Community Health Network, Inc.

Consolidated Financial Statements
December 31, 2022 and 2021

Community Health Network, Inc.
Index
December 31, 2022 and 2021

Page(s)

Report of Independent Auditors

To the Board of Directors of Community Health Network, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Community Health Network, Inc. and its affiliates (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS will

always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

PricewaterhouseCoopers LLP

Louisville, Kentucky
March 31, 2023

Community Health Network, Inc.
Consolidated Balance Sheets (in 000's)
As of December 31, 2022 and 2021
(in thousands)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 443,022	$ 441,725
Marketable securities	173,016	174,442
Patient accounts receivable	376,929	360,528
Estimated third-party payor settlements receivable	4,434	28,427
Inventories	49,345	45,975
Other accounts receivable	27,335	21,421
Other current assets	35,220	34,279
Total current assets	1,109,301	1,106,797
Assets limited as to use		
Board-designated funds	1,405,623	1,706,710
Reinsurance trust assets	18,842	21,604
Property, plant and equipment, net	964,250	975,569
Investments in unconsolidated affiliates	43,400	75,487
Capitalized software, net	26,700	31,879
Right of use operating assets	218,377	178,699
Other assets	31,253	23,762
Total assets	$ 3,817,746	$ 4,120,507
Liabilities and net assets		
Current liabilities		
Long-term debt, current portion	$ 13,630	$ 14,933
Accounts payable	164,135	137,671
Accrued salaries and wages	69,211	119,945
Estimated third-party payor settlements payable	23,183	35,752
Self-insured liabilities	28,581	29,562
Lease liabilities, current portion	35,002	33,496
Other current liabilities	30,082	133,361
Total current liabilities	363,824	504,720
Long-term debt, net of current portion	970,003	996,014
Lease liabilities, net of current portion	186,582	147,712
Other long-term liabilities	15,125	7,845
Total liabilities	1,535,534	1,656,291
Net assets		
Net assets without donor restrictions		
Network net assets without donor restrictions	2,219,055	2,396,759
Noncontrolling interest	19,478	19,071
Total net assets without donor restrictions	2,238,533	2,415,830
Net assets with donor restrictions	43,679	48,386
Total net assets	2,282,212	2,464,216
Total liabilities and net assets	$ 3,817,746	$ 4,120,507

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

Community Health Network, Inc.
Consolidated Statements of Operations and Changes in Net Assets
Years ended December 31, 2022 and 2021
(in thousands)

	2022	2021
Revenues		
Patient service revenue	$ 2,906,657	$ 2,785,584
Service fee revenue	22,115	23,510
Other revenue	121,087	125,357
CARES Act provider relief funding	52,666	28,097
Earnings from unconsolidated affiliates	21,833	41,449
Total operating revenues	3,124,358	3,003,997
Operating expenses		
Salaries, benefits and pension	1,752,943	1,635,898
Supplies expenses	629,525	564,091
Other expenses	572,447	517,768
Depreciation and amortization	99,325	110,018
Interest and financing costs	37,629	35,973
Total operating expenses	3,091,869	2,863,748
Income from operations	32,489	140,249
Investment (loss) income and other, net	(196,732)	234,997
(Deficit) excess of revenues over expenses before income taxes	(164,243)	375,246
Provision (benefit) for income taxes	(3,252)	1,530
(Deficit) excess of revenues over expenses	(160,991)	373,716
(Deficit) of revenues over expenses attributable to noncontrolling interest	(19,724)	(19,897)
(Deficit) excess of revenues over expenses attributable to the Network	$ (180,715)	$ 353,819

(continued on next page)

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

Community Health Network, Inc.
Consolidated Statements of Operations and Changes in Net Assets (continued)
Years ended December 31, 2022 and 2021
(in thousands)

	2022	2021
Change in net assets without donor restrictions		
(Deficit) excess of revenues over expenses attributable to the Network	$ (180,715)	$ 353,819
Change in noncontrolling interest	407	(7,358)
Other changes, net	3,011	(10,071)
(Decrease) increase in total net assets without donor restrictions	(177,297)	336,390
Change in net assets with donor restrictions		
(Decrease) increase in net assets with donor restrictions	(4,707)	9,372
(Decrease) increase in total net assets	(182,004)	345,762
Total net assets, beginning of year	2,464,216	2,118,454
Total net assets, end of year	$ 2,282,212	$ 2,464,216

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

Community Health Network, Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2022 and 2021
(in thousands)

	2022	2021
Cash flows from operating activities		
(Decrease) increase in net assets	$ (182,004)	$ 345,762
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Depreciation and amortization	99,325	110,018
Deferred tax benefit	(6,649)	(296)
Earnings from unconsolidated affiliates	(21,833)	(41,449)
Unrealized and realized loss (gain) on investments	217,090	(211,627)
Distributions received from unconsolidated affiliates	55,657	53,952
Other	2,071	(991)
Changes in operating assets and liabilities		
Patient accounts receivable	(16,400)	12,394
Other assets	(47,982)	5,917
Accounts payable	26,464	(8,333)
Estimated third-party payor settlements	11,423	11,871
Other liabilities	(109,412)	(24,949)
Net cash provided by operating activities	27,750	252,269
Cash flows from investing activities		
Purchases of property, plant and equipment	(85,851)	(66,137)
Proceeds from sale of property, plant and equipment	3,024	3,397
Purchases of investments	(63,110)	(122,969)
Sales of investments	51,641	526
Investments in unconsolidated affiliates	(1,737)	(8,193)
Net cash used in investing activities	(96,033)	(193,376)
Cash flows from financing activities		
Proceeds from issuance of debt	72,825	-
Repayments of debt, net	(100,138)	(15,508)
Cash flows used in financing activities	(27,313)	(15,508)
Net (decrease) increase in cash and cash equivalents	(95,596)	43,385
Cash and cash equivalents beginning of year	565,740	522,355
Cash and cash equivalents end of year	$ 470,144	$ 565,740
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	$ 36,497	$ 36,043
Income taxes	4,074	3,292
Non cash disclosures of cash flow information		
Acquisition of property, plant and equipment included in accounts payable at December 31	$ 7,880	$ 5,632

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

1. Organization and Summary of Significant Accounting Policies

Organization

Community Health Network, Inc. ("CHNw"), an Indiana non-profit corporation, and its non-profit and for-profit affiliates (collectively the "Network") comprise a full-service integrated health delivery system in central Indiana. The Network consists of acute care hospitals, immediate care centers, primary care and specialty employed physicians, ambulatory care centers, freestanding surgery centers, outpatient imaging centers, endoscopy centers, and cancer centers.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP" or "GAAP") and include the assets, liabilities, revenues and expenses of all wholly owned subsidiaries, and when applicable, entities that are not wholly owned for which the Network has a controlling interest.

The consolidated financial statements include the following wholly owned entities:

- Community Hospital South, Inc. ("CHS"), a non-profit corporation which operates an acute care hospital facility on the south side of Indianapolis;
- Community Hospitals of Anderson and Madison County, Inc. ("CHA"), a non-profit corporation which provides acute health care services to residents of Anderson, Indiana and surrounding communities;
- Community Howard Regional Health, Inc., ("Howard") a non-profit corporation which provides acute health care services to residents in Kokomo, Indiana and surrounding communities;
- Fairbanks Hospital, Inc. ("Fairbanks") a non-profit corporation which operates a chemical dependency treatment center that provides services in central Indiana;
- Community Physicians of Indiana, Inc. ("CPI") d/b/a Community Physicians Network, a non-profit corporation which employs the Network's primary care and specialty care physicians;
- Community Health Network Foundation, Inc., ("Foundation") a non-profit corporation established to raise and expend funds for the benefit of CHNw and other affiliated organizations;
- Visionary Enterprises, Inc. ("VEI"), a taxable, for-profit subsidiary corporation which consists primarily of ambulatory surgery center development in Indiana, management services and other consulting services;
- Community Home Health Services, Inc. ("CHHS"), a non-profit corporation whose operations consist primarily of selling home medical equipment and providing hospice services to patients in central Indiana counties;
- Indiana ProHealth Network, LLC ("ProHealth"), a pass-through taxable entity that is consolidated into CHNw and assists in managing the Network's medical benefit plan;

- CHN Assurance Company, Ltd. ("Captive") a company incorporated under the law of the Cayman Islands and a wholly owned subsidiary of CHNw. The Captive reinsures policies for the Network including primary hospital professional liability, doctor's professional liability and general liability. The Captive's professional liability policy is on a claims-made basis and includes prior acts coverage for various entities owned by the Network, while the general liability policy is on an occurrence basis. On an annual basis, the Captive's ceding insurer requires the Captive to maintain an outstanding letter of credit to address any potential exposure between premiums paid and expected losses. For the March 1, 2022 policy year, the letter of credit was $2,343. For the March 1, 2023 policy year, the letter of credit is $4,712 and expires on February 29, 2024;
- North Campus Surgery Center, LLC ("NCSC"), a wholly owned for-profit subsidiary of VEI and CHNw on the campus of Community Hospital North. NCSC provides outpatient surgeries.

The Network also consolidates its interest in the following entities, which are not wholly owned:

- South Campus Surgery Center, LLC ("SCSC")
- East Campus Surgery Center, LLC ("ECSC")
- Hamilton Surgery Center, LLC ("Noblesville")
- Howard Community Surgery Center, LLC ("Howard Surgery")
- Surgery Center Plus Indianapolis, LLC ("SCPI")

Intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements
The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly, the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. The Network evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in its evaluation, as considered necessary. Actual results could differ from those estimates.

COVID-19 Pandemic and CARES Act Funding
In January 2020, the Secretary of the U.S. Department of Health and Human Services ("HHS") declared a national public health emergency due to a novel strain of coronavirus. In March 2020, the World Health Organization declared the outbreak of COVID-19, a disease caused by this coronavirus, a pandemic. The resulting measures to contain the spread and impact of COVID-19 and other developments related to COVID-19 materially affected the Network's results of operations during 2020 and continued to have lingering effects in 2021 and 2022 to supply chain, workforce and service disruption.

As a result of the COVID-19 pandemic, federal and state governments passed legislation, promulgated regulations, and took other administrative actions intended to assist healthcare providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief included the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted on March 27, 2020, the Consolidated Appropriations Act, 2021 (the

"CAA"), which was enacted on December 27, 2020 and the American Rescue Plan (the "ARP"), which was enacted on September 10, 2021 (collectively the "Funds"). These programs authorized funding to be distributed to hospitals and other healthcare providers. In addition, the CARES Act provided for an expansion of the Medicare Accelerated and Advance Payment Program whereby inpatient acute care hospitals and other eligible providers were able to request accelerated payment of up to 100% of their Medicare payment amount for a six-month period to be repaid through withholding of future Medicare fee-for-service payments. During the year ended December 31, 2022 and 2021, the Network was a beneficiary of these stimulus measures. The Network's accounting policies for the recognition of these stimulus monies is as follows:

CARES Act Provider Relief Funds
During the years ended December 31, 2022 and 2021, the Network received approximately $37,646 and $42,974, respectively, in Provider Relief Funds. Approximately $52,666 and $28,097 were recorded as total operating revenue in the consolidated statements of operations for the years ended December 31, 2022 and 2021, respectively. Approximately, $14,877 of the funds were recorded as deferred revenue within the other current liabilities in the consolidated balance sheets as of December 31, 2021. The Network is continuing to monitor compliance with the terms and conditions of the Funds. If the Network is unable to comply with the current or future terms and conditions, the Network's ability to retain some of the funds will be impacted.

Social Security Deferral
The CARES Act allowed employers to defer the deposits and payments of the employer's share of the Social Security taxes. During 2021, all outstanding deferred tax liabilities were paid.

Medicare Accelerated Payments
Medicare accelerated payments of approximately $131,000 were received by the Network in April 2020. Payments under the Medicare Accelerated and Advance Payment program were advances that must be repaid. Effective October 1, 2020, the program was amended such that providers are required to repay accelerated payments beginning one year after the payments were issued. After such one-year period, Medicare payments owed to providers will be recouped according to the repayment terms. The repayment terms specify that for the first 11 months after repayment begins, repayment will occur through an automatic recoupment of 25% of Medicare payments otherwise owed to the provider. At the end of the eleven-month period, recoupment will increase to 50% for six months. At the end of the six months (or 29 months from the receipt of the initial accelerated payment), Medicare will issue a letter for full repayment of any remaining balance, as applicable. In such event, if payment is not received within 30 days, interest will accrue at the annual percentage rate of four percent (4%) from the date the letter was issued and will be assessed for each full 30-day period that the balance remains unpaid. As of December 31, 2021, $82,223 was reported as other current liabilities in the consolidated balance sheets. As of December 31, 2022, all outstanding liabilities were paid.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, amounts due from banks and funds invested temporarily in money market accounts that are purchased with original maturities of generally three months or less. The following table provides a reconciliation of cash and cash equivalents, and cash and cash equivalents in Board-designated funds reported within the consolidated balance sheets that sum to the total of the same such amounts in the consolidated statements of cash flows.

	2022	2021
	(in thousands)	
Cash and cash equivalents	$ 443,022	$ 441,725
Cash and cash equivalents included in Board-designated funds	27,122	124,015
Cash and cash equivalents shown in the consolidated statements of cash flows	$ 470,144	$ 565,740

Marketable Securities
Marketable Securities consist of investments with original maturities exceeding three months but less than or equal to one year.

Patient Accounts Receivable
Patient accounts receivable at December 31, 2022 and 2021 are reported at the amounts that reflects the consideration which the Network expects to be entitled in exchange for providing patient care, as further described in Note 2.

The collection of outstanding receivables for Medicare, Medicaid, managed care and commercial insurance payers, and patients is the Network's primary source of cash and is critical to the Network's operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and coinsurance) remain outstanding. The Network grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The concentration of net receivables by payer class for both patients and third-party payers at December 31, 2022 and 2021 is as follows. Net receivable for patients include uninsured balances which are the responsibility of the patient associated with third-party payers listed below:

	2022	2021
Medicare	22 %	23 %
Medicaid	11 %	10 %
Managed care and commercial insurance	57 %	59 %
Patients	10 %	8 %
Total	100 %	100 %

Accounts Receivable with Recourse
The Network has an agreement with a bank whereby the Network sells certain patient account receivables to the bank. Under this agreement, the bank can require the Network to repurchase the patient account receivables under certain conditions. Eligible receivables include self-pay patient financial obligations incurred for services provided by the Network, excluding any portion of the obligation to be paid by Medicare, Medicaid, managed care and commercial insurance, or any other third-party payer. The maximum amount the Network can place in the program as of December 31, 2022 is $36,500. Patient accounts receivable purchased by the bank are considered legally extinguished and, therefore, not included on the consolidated balance sheets. A guarantee liability is recorded representing an estimate for amounts which the bank will require the Network to repurchase under the terms of the agreement. As of December 31, 2022 and 2021, a

guarantee liability of $1,679 and $1,847, respectively, was recorded and included in other current liabilities on the consolidated balance sheets. As of December 31, 2022 and 2021, the maximum exposure to loss under the guarantee liability was $8,384 and $9,236, respectively. Total costs associated with the program were not material in 2022 and 2021.

Charity Care

The Network maintains records to identify and monitor the level of charity care it provides. The Network provides 100% charity care to patients whose income level is equal to or below 200% of the Federal Poverty Level. Patients with income levels ranging from 200% - 300% of the current year's Federal Poverty Level will qualify for partial assistance determined by a sliding scale. The Network uses cost as the measurement basis for charity care disclosure purposes with the cost being identified as the direct and indirect costs of providing the charity care.

Charity care at cost was $8,058 and $7,029 for the years ended December 31, 2022 and 2021, respectively. Charity care cost was estimated on the application of the associated cost-to-charge ratios.

Estimated Third-party Payer Settlements Receivable and Payable

The Network's hospitals are required to submit cost reports at least annually to various state and federal agencies administering the respective reimbursement programs. In many instances, interim cash payments to the Network are only an estimate of the amount due for services provided. Any overpayment or underpayment to the Network arising from the completion of a cost report is recorded as a liability or asset, respectively.

As a result of the Network's participation in the Medicare and Medicaid programs, the Network faces and is currently subject to various governmental and internal reviews, audits and investigations to verify the Network's compliance with these programs and applicable laws and regulations. The Network is routinely subject to audits under various government programs, such as CMS Recovery Audit Contractor program, in which third-party firms engaged by Centers for Medicare and Medicaid Services ("CMS") conduct extensive reviews of claims data and medical and other records to identify potential improper payments to healthcare providers under the Medicare program. In addition, the Network, like other healthcare providers, is subject to ongoing investigations by the HHS Office of Inspector General, the Department of Justice and state attorney generals into the billing of services provided to Medicare and Medicaid patients. Private pay sources such as third-party insurance and managed care entities also often reserve the right to conduct audits. The Network's costs to respond to and defend any such reviews, audits and investigations are significant and are likely to increase in the current enforcement environment. These audits and investigations may require the Network to refund or retroactively adjust amounts that have been paid under the relevant government program or by other payers. Further, an adverse review, audit or investigation also could result in other adverse consequences, particularly if the underlying conduct is found to be pervasive or systemic. These consequences include (1) state or federal agencies imposing fines, penalties and other sanctions on the Network; (2) loss of the Network's right to participate in the Medicare or Medicaid programs or one or more third-party payer networks; (3) indemnity claims asserted by customers and others for which the Network provides services; and (4) damage to the Network's reputation, which could adversely affect the Network's ability to attract patients, residents and employees. Any accruals for such matters are recorded to estimated third-party payer settlements payable or as a reduction to estimated third-party payer settlements receivable.

The State of Indiana's Hospital Assessment Fee ("HAF") and Medicaid Disproportionate Share Hospital ("DSH") payments, further described in Note 2, are estimated and recorded to third-party payer settlements receivable and payable.

Inventories
Inventories consist primarily of medical and surgical supplies and pharmaceuticals. All inventories are valued at the lower-of-cost or net realizable value. Cost is determined by the Network using a weighted average cost method, which approximates cost under the first-in, first-out method.

Assets Limited as to Use
Assets limited as to use consist of short-term investments with original maturities of three months or less, U.S. Government obligations, corporate bonds, mutual funds, marketable equity securities and hedge fund of funds and are stated at fair value and marked to market each month. Debt securities are classified as trading. Reinsurance trust assets are maintained by the Captive.

All realized and unrealized gains or losses are recorded in "Investment (loss) income and other, net". Realized gains and losses on sales of investments are determined using the specific identification cost method and are included in excess of revenues over expenses in the period in which the sale occurs.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost or, if donated, at the fair value at date of donation. The Network uses the straight-line method of computing depreciation over the estimated useful lives of the respective assets.

Costs of maintenance and repairs are charged to expense when incurred; costs of renewals and betterments are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the consolidated statements of operations and changes in net assets.

Long-lived assets are evaluated for possible impairment whenever circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from future estimated cash flows. Fair value estimates are derived from independent appraisals, established market values of comparable assets or internal calculations of future estimated cash flows.

Change in Estimates for Long-lived Assets
The Network periodically performs assessments of the estimated useful lives of its long-lived assets. In evaluating the useful lives, the Network considers how long the long-lived assets will remain functionally efficient and effective, given changes in the physical and economic environments, the levels of technology and competitive factors. If the assessment indicates that the long-lived assets will be used for a period differing from that than previously anticipated, the Network will revise the estimated useful lives resulting in a change in estimate. Changes in estimates are accounted for on a prospective basis by depreciating the assets current carrying values over their revised remaining useful lives.

Investments in Unconsolidated Affiliates
Investments in affiliates not controlled by the Network are reported under the equity method of accounting. Under the equity method, the investments are initially recorded at cost, increased or decreased by the investor's share of the profits or losses of the investee and reduced by cash distributions received. The Network accounts for distributions received from investees using the cumulative earnings approach. The Network compares distributions received to our cumulative equity method earnings since inception. Any distributions received up to the amount of cumulative equity earnings are considered a return on investment and classified in operating activities on the

consolidated statements of cash flows. Any excess distributions are considered a return of investment and classified in investing activities.

Deferred Financing Costs
Costs associated with the issuance of long-term debt are capitalized and presented on the consolidated balance sheets as a direct deduction from the carrying amount of the debt. The debt issuance costs related to line-of-credit arrangements is presented as a component of other noncurrent assets. Deferred financing costs are amortized to interest expense utilizing the effective interest method over the life of the related debt. Amortization of deferred financing costs were not material for the years ended December 31, 2022 and 2021.

Discounts and premiums associated with long-term debt are reported as a direct deduction from, or addition to, the face amount of the long-term debt. The discounts/premiums are accreted/amortized using the effective interest method over the life of the related debt. The related income or expense is included in interest expense in the consolidated statements of operations and changes in net assets.

Capitalized Software
The costs of obtaining or developing internal-use software, including external direct costs for materials and services and directly related payroll costs are capitalized. Amortization begins when the internal-use software is ready for its intended use. The software costs are amortized over the estimated useful lives of the software. The estimated useful lives range from 5-10 years. Costs incurred during the preliminary project stage and post-implementation stage as well as maintenance and training costs are expensed as incurred. Amortization expense related to capitalized software was $7,858 and $11,518 for the years ended December 31, 2022 and 2021, respectively.

	Estimated Useful Lives	2022	2021
		(in thousands)	
Software	5-10 years	$ 114,901	$ 112,272
Less: Accumulated amortization		88,201	80,393
Capitalized software, net		$ 26,700	$ 31,879

Self-Insured Risk
A substantial portion of the Network's professional and general liability risks are insured through a self-insured retention program written by the Network's consolidated wholly owned offshore captive insurance subsidiary, the Captive, as previously described.

Reserves for professional and general liability risks, including self-insured liabilities, were $22,617 and $19,823 at December 31, 2022 and 2021, respectively. These amounts are recorded and included in the self-insured liabilities on the consolidated balance sheets.

Provisions for the self-insured risks are based upon actuarially determined estimates. Loss and loss expense reserves represent the estimated ultimate net cost of all reported and unreported losses incurred through the respective consolidated balance sheets dates. The reserves for unpaid losses and loss expenses are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency.

The estimates are continually reviewed, and adjustments are recorded as experience develops or new information becomes known. The changes to the estimated reserve amounts are included in current operating results for the years ended December 31, 2022 and 2021.

The Network is self-insured for employee medical benefit risks. Self-insured claims reserves are determined using individual case-basis data and are continually reviewed and adjusted as new experienced information becomes known. The changes in estimated reserve amounts are included in current operating results. Reserves associated with self-insured medical claims were not material as of December 31, 2022 and 2021.

Although considerable variability is inherent in reserve estimates, management believes the reserves for losses and loss expenses are adequate; however, there can be no assurance that the ultimate liability will not exceed management's estimates.

Net Assets with Donor Restriction
Donor restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose or maintained by the Network in perpetuity. These net assets are generally restricted for medical education, medical supplies and equipment, and patient care services.

Contributions
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets without donor restrictions as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as net assets without donor restrictions in the accompanying consolidated financial statements.

Pledge receivables as of December 31, 2022 and 2021 are not material.

Taxes and Tax Status
CHNw, CHS, CHA, CHHS, CPI, Howard, Fairbanks and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC"). ProHealth, NCSC, SCSC, ECSC, Noblesville, Howard Surgery and SPCI, are generally not subject to federal or state income taxes as income earned flows through to its members. The Network and its tax-exempt affiliates are, however, subject to federal and state income taxes on unrelated business income under the provisions of IRC section 511.

VEI is a for-profit taxable entity and is subject to federal and state income taxes. Income tax expense and income tax related assets and liabilities of the Network are not material to the consolidated financial statements. Deferred tax liabilities and assets are classified as noncurrent in the Network's consolidated balance sheets at December 31, 2022 and 2021.

Fair Value of Financial Instruments/Measurements
The carrying amounts of cash and cash equivalents, marketable securities, accounts receivable, accounts payable, and other current liabilities approximate fair value because of the relatively short maturities of these financial instruments.

The Network measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Network also uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Network uses a fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1- Observable inputs such as unadjusted quoted prices in active markets;
- Level 2- Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3- Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Additionally, as a practical expedient, the Network is permitted under US GAAP to estimate the fair value of investments in investment companies that have a calculated value of their capital account or net asset value ("NAV") at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach- Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach- Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach- Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models and lattice models).

Subsequent Events
The Network evaluated subsequent events through March 31, 2023, the date the Network consolidated financial statements were issued.

2. Patient Service Revenue

The Network's revenues generally relate to contracts with patients in which the Network's performance obligations are to provide health care services to the patients. Patient service revenue is reported at the amount that reflects the consideration to which the Network expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payers (including government programs and managed care and commercial insurance companies) and include variable consideration for retroactive revenue adjustments due to

settlement of audits, reviews, and investigations. Generally, the Network bills the patients and third-party payers several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. The Network determines the transaction price based on standard charges, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Network's policy, and implicit price concessions.

Performance obligations are determined based on the nature of the services provided by the Network. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Network 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 patients in our hospitals receiving inpatient acute care services. The Network measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time, which includes outpatient services, is generally recognized when services are provided to our patients and the Network does not believe it is required to provide additional services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Network has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a 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 previously are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Network determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals. Estimates of contractual adjustments under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. The payment arrangements with third-party payers provide for payments to the Network at amounts different from its established rates.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Network also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Network estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. At December 31, 2022 and 2021, estimated implicit price concessions of $767,782 and $710,244, respectively, were recorded to adjust revenues to the estimated amounts the Network expects to collect.

Estimated implicit price concessions are recorded for all uninsured accounts, which includes uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage, regardless of the aging of those accounts. The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health

care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections as a primary source of information in estimating the collectability of our accounts receivable. The Network performs a hindsight analysis quarterly, utilizing historical accounts receivable collection and write-off data. The Network believes its quarterly updates to the estimated implicit price concession amounts at each of its hospital facilities provide reasonable valuation estimates of the Network's revenues and accounts receivable.

Payment arrangements with major third-party payers include the following for 2022 and 2021:

- Medicare—Inpatient acute care services, outpatient services and home health services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Network is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Network and audits thereof by the Medicare fiscal intermediary. The Network's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Network. The Network's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2018. Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates could change by a material amount in the near term. Adjustments to revenue related to prior period cost reports increased patient service revenue by $1,620 and $3,788 for the years ended December 31, 2022 and 2021, respectively.

- Medicaid—Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge and outpatient services are reimbursed based on a fee for service basis, based on predetermined fee schedules.

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

The Network's patient service revenues by payer for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
	(in thousands)	
Medicare	$ 842,270	$ 786,881
Medicaid	522,602	506,398
Managed care and commercial insurance	1,517,964	1,469,782
Patients	23,821	22,523
Patient service revenue	$ 2,906,657	$ 2,785,584

The Network's practice is to assign a patient to the primary payer and not reflect other uninsured balances as patient revenues. Therefore, the third-party payers listed above contain patient responsibility components, such as co-pays and deductibles.

The Network has qualified as a Medicaid DSH provider under Indiana Law (IC 12-15-16(1-3)) and, as such, is eligible to receive DSH payments for the most recently determined state fiscal year. The amount of these additional DSH funds is dependent on regulatory approval by agencies of the federal and state governments, and is determined by the level, extent and cost of uncompensated care as well as other factors. For the years ended December 31, 2022 and 2021, DSH payments have been made by the State of Indiana and amounts received were recorded as revenue based on data acceptable to the State of Indiana less any amounts management believes may be subject to adjustment. DSH payments are recorded by the Network after eligibility is determined by the State of Indiana and the hospital specific limit can be determined. DSH amounts of $3,838 and $8,392 were recorded as revenue for the years ended December 31, 2022 and 2021, respectively. DSH amounts recorded as revenue in 2022 include a change in estimate of $3,838 related to State fiscal year 2020 and 2021. The final settlement letter for State fiscal year 2019 was received in December 2021.

Beginning June 2012, the State of Indiana offered voluntary participation in the State of Indiana's HAF program. The State of Indiana implemented this program to utilize supplemental reimbursement programs for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. This program is designed with input from CMS and is funded with a combination of state and federal resources, including fees or taxes levied on the providers.

Reimbursement under the HAF program is reflected within patient service revenue and the fees paid for participation in the HAF program are recorded in supplies and other expenses within the consolidated statements of operations and changes in net assets. The fees and reimbursements are settled monthly. Revenue recognized related to the HAF program was $348,441 and $289,191 for the years ended December 31, 2022 and 2021, respectively. Expense for fees related to the HAF program was $108,199 and $92,317 for the years ended December 31, 2022 and 2021, respectively.

The HAF program runs on an annual cycle from July 1 to June 30 and is effective until June 30, 2023. The consolidated balance sheets at December 31, 2022 and 2021 includes $11,127 and $30,542, respectively, in estimated third-party payer settlements payable related to the HAF program.

3. Marketable Securities and Assets Limited as to Use

The fair values of marketable securities and assets limited as to use are provided by the Network's investment manager and are determined as follows:

a) The investments designated as Level 1 inputs represent primarily cash and cash equivalents, commercial paper, equity securities and investable mutual fund shares that are traded on major stock exchanges. Thus, the fair value is determined based on quoted prices in an active market.

b) The investments designated as Level 2 inputs represent fixed income securities, including corporate bonds generally determined on the basis of valuations provided by a pricing service which will typically utilize industry accepted valuation models and observable market inputs to determine valuation; some valuations or model inputs provided/used by the pricing service are based upon broker quotes.

c) The Network's investments in hedge fund of funds and private equity funds are fair valued based on the most current NAV.

Liquidity and Availability
The Network has a working capital surplus of $745,477 and $602,077 as of December 31, 2022 and 2021, respectively.

Financial assets available for general expenditure within one year as of December 31, 2022 and 2021 consist of the following:

	2022	2021
	(in thousands)	
Cash and cash equivalents	$ 443,022	$ 441,725
Marketable securities	173,016	174,442
Accounts receivable, net	376,929	360,528
Estimated third-party payor settlements receivable	4,434	28,427
Assets limited to use:		
Board-designated	1,052,500	1,658,324
Other accounts receivable	27,335	21,421
Total available for general expenditures	$ 2,077,236	$ 2,684,867

The Network has certain donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. Private equity securities included in board-designated funds and assets limited to use for the professional and general liability captive insurance program, which are more fully described below (Reinsurance Trust Assets), are not available for general expenditure within the next year and are not reflected in the amounts above.

As part of the Network liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Short-term investments in the Board-designated funds are primarily held in money market accounts.

Additionally, the Network maintains a $100,000 line of credit, as discussed in more detail in Note 6. as of December 31, 2022.

Marketable Securities

The following is a summary of marketable securities at December 31, 2022 and 2021:

2022	Fair Value Measurement at Reporting Date				
Description	**Total**	**Level 1**	**Level 2**	**Level 3**	**NAV**
		(in thousands)			
Short-term investments	$ 23,297	$ 23,297	$ -	$ -	$ -
Government securities	19,386	19,386	-	-	-
Municipal securities	9,942	9,942	-	-	-
Corporate debt securities	120,391	120,391	-	-	-
Total	$ 173,016	$ 173,016	$ -	$ -	$ -

2021	Fair Value Measurement at Reporting Date				
Description	**Total**	**Level 1**	**Level 2**	**Level 3**	**NAV**
		(in thousands)			
Short-term investments	$ 7,090	$ 7,090	$ -	$ -	$ -
Government securities	2,280	2,280	-	-	-
Municipal securities	3,513	3,513	-	-	-
Corporate debt securities	161,559	161,559	-	-	-
Total	$ 174,442	$ 174,442	$ -	$ -	$ -

Funds Held by Trustee

The Hospital Revenue Bond Agreements (Note 6) require that the initial bond proceeds be held by a bank trustee until such funds are expended for eligible assets. Certain other funds are also held by the bank trustee as additional security for the bondholders and the periodic deposits of principal and interest requirements. These amounts, including interest earned from temporary investments, are segregated in accounts maintained by a bank trustee. Use of the funds is restricted to debt service requirements.

Board-Designated Funds

Board-designated funds are those controlled by the Board of Directors for purposes they deem appropriate for the operation/expansion of the Network. The following is a summary of assets limited as to use, which are board-designated funds, at December 31, 2022 and 2021:

2022	Fair Value Measurement at Reporting Date				
Description	**Total**	**Level 1**	**Level 2**	**Level 3**	**NAV**
		(in thousands)			
Short-term investments	$ 27,294	$ 27,294	$ -	$ -	$ -
Equity securities	324,957	324,957	-	-	-
Mutual funds	401,027	401,027	-	-	-
Private equity	126,760	-	-	-	126,760
Hedge fund of funds/REITS/Other	525,585	-	-	-	525,585
Total	$ 1,405,623	$ 753,278	$ -	$ -	$ 652,345

2021	Fair Value Measurement at Reporting Date				
Description	**Total**	**Level 1**	**Level 2**	**Level 3**	**NAV**
		(in thousands)			
Short-term investments	$ 124,015	$ 124,015	$ -	$ -	$ -
Equity securities	401,902	401,902	-	-	-
Mutual funds	567,096	567,096	-	-	-
Private equity	218,331	-	-	-	218,331
Hedge fund of funds/REITS/Other	395,366	-	-	-	395,366
Total	$ 1,706,710	$ 1,093,013	$ -	$ -	$ 613,697

The following table presents liquidity information for hedge fund of funds and private equity at December 31, 2022:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	(in thousands)			
Equity hedge funds(a)	$ 146,818	$ -	Quarterly	45-60 days
Event driven hedge funds(b)	25,085	-	Quarterly	45-60 days
Market dependant hedge funds(c)	78,664	-	Quarterly	45-60 days
Multi-strategy hedge funds and other(d)	275,018	-	Quarterly	45-60 days
Private equity(e)	126,760	61,335	n/a	n/a
Total	$ 652,345	$ 61,335		

(a) Equity hedge funds maintain long and short positions primarily in equity and derivative securities. Portfolio selection can be driven by either quantitative or fundamental analysis. Strategies can be broad or sector specific and fund profiles vary greatly depending on net exposure, leverage, holding periods and portfolio construction.

(b) Event driven hedge funds take positions in companies involved in corporate transactions such as mergers, restructurings, tender offers, shareholder buybacks, debt exchanges, management or board changes, security issance or other capital structure events. Security types can include equity, debt and derivatives.

(c) Market dependent hedge funds include relative value and macro strategies. Relative value seek to exploit pricing discrepancies between securities. The funds employ a variety of fundamental and quantitative techniques to develop investment strategies. Macro strategies take a top-down, economic world view. They engage in strategies where economic and political change impacts equity, fixed income, currency and commodities markets.

(d) Multi-strategy funds allocate capital opportunistically among various hedge fund categories, strategies and stylies. Total portfolio assets back the obligation of each specific underlying leveraged position.

(e) Private equity is an alternative investment class and consists of capital that is not listed on a public exchange. Private equity is composed of funds and investors that directly invest in private companies and usually have a 5 to 10-year time horizon.

Reinsurance Trust Assets

The assets in the trust are maintained in a domestic trust account. These assets are restricted and may not be withdrawn or used without the consent of the trust administrator.

The following is a summary of the assets limited as to use, which are reinsurance trust assets, at December 31, 2022 and 2021:

2022	Fair Value Measurement at Reporting Date				
Description		**Level 1**	**Level 2**	**Level 3**	**NAV**
		(in thousands)			
Short-term investments held in trust	$ 251	$ 251	$ -	$ -	$ -
Corporate bonds	17,567	-	17,567	-	-
Equities	1,024	1,024	-	-	-
Total	$ 18,842	$ 1,275	$ 17,567	$ -	$ -

2021	Fair Value Measurement at Reporting Date				
Description		**Level 1**	**Level 2**	**Level 3**	**NAV**
		(in thousands)			
Short-term investments held in trust	$ 1,561	$ 1,561	$ -	$ -	$ -
Corporate bonds	18,806	-	18,806	-	-
Equities	1,237	1,237	-	-	-
Total	$ 21,604	$ 2,798	$ 18,806	$ -	$ -

4. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consist of the following at December 31, 2022 and 2021:

	Estimated Useful Lives	2022	2021
		(in thousands)	
Land and land improvements	0–40 years	$ 46,620	$ 42,795
Buildings and improvements	2–90 years	1,439,591	1,423,038
Equipment and other	3–40 years	915,924	858,501
Construction in progress		18,385	19,369
		2,420,520	2,343,703
Less: Accumulated depreciation		1,456,270	1,368,134
Property, plant and equipment, net		$ 964,250	$ 975,569

Depreciation expense was $93,496 and $97,501 for the years ended 2022 and 2021, respectively.

5. Investments in Unconsolidated Affiliates

The Network has equity investments in various surgery centers, Primaria Health ("Primaria") and other entities. The following is a summary of the Network's investments in unconsolidated affiliates for the years ended December 31, 2022 and 2021:

	Surgery Centers	Primaria	Other	Total
		(in thousands)		
Balance, December 31, 2020	$ 10,508	$ 50,073	$ 19,216	79,797
Capital contributions	-	-	8,193	8,193
Distributions	(14,517)	(25,711)	(13,724)	(53,952)
Equity in net income	13,849	13,727	13,873	41,449
Balance, December 31, 2021	9,840	38,089	27,558	75,487
Capital contributions	-	-	1,737	1,737
Distributions	(12,752)	(26,026)	(16,879)	(55,657)
Equity in net income	13,672	(5,780)	13,941	21,833
Balance, December 31, 2022	$ 10,760	$ 6,283	$ 26,357	$ 43,400

Summarized and aggregated financial statements information for the surgery centers, Primaria and the other unconsolidated affiliates as of and for the year ended December 31, 2022, is as follows:

	Surgery Centers	Primaria	Other	Total
		(in thousands)		
Total assets	$ 24,142	$ 18,647	$ 126,631	$ 169,420
Total liabilities	9,761	742	57,957	68,460
Net assets	14,381	17,905	68,674	100,960
Revenues	59,811	-	170,328	230,139
Operating income	29,676	(2,161)	33,858	61,373
Net income	29,676	(2,161)	30,338	57,853

6. Debt

Short-term Borrowings
Short-term borrowings represent outstanding borrowings under a bank line of credit. At December 31, 2022 and 2021 there were no amounts outstanding. The maximum borrowings are $100,000. The bank line of credit are due on demand. The Network's short-term debt is collateralized under the same terms as the Master Indentures described below. Interest is at a floating rate.

Long–term Debt

Long–term debt at December 31, 2022 and 2021 as obligated by CHNw, is summarized as follows:

	2022	2021
	(in thousands)	
Indiana Finance Authority, Variable Rate		
Hospital Revenue Bonds, Series 2022A		
Due May 1, 2017 to 2045	$ 72,825	$ -
	72,825	-
Indiana Finance Authority, Fixed Rate		
Hospital Revenue Bonds, Taxable Series 2020A		
3.1% term bonds due May 1, 2050	449,220	449,220
Unamortized Discount	(1,707)	(1,769)
	447,513	447,451
Indiana Finance Authority, Fixed Rate		
Hospital Revenue Bonds, Taxable Series 2018A		
4.79% Due May 1, 2053	102,000	102,000
4.94% Due May 1, 2058	100,000	100,000
Unamortized Discount	(731)	(753)
	201,269	201,247
Indiana Finance Authority, Variable Rate		
Hospital Revenue Bonds, Series 2016A		
Due May 1, 2017 to 2045	-	75,330
	-	75,330
Indiana Finance Authority, Variable Rate		
Hospital Revenue Bonds, Series 2016B		
Due May 1, 2017 to 2028	-	14,200
	-	14,200
Indiana Finance Authority, Fixed Rate		
Hospital Revenue Bonds, Taxable Series 2015A		
4.24% Due May 1, 2025	100,000	100,000
5.43% Due May 1, 2045	101,728	101,728
Unamortized Discount	(464)	(527)
	201,264	201,201
Indiana Finance Authority, Fixed Rate		
Hospital Revenue Bonds, Taxable Series 2012A		
Due May 1, 2013 to May 1, 2028	8,560	17,425
	8,560	17,425
Indiana Finance Authority, Variable Rate		
Hospital Revenue Bonds Series 2012B,		
Due November 27, 2012 to November 27, 2039	54,780	57,175
	54,780	57,175
Other long-term debt	-	68
Total long term debt	986,211	1,014,097
Less: Current portion of long-term debt	13,630	14,933
Deferred financing costs, net	2,578	3,150
Long-term debt, net of current portion and deferred financing costs	$ 970,003	$ 996,014

Series 2022A
On December 1, 2022, the Indiana Finance Authority ("IFA") issued Hospital Revenue Bonds, Series 2022A in the amount of $72,825 for the purpose of making a loan to CHNw. The proceeds of this loan from IFA were to refinance the Series 2016A Bonds. The 2022A Bonds are subject to redemption prior to their stated maturity at the option of CHNw on a 20-day notice in whole or in part, at a redemption price equal to 100% of the principal amount plus interest at the date of redemption. The Series 2022A bonds have a variable rate set at a spread plus 79% of Daily Simple Secured Overnight Financing Rate (SOFR), subject to change daily and payable monthly with stated rate of 4.09%, as of December 31, 2022.

Series 2020A
On August 25, 2020, CHNw issued Taxable Bonds, Series 2020A in the aggregate amount of $449,220. A portion of the proceeds from the issuance of the Series 2020A bonds were used to refund and defease a portion of the Series 2012A bonds. In addition, the proceeds are available to fund eligible corporate purposes of CHNw and to pay costs of issuance for the Series 2020A bonds. The Series 2020A bonds are subject to optional redemption in whole or from time to time in part by CHNw. If prior to November 1, 2049, redemption is at the make-whole redemption price or if on or after November 1, 2049, at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption. Interest rates are fixed for the Series 2020A bonds, with a stated rate of 3.10%.

Series 2018A
On February 21, 2018, CHNw issued Taxable Bonds, Series 2018A in the aggregate amount of $202,000. The proceeds are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHNw. At any time on or after May 1, 2028, the Series 2018A bonds are subject to redemption prior to their maturity at the option of CHNw, in whole or in part, in any order of maturity designated by CHNw, at a redemption price of 100% of the principal amount of each Series 2018A Bond to be redeemed, plus accrued and unpaid interest to the date fixed for redemption. Interest rates are fixed for the Series 2018A Bonds, with stated rates of 4.79% and 4.94%.

Series 2016A and 2016B
On September 22, 2016, the Indiana Finance Authority ("IFA") issued Hospital Revenue Bonds, Series 2016A and Series 2016B, in the aggregate amount of $112,600 for the purpose of making a loan to CHNw. The proceeds of this loan from IFA are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHN. On November 1, 2022, the Network paid off the Series 2016B bonds. On December 1, 2022, the Network refinanced the Series 2016A bonds as noted above in the Series 2022A bonds section.

Series 2015A

On June 1, 2015, CHNw issued Taxable Bonds, Series 2015A in the aggregate amount of $201,728. The proceeds are available to pre-fund the termination of the Network's defined benefit retirement plan, finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHNw. The Series 2015A bonds are subject to redemption prior to their stated maturity at the option of CHNw on a 25-day notice in whole or in part, at a redemption price equal to the Make-Whole redemption price. The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the Series 2015A Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2015A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2015A Bonds are to be redeemed, discounted to the date on which the Series 2015A Bonds are to be redeemed on a semiannual basis assuming a 360-day year consisting of twelve 30-day months at the Treasury Rate plus 35 basis points; plus, in each case, accrued and unpaid interest on the Series 2015A Bonds to be redeemed on the redemption date of the principal amount plus interest at the date of redemption. Interest rates are fixed for the Series 2015A bonds, with stated rates of 4.24% and 5.43%.

Series 2012A and 2012B

On November 27, 2012, IFA issued Hospital Revenue Bonds, Series 2012A and Adjustable Rate Hospital Revenue Bonds, Series 2012B, in the aggregate amount of $450,445 for the purpose of making a loan to CHNw. The proceeds of this loan from IFA are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHNw. The Series 2012A and Series 2012B bonds are subject to redemption prior to their stated maturity at the option of CHNw on a 30-day notice in whole or in part, at a redemption price equal to 100% of the principal amount plus interest at the date of redemption. Interest rates are fixed for the Series 2012A bonds, with stated rates of 4% and 5%. The Series 2012B bond has a variable rate set at a spread plus 79% of Daily Simple Secured Overnight Financing Rate (SOFR), subject to change daily and payable monthly with stated rate of 3.97% as of December 31, 2022.

The Series 2012A bonds were partially defeased with a portion of the proceeds from the Series 2020A bonds. The remaining Series 2012A Bonds, in the aggregate principal amount of $8,560, mature in May 2023.

In general, the various Network debt agreements restrict the amount of indebtedness that the Network may incur, the sale, lease or other disposition of operating assets, and the acceptable investments of the trust funds. These agreements require a debt service ratio at the end of any fiscal year of at least 1.10 to 1. The Network was in compliance with its financial debt covenant at December 31, 2022.

Scheduled principal repayments on long-term debt are as follows:

	(in thousands)
2023	$ 13,630
2024	5,240
2025	105,425
2026	6,755
2027	6,895
Thereafter	851,168
	989,113
Minus: Unamortized discount, net	2,902
Total long term debt	$ 986,211

7. Retirement Plans

Defined Contributions Plans

The Network sponsors various defined contribution plans covering eligible employees. These employees may contribute a portion of their pre-tax and/or after-tax compensation to the plans, in accordance with specified guidelines. In addition to any discretionary contributions, these plans provide for established contribution percentages up to certain limits for eligible employees. The defined contribution plan expense for the years ended December 31, 2022 and 2021 was $56,789 and $49,604, respectively.

Defined Benefit Plans

The Network has a defined benefit replacement plan. The defined benefit provisions of the replacement plan apply to all employees of the Network hired prior to January 1, 1984. The replacement plan was originally established on that date to provide such employees those benefits otherwise available under the Federal Insurance Contributions Act during the period January 1, 1981 to December 31, 1983 when the Network withdrew coverage of its employees under the Act. Pursuant to the Social Security Amendment Act of 1983, the Network reentered the Social Security system on January 1, 1984. As a result, funding of the plan was terminated during 1985. If authorized by the Network's Board of Directors, each replacement plan participant may elect to contribute to the plan an amount each pay period, subject to the maximum established by the Board of Directors. Such authorization was not granted during 2022 and 2021. Contributions and net pension expense were immaterial for the years ended December 31, 2022 and 2021.

8. Leases

The Network determines if a contract contains a lease by evaluating the nature and substance of the contract. The Network records a right of use asset and lease liability for substantially all leases for which it is a lessee. The Network leases property and equipment under operating and finance leases. Right of use assets and lease liability associated with finance leases are not material. The Network has no significant lease agreements in place for which the Network is a lessor.

Right of use assets and lease liabilities are recognized based on the net present value of the future minimum lease payments over the lease term at commencement date. The Network uses a risk-free rate in measuring the lease liabilities. Lease payments are recognized on a straight-line basis

over the lease term. When portions of the lease payments are not fixed or depend on an index or rate, we consider those payments to be variable in nature. Variable lease payments are not material.

Most leases include options to renew, with renewal terms that can extend the lease term. The exercise of the lease renewal options is at the sole discretion of the Network. When determining the lease term, the Network included options to extend or terminate the lease when it is reasonably certain that the Network will exercise that option. The Network lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Network elected to not separate lease components from the non-lease components and account for it as a single lease for property and equipment. If a lease had a term of less than 12 months, then the Network elected to not apply ASC 842 recognition requirements.

Operating lease expenses, excluding short-term lease expenses for the years ended December 31, 2022 and 2021 was $46,254 and $45,398, respectively and are included within operating expenses in the consolidated statements of operations. Short-term lease expenses were not material.

The weighted average remaining lease term was 7.7 years for the years ended December 31, 2022 and 2021, respectively. The weighted average discount rate was 3.6% and 3.7% for the years ended December 31, 2022 and 2021, respectively.

Scheduled minimum lease payments required under non-cancellable operating leases for the next five years and thereafter as of December 31, 2022 were as follows:

	Operating
	(in thousands)
2023	$ 42,568
2024	38,073
2025	33,912
2026	28,967
2027	25,114
Thereafter	87,649
Total future minimum lease payments	256,283
Less: Imputed interest	34,676
Net present value of minimum lease payments	$ 221,607

Cash for amounts included in the measurement of lease liabilities for operating leases at December 31, 2022 and 2021 was $46,417 and $43,404, respectively. Noncash lease liabilities arising from obtaining right of use assets at December 31, 2022 and 2021 was $78,587 and $30,174, respectively.

9. Functional Expenses

The Network provides health care services to residents within its community and surrounding areas. The Network's consolidated financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, benefits and pension expenses are allocated on a per full-time equivalent basis. Depreciation, amortization, interest and financing costs

are allocated based on square footage. Expenses by both their nature and function for 2022 and 2021 are as follows:

	2022	2021
	(in thousands)	
Healthcare services		
Salaries, benefits and pension	$ 1,357,641	$ 1,246,207
Supplies expenses	620,283	551,527
Other expenses	308,029	301,382
Depreciation and amortization	62,229	65,641
Interest and financing costs	24,380	23,633
Total Healthcare services	2,372,562	2,188,390
Administrative and general		
Salaries, benefits and pension	395,302	389,691
Supplies expenses	9,243	12,564
Other expenses	264,417	216,385
Depreciation and amortization	37,096	44,378
Interest and financing costs	13,249	12,340
Total Administrative and general	719,307	675,358
Total operating expenses	$ 3,091,869	$ 2,863,748

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are funds limited by donors to a specific time period or purpose or maintained by the Network in perpetuity. Net assets with donor restrictions as of December 31, 2022 and 2021 are as follows:

	2022	2021
	(in thousands)	
Medical education	$ 6,060	$ 6,545
Clinical/patient support	34,125	38,249
Capital improvements	3,494	3,592
Net assets with donor restrictions	$ 43,679	$ 48,386

The Network is an income beneficiary of certain irrevocable trusts. The aggregated (loss) income from these trusts was ($4,318) and $5,789 for the years ended December 31, 2022 and 2021, respectively. Releases from restrictions were $11,995 and $7,188 for the years ended December 31, 2022 and 2021.

11. Commitments and Contingencies

Pending Litigation

Claims for employment matters and breach of contract have been asserted against the Network by various claimants, and provision for such claims is made in the financial statements when management considers the likelihood of loss from the contingency to be probable and reasonably estimable. The claims are in various stages of processing and some will ultimately be brought to trial. There are known incidents occurring through December 31, 2022 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. The Network does not believe these claims and lawsuits individually or in aggregate will have a material adverse effect on the Network's future consolidated financial position, results from operations, or cash flows.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Management believes that the Network is in compliance with applicable government laws and regulations. Regulatory inquiries are made in the normal course of business and compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Violations of these regulations could result in the imposition of significant fines and penalties, as well as having a significant effect on reported income from operations or cash flows.

In July 2014, an individual ("whistleblower") filed a qui tam suit in the United States District Court for the Southern District of Indiana under seal. In November 2014, the Network and CPI received a subpoena duces tecum from the OIG requesting information regarding certain financial relationships with physicians and physician groups as well as an arrangement with one hospital system. The Network has collected and produced responsive documents and otherwise responded to the numerous government requests and follow-up inquiries and, through legal counsel, participated in several in-person meetings with representatives from the Department of Justice, the U.S. Attorney's Office for the Southern District of Indiana, and other government representatives. The whistleblower's complaint was unsealed in December 2019 and in January 2020, the DOJ filed a complaint against the Network in the Southern District of Indiana alleging the Network had violated the Federal False Claims Act based upon a theory that the Network violated the Stark Law. The government declined to intervene in connection with all other allegations of the whistleblower; however, in November 2020, the Court granted the whistleblower leave to pursue additional claims. In October 2021, the Court denied the Network's motion to dismiss the DOJ complaint. In November 2021, the Court denied the Network's motion to dismiss fully the whistleblower's additional claims which include allegations that the Network violated the Federal False Claims Act based upon a theory that the Network also violated the Anti-Kickback Statute. The Network believes the allegations presented by the government and the whistleblower have no merit and as such will defend itself vigorously. As of December 31, 2022, the Network has recorded a loss contingency reserve related to this matter of $25,000, which is accrued in current liabilities on the consolidated balance sheets. The Network believes it is in compliance with applicable laws and regulations. The ultimate potential exposure in this matter is not determinable but may have a material adverse effect on the Network's results of operations, financial position, and cash flows.

Five class action cases have been filed in the Indiana Commercial Court for Marion County alleging the Network has a practice of disclosing Plaintiffs' and Class Members' private information to third parties, including Meta Platforms, Inc. d/b/a Meta, in response to the Network's November 2022 Notice of Third-Party Tracking Technology Data Breach. The Network notified about 1.5 million current and former patients. The Network intends to vigorously defend the class action cases and, at present, is unable to predict the outcome of the matters or to reasonably estimate a range of

possible loss, but it may have a material adverse effect on the Network's results of operations, financial position, and cash flows.

The Network is in compliance with the Indiana Medical Malpractice Act which limits the amount of recovery to $1,800 for individual malpractice claims, $500 of which would be paid by the Network and the balance being paid by the State of Indiana Patient Compensation Fund. Management believes the ultimate disposition of existing medical malpractice and other claims will not have a material effect on the consolidated financial position or results of operations of the Network.

Purchase Commitments
As of December 31, 2022, the Network had purchase commitments for various equipment and services of $42,035.