41,811)</u>
Cash flows from investing activities:			
Investment earnings	—	—	—
Purchases of investments and assets limited as to use	(8,173)	(16)	(8,189)
Sales of investments and assets limited as to use	12,808	18,855	31,663
Net cash provided by investing activities	<u>4,635</u>	<u>18,839</u>	<u>23,474</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	144	(13,107)	(12,963)
Cash and cash equivalents:			
Beginning of year	302	60,726	61,028
End of year	<u>\$ 446</u>	<u>\$ 47,619</u>	<u>\$ 48,065</u>
Reconciliation of cash and cash equivalents to the balance sheet:			
Cash and cash equivalents	446	47,619	48,065
Restricted cash in investments and assets whose use is limited	—	—	—
Total cash, cash equivalents and restricted cash	<u>\$ 446</u>	<u>\$ 47,619</u>	<u>\$ 48,065</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	(2,209)	(53,704)	(55,913)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,538	48,178	50,716
Increase in patient accounts receivable – net	(136)	(2,639)	(2,775)
(Increase) decrease in inventories and other current assets	(269)	45,234	44,965
Increase in other assets affecting operating activities	—	(2,418)	(2,418)
Increase (decrease) in accounts payable and other current liabilities	3,527	(32,842)	(29,315)
Increase in other liabilities affecting operating activities	—	32,509	32,509
Decrease in estimated third party payer settlements	—	(32,395)	(32,395)
Net cash provided by operating activities	<u>\$ 3,451</u>	<u>\$ 1,923</u>	<u>\$ 5,374</u>

See accompanying independent auditors' report.

**Atrium Health – Floyd**

Combining Balance Sheet

December 31, 2022

*Dollars in thousands*

	Polk Medical Center, Inc.	Floyd Cherokee Medical Center, LLC	All Other Floyd	Atrium Health Floyd
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 25,174	\$ (1,877)	\$ 170,855	\$ 194,152
Short term investments	5,146	—	54,810	59,956
Patient receivables - net	4,376	2,503	95,743	102,622
Accounts, grants and notes receivable, net	107	(4,202)	(9,362)	(13,457)
Assets limited as to use - investments	—	—	3,289	3,289
Other current assets	503	374	26,169	27,046
Total current assets	35,306	(3,202)	341,504	373,608
Property and equipment - net	34,609	1,977	137,962	174,548
Investments and assets limited as to use	23,681	—	62,716	86,397
Operating lease right-of-use assets, net	—	—	34,649	34,649
Other assets	76	504	(695)	(115)
Total assets	93,672	(721)	576,136	669,087
Deferred outflows of resources	—	—	10,388	10,388
Total assets and deferred outflows of resources	<u>\$ 93,672</u>	<u>\$ (721)</u>	<u>\$ 586,524</u>	<u>\$ 679,475</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 244	\$ 263	\$ 15,245	\$ 15,752
Salaries and benefits payable	999	534	39,485	41,018
Other liabilities and accruals	645	50	3,116	3,811
Estimated third party payer settlements	(1,752)	(549)	(29,832)	(32,133)
Operating lease liabilities	—	—	4,622	4,622
Current portion of long-term debt	3	169	9,860	10,032
Total current liabilities	139	467	42,496	43,102
Notes payable, finance leases and line of credit - net of current portion	2,511	221	164,206	166,938
Bonds Payable - net of current portion	—	—	—	—
Operating lease liabilities - less current portion	—	—	32,032	32,032
Interest rate swap liability	—	—	—	—
Retirement benefits	—	—	(1,169)	(1,169)
Other liabilities	9,002	(125)	9,575	18,452
Total liabilities	11,652	563	247,140	259,355
Deferred inflows of resources	—	—	5,710	5,710
Net position:				
Net investment in capital assets	—	—	—	—
Restricted - by donor	—	—	—	—
Unrestricted	82,020	(1,284)	333,674	414,410
Total net position	82,020	(1,284)	333,674	414,410
Total liabilities and deferred inflows and net position	<u>\$ 93,672</u>	<u>\$ (721)</u>	<u>\$ 586,524</u>	<u>\$ 679,475</u>

See accompanying independent auditors' report.



## Atrium Health – Floyd

Combining Schedule of Revenues, Expenses and Changes in Net Position

December 31, 2022

Dollars in thousands

	Polk Medical Center, Inc.	Floyd Cherokee Medical Center, LLC	All Other Floyd	Atrium Health Floyd
<b>Operating revenues and support</b>				
Patient service revenue	\$ 43,330	\$ 18,564	\$ 521,012	\$ 582,906
Other sources	160	612	3,101	3,873
Total operating revenues and support	<u>43,490</u>	<u>19,176</u>	<u>524,113</u>	<u>586,779</u>
<b>Operating expenses</b>				
Personnel costs	17,216	10,334	327,235	354,785
Supplies	2,824	2,398	82,330	87,552
Purchased services	2,401	2,296	36,801	41,498
Other operating expenses	1,981	1,578	35,745	39,304
Depreciation and amortization	2,448	831	21,106	24,385
Total operating expenses	<u>26,870</u>	<u>17,437</u>	<u>503,217</u>	<u>547,524</u>
Operating income	16,620	1,739	20,896	39,255
<b>Nonoperating gains (losses)</b>				
Interest expense	—	(20)	(7,531)	(7,551)
Stimulus grants	1,477	1,269	4,354	7,100
Net investment (losses) gains	(1,480)	5	31	(1,444)
Other, net	392	20	16	428
Total nonoperating gains (losses)	<u>389</u>	<u>1,274</u>	<u>(3,130)</u>	<u>(1,467)</u>
Excess of revenues and support over expenses before contributions	\$ 17,009	\$ 3,013	\$ 17,766	\$ 37,788
Capital contributions				—
Other contributions	15,026	1,402	(15,960)	468
Change in net position	32,035	4,415	1,806	38,256
Net position:				
Net position, beginning of year (note 3(n))	49,985	(5,699)	331,868	376,154
Net position, end of year	<u>\$ 82,020</u>	<u>\$ (1,284)</u>	<u>\$ 333,674</u>	<u>\$ 414,410</u>

See accompanying independent auditors' report.

**Atrium Health – Floyd**

Combining Schedule of Cash Flows

December 31, 2022

Dollars in thousands

	Polk Medical Center, Inc.	Floyd Cherokee Medical Center, LLC	All Other Floyd	Atrium Health Floyd
<b>Cash flows from operating activities:</b>				
Receipts from third-party payers and patients	\$ 41,539	\$ 17,121	\$ 480,618	\$ 539,278
Payments to suppliers	(9,429)	(16,175)	(171,673)	(197,277)
Payments to employees	(17,362)	(10,477)	(316,008)	(343,847)
Other receipts – net	232	108	390	730
Net cash provided by (used in) operating activities	<u>14,980</u>	<u>(9,423)</u>	<u>(6,673)</u>	<u>(1,116)</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	—	—	—	—
Academic endowment and enrichment funds disbursed	—	—	—	—
Other activities	—	—	—	—
Net cash provided by noncapital financing activities	—	—	—	—
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(17,325)	54	(17,798)	(35,069)
Proceeds from sale of capital assets	—	—	121	121
Interest payments on short- and long-term debt	—	(20)	(7,531)	(7,551)
Principal payments, refunding and retirements on short- and long-term debt	2,510	(233)	(8,277)	(6,000)
Proceeds from issuance of long-term debt	—	—	3,970	3,970
Payments on finance lease obligations	—	—	—	—
Contributions restricted for building and equipment purchases	—	—	468	468
Other distributions	—	—	—	—
Net cash used in capital and related financing activities	<u>(14,815)</u>	<u>(199)</u>	<u>(29,047)</u>	<u>(44,061)</u>
Net cash used in financing activities	<u>(14,815)</u>	<u>(199)</u>	<u>(29,047)</u>	<u>(44,061)</u>
<b>Cash flows from investing activities:</b>				
Investment earnings	516	5	(1,133)	(612)
Purchases of investments and assets limited as to use	784	—	(150,421)	(149,637)
Sales of investments and assets limited as to use	—	—	133,865	133,865
Net cash provided by (used in) investing activities	<u>1,300</u>	<u>5</u>	<u>(17,689)</u>	<u>(16,384)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>1,465</u>	<u>(9,617)</u>	<u>(53,409)</u>	<u>(61,561)</u>
<b>Cash and cash equivalents:</b>				
Beginning of year	<u>23,709</u>	<u>7,740</u>	<u>224,264</u>	<u>255,713</u>
End of year	<u>\$ 25,174</u>	<u>\$ (1,877)</u>	<u>\$ 170,855</u>	<u>\$ 194,152</u>
<b>Reconciliation of cash and cash equivalents to the balance sheet:</b>				
Cash and cash equivalents	25,174	(1,877)	170,855	194,152
Restricted cash in investments and assets whose use is limited	—	—	—	—
Total cash, cash equivalents and restricted cash	<u>\$ 25,174</u>	<u>\$ (1,877)</u>	<u>\$ 170,855</u>	<u>\$ 194,152</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>				
Operating income	16,620	1,739	20,896	39,255
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,448	831	21,106	24,385
Decrease (increase) in patient accounts receivable – net	1,342	(924)	(13,652)	(13,234)
Decrease in inventories and other current assets	1,202	4,913	13,418	19,533
Decrease (increase) in other assets affecting operating activities	72	(504)	5,662	5,230
Decrease in accounts payable and other current liabilities	(4,510)	(17,523)	(21,223)	(43,256)
(Decrease) increase in other liabilities affecting operating activities	939	2,564	(6,138)	(2,635)
Decrease in estimated third party payer settlements	(3,133)	(519)	(26,742)	(30,394)
Net cash provided by (used in) operating activities	<u>\$ 14,980</u>	<u>\$ (9,423)</u>	<u>\$ (6,673)</u>	<u>\$ (1,116)</u>

See accompanying independent auditors' report.

**Atrium Health – Wake Forest Baptist**

Combining Balance Sheet

December 31, 2022

Dollars in thousands

	NCBH	WFUHS	WFUBMC	Other Affls	Eliminations	Atrium Health Wake Forest Baptist	Non-Designated Entities	Eliminations	Wake Forest Baptist Combined Group
<b>Assets</b>									
<b>Current assets:</b>									
Cash and cash equivalents	\$ 44,257	\$ 23,285	\$ 244,426	\$ 8,737	\$ —	\$ 320,705	\$ (47,655)	\$ —	\$ 273,050
Short term investments	—	—	—	—	—	—	—	—	—
Patient receivables - net	218,169	84,549	87,618	3,404	—	393,740	(22,924)	—	370,816
Accounts, grants and notes receivable, net	103,236	260,516	293,103	10,543	(500,538)	166,860	(38,368)	—	128,492
Assets limited as to use - investments	—	—	—	—	—	—	—	—	—
Other current assets	78,415	11,060	16,989	237	—	106,701	(5,130)	—	101,571
Total current assets	444,077	379,410	642,136	22,921	(500,538)	988,006	(114,077)	—	873,929
Property and equipment - net	543,476	385,377	323,210	8,539	—	1,260,602	(79,019)	—	1,181,583
Investments and assets limited as to use	1,196,038	1,182,903	227,144	144	(507,895)	2,098,334	(88,434)	6,054	2,015,954
Operating lease right-of-use assets, net	16,758	119,003	105,666	—	(83,525)	157,902	(29,878)	—	128,024
Other assets	44,176	33,230	97,144	—	—	174,550	(92,483)	—	82,067
Total assets	\$ 2,244,525	\$ 2,099,923	\$ 1,395,300	\$ 31,604	\$ (1,091,958)	\$ 4,679,394	\$ (403,891)	\$ 6,054	\$ 4,281,557
<b>Liabilities</b>									
<b>Current liabilities:</b>									
Accounts payable	\$ 65,257	\$ 222,317	\$ 391,316	\$ 9,541	\$ (498,676)	\$ 189,755	\$ (163,326)	\$ —	\$ 26,429
Salaries and benefits payable	53,497	231,379	99,940	353	—	385,169	(12,292)	—	372,877
Other liabilities and accruals	52,941	142,128	8,385	126	(12,675)	190,905	(8,328)	—	182,577
Estimated third party payer settlements	39,484	437	804	—	—	40,725	1,301	—	42,026
Operating lease liabilities	3,630	23,956	13,323	—	(4,574)	36,335	(8,188)	—	28,147
Current portion of long-term debt	20,259	12,474	20,492	1,243	—	54,468	(1,477)	—	52,991
Total current liabilities	235,068	632,691	534,260	11,263	(515,925)	897,357	(192,310)	—	705,047
Notes payable, finance leases and line of credit - net of current portion	12,979	39,251	24,633	2,487	—	79,350	(23,458)	—	55,892
Bonds Payable - net of current portion	455,745	110,186	241,019	—	—	806,950	—	—	806,950
Operating lease liabilities - less current portion	12,581	99,827	82,265	—	(65,777)	128,896	(22,816)	—	106,080
Interest rate swap liability	—	1,181	—	—	—	1,181	—	—	1,181
Retirement benefits	71,316	17,926	1,404	—	—	90,646	(1,404)	—	89,242
Other liabilities	37,020	57,210	8,702	49	(2,361)	100,620	(3,844)	—	96,776
Total liabilities	824,709	958,272	892,283	13,799	(584,063)	2,105,000	(243,832)	—	1,861,168
<b>Net assets:</b>									
Without donor restrictions	1,409,559	844,643	418,803	17,805	(507,895)	2,182,915	(160,065)	6,054	2,028,904
With donor restrictions	10,257	297,008	84,214	—	—	391,479	6	—	391,485
Total net assets	1,419,816	1,141,651	503,017	17,805	(507,895)	2,574,394	(160,059)	6,054	2,420,389
Total liabilities and net assets	\$ 2,244,525	\$ 2,099,923	\$ 1,395,300	\$ 31,604	\$ (1,091,958)	\$ 4,679,394	\$ (403,891)	\$ 6,054	\$ 4,281,557

See accompanying independent auditors' report.

**Atrium Health – Wake Forest Baptist**

Combining Statement of Operations and Changes in Net Assets

December 31, 2022

Dollars in thousands

	NCBH	WFUHS	WFUBMC	Other Affls	Eliminations	Atrium Health Wake Forest Baptist	Non-Designated Entities	Eliminations	Wake Forest Baptist Combined Group
<b>Operating revenues and support</b>									
Patient service revenue	\$ 1,783,614	\$ 745,036	\$ 829,746	\$ 22,372	\$ —	\$ 3,380,768	\$ (245,237)	\$ —	\$ 3,135,531
Other sources	501,277	648,867	65,870	472	(283,067)	933,419	(82,294)	—	851,125
Total operating revenues	2,284,891	1,393,903	895,616	22,844	(283,067)	4,314,187	(327,531)	—	3,986,656
<b>Operating expenses</b>									
Personnel costs	1,043,840	1,064,442	473,741	6,395	5,566	2,593,984	(185,150)	—	2,408,834
Supplies	724,613	123,592	183,589	1,542	—	1,033,336	(45,879)	—	987,457
Purchased services	308,769	63,177	26,036	4,607	(265,156)	137,433	(9,338)	—	128,095
Other operating expenses	160,312	144,732	112,297	3,751	(23,477)	397,615	(89,709)	—	307,906
Depreciation and amortization	77,940	35,520	29,740	1,547	—	144,747	(6,925)	—	137,822
Financing costs	14,162	7,185	9,592	123	—	31,062	(992)	—	30,070
Total operating expenses	2,329,636	1,438,648	834,995	17,965	(283,067)	4,338,177	(337,993)	—	4,000,184
Operating (loss) income	(44,745)	(44,745)	60,621	4,879	—	(23,990)	10,462	—	(13,528)
<b>Nonoperating (losses) gains</b>									
Net investment (losses) gains	(126,089)	(61,708)	(10,410)	(695)	—	(198,902)	11,544	—	(187,358)
Net gains on interest rate swap valuation	—	2,344	—	—	—	2,344	—	—	2,344
Other, net	21,732	20,390	(1,669)	(2,838)	(40,020)	(2,405)	1,821	(18,981)	(19,565)
Total nonoperating (losses) gains	(104,357)	(38,974)	(12,079)	(3,533)	(40,020)	(198,963)	13,365	(18,981)	(204,579)
(Deficiency) excess of revenues and support over expenses and losses	(149,102)	(83,719)	48,542	1,346	(40,020)	(222,953)	23,827	(18,981)	(218,107)
<b>Changes in net assets without donor restrictions:</b>									
Pension and postretirement net adjustments	1,125	5,411	(1,265)	—	—	5,271	1,265	—	6,536
Other	—	(2,000)	—	—	—	(2,000)	—	—	(2,000)
Changes in net assets without donor restrictions	(147,977)	(80,308)	47,277	1,346	(40,020)	(219,682)	25,092	(18,981)	(213,571)
<b>Changes in net assets with donor restrictions:</b>									
Contributions	618	48,238	3,434	—	—	52,290	1,103	—	53,393
Investment return in excess of amounts designated for current operations	178	8,746	—	—	—	8,924	—	—	8,924
Net assets released from restrictions	(438)	(53,314)	(2,392)	—	—	(56,144)	6	—	(56,138)
Net investment losses	(732)	(27,279)	—	—	—	(28,011)	—	—	(28,011)
Other	(11)	9,977	(9,886)	—	—	80	(13)	—	67
Change in net assets with donor restrictions	(385)	(13,632)	(8,844)	—	—	(22,861)	1,096	—	(21,765)
Change in total net assets	(148,362)	(93,940)	38,433	1,346	(40,020)	(242,543)	26,188	(18,981)	(235,336)
Net assets, beginning of year	1,568,178	1,235,591	464,584	16,459	(467,875)	2,816,937	(186,247)	25,035	2,655,725
Net assets, end of year	\$ 1,419,816	\$ 1,141,651	\$ 503,017	\$ 17,805	\$ (507,895)	\$ 2,574,394	\$ (160,059)	\$ 6,054	\$ 2,420,389

See accompanying independent auditors' report.