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Inspira Health Network, Inc.

Consolidated Financial Statements
and Supplementary Information

December 31, 2022 and 2021

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Inspira Health Network, Inc. (the Network), 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 cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Network 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 (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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 Network' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be 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 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 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 Network'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 Network's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 31 through 34 is presented for the purposes of additional analysis rather than to present the financial position, results of operations and changes in net assets of the individual entities and is not a required part of the consolidated financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 12, 2023

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 86,722,000	$ 158,812,000
Assets limited as to use, externally designated	12,037,000	12,063,000
Patient accounts receivable, net	135,080,000	118,201,000
Supplies	22,623,000	21,503,000
Prepaid expenses and other current assets	30,850,000	29,980,000
Total current assets	287,312,000	340,559,000
Assets Limited as to Use		
Internally designated by Board of Directors	810,239,000	963,284,000
Externally designated by donor	1,201,000	2,454,000
Under interest rate swap agreements	2,829,000	6,146,000
Total assets limited as to use	814,269,000	971,884,000
Property and Equipment, Net	797,232,000	792,542,000
Other Assets		
Pledges receivable, net	5,215,000	5,547,000
Investment in unconsolidated entities	14,172,000	15,573,000
Insurance recoveries receivable	5,154,000	3,033,000
Other assets	24,247,000	2,353,000
Operating lease right-of-use asset	13,662,000	14,482,000
Pension asset	5,324,000	6,649,000
Total other assets	67,774,000	47,637,000
Beneficial Interest in Perpetual and Temporary Trusts	9,840,000	11,495,000
Total assets	$ 1,976,427,000	$ 2,164,117,000

See notes to consolidated financial statements

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 135,841,000	$ 121,571,000
Accrued salaries and payroll taxes	19,871,000	16,423,000
Accrued vacation and other employee benefits	23,921,000	22,765,000
Accrued interest payable	9,321,000	9,335,000
Estimated settlements due to third-party payors	76,727,000	80,014,000
Current portion of operating lease obligations	3,193,000	2,759,000
Advances from third-party payors	-	39,930,000
Current installments of long-term debt	10,854,000	10,452,000
Total current liabilities	279,728,000	303,249,000
Accrued Retirement Benefits	9,586,000	11,900,000
Interest Rate Swap Agreements	2,829,000	6,146,000
Estimated Settlements Due to Third-Party Payors	20,920,000	21,190,000
Operating Lease Obligations	10,938,000	12,168,000
Other Long-Term Liabilities	36,955,000	28,847,000
Long-Term Debt	480,529,000	493,990,000
Total liabilities	841,485,000	877,490,000
Net Assets		
Without donor restrictions	1,120,322,000	1,271,302,000
With donor restrictions	14,620,000	15,325,000
Total net assets	1,134,942,000	1,286,627,000
Total liabilities and net assets	$ 1,976,427,000	$ 2,164,117,000

See notes to consolidated financial statements

Inspira Health Network, Inc.

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

	2022	2021
Net Assets Without Donor Restrictions		
Revenue:		
Net patient service revenue	$ 1,046,539,000	$ 984,779,000
Stimulus grant revenue	1,141,000	3,751,000
Other revenue	42,821,000	60,917,000
Total revenue	1,090,501,000	1,049,447,000
Expenses:		
Salaries and wages	538,821,000	439,499,000
Employee benefits	134,965,000	121,450,000
Physician fees	47,847,000	42,518,000
Supplies and other expenses	311,493,000	295,266,000
Interest	18,133,000	17,896,000
Depreciation and amortization	81,892,000	80,197,000
Total expenses	1,133,151,000	996,826,000
Operating (loss) income	(42,650,000)	52,621,000
Nonoperating Gains and Losses		
Interest and dividend income	19,265,000	22,030,000
Change in value of interest rate swap agreements	3,323,000	2,769,000
Net realized (losses) gains on sale of investments	(10,857,000)	21,478,000
Change in net unrealized gains and losses on investments	(138,666,000)	35,177,000
Revenue (less than) in excess of expenses	(169,585,000)	134,075,000

See notes to consolidated financial statements

	2022	2021
Net Assets Without Donor Restrictions (Continued)		
Revenue (less than) in excess of expenses (from previous page)	$ (169,585,000)	$ 134,075,000
Other changes in net assets without donor restrictions:		
Grant for capital	16,000,000	-
Other	1,386,000	(5,136,000)
Pension liability adjustment	1,065,000	21,000
Net assets released from restriction for property and equipment	154,000	409,000
(Decrease) increase in net assets without donor restrictions	(150,980,000)	129,369,000
Net Assets With Donor Restrictions		
Contributions	1,849,000	456,000
Change in beneficial interest in temporary trust	(600,000)	(594,000)
Net assets released from restriction	(176,000)	(409,000)
Investment income	78,000	178,000
Other	(547,000)	468,000
Change in beneficial interest in perpetual trusts	(1,309,000)	608,000
(Decrease) increase in net assets with donor restrictions	(705,000)	707,000
(Decrease) increase in net assets	(151,685,000)	130,076,000
Net Assets, Beginning	1,286,627,000	1,156,551,000
Net Assets, Ending	$ 1,134,942,000	$ 1,286,627,000

See notes to consolidated financial statements

	2022	2021
Operating Activities		
(Decrease) increase in net assets	$ (151,685,000)	$ 130,076,000
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Income from unconsolidated entities	(3,280,000)	(4,007,000)
Depreciation and amortization	81,892,000	80,197,000
Grant for capital	(16,000,000)	-
Accretion of bond premium	(2,737,000)	(2,892,000)
Amortization of underwriter discount	85,000	93,000
Amortization of deferred financing costs	44,000	51,000
Change in right-of-use asset and lease obligation, net	24,000	51,000
Pension liability adjustment	(1,065,000)	(21,000)
Net realized and unrealized losses (gains) on investments	149,523,000	(56,655,000)
Restricted contributions	(1,640,000)	(498,000)
Change in beneficial interest in perpetual and temporary trusts	547,000	914,000
Change in value of interest rate swap agreements	(3,323,000)	(2,769,000)
Capital campaign pledges	(408,000)	445,000
Changes in certain assets and liabilities:		
Patient accounts receivable	(16,879,000)	(19,036,000)
Supplies	(1,120,000)	(5,282,000)
Prepaid expenses and other current assets	(870,000)	(8,928,000)
Insurance recoveries receivable	(2,121,000)	(618,000)
Accounts payable, accrued expenses and other liabilities	27,058,000	(29,216,000)
Accrued interest payable	(14,000)	(659,000)
Advances from third-party payors	(39,930,000)	12,343,000
Estimated settlements due to third-party payors	(3,557,000)	21,452,000
Net cash provided by operating activities	14,544,000	115,041,000
Investing Activities		
Additions to property and equipment, net	(86,582,000)	(60,963,000)
Increase in assets limited as to use	6,655,000	(71,401,000)
Change in investment in unconsolidated entities	4,681,000	4,954,000
Increase in other assets	(21,894,000)	(1,177,000)
Net cash used in investing activities	(97,140,000)	(128,587,000)
Financing Activities		
Restricted contributions	1,640,000	498,000
Grant for capital	16,000,000	-
Payments of long-term debt	(10,451,000)	(10,148,000)
Net cash provided by (used in) financing activities	7,189,000	(9,650,000)
Decrease in cash and cash equivalents and restricted cash and cash equivalents	(75,407,000)	(23,196,000)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	164,958,000	188,154,000
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 89,551,000	$ 164,958,000
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 20,755,000	$ 21,303,000
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 86,722,000	$ 158,812,000
Under interest rate swap agreements	2,829,000	6,146,000
	$ 89,551,000	$ 164,958,000

See notes to consolidated financial statements

1. Organization

Inspira Health Network, Inc. d/b/a Inspira Health Network (the Network) is a tax-exempt health care organization. The Network functions as the parent corporation for the following entities, which are related by common membership and/or ownership.

Inspira Medical Centers, Inc. (IMC) is a tax-exempt health care organization. IMC consists of the following acute care hospitals: Inspira Medical Center Mullica Hill (Mullica Hill) in Gloucester County, New Jersey, Inspira Medical Center Vineland (Vineland) in Cumberland County, New Jersey and Inspira Medical Center Elmer (Elmer) in Salem County, New Jersey. IMC also controls three health centers, the Inspira Health Center Bridgeton, which provides inpatient and outpatient psychiatric services, select outpatient services, including a satellite emergency department and administrative services, the Inspira Health Center Vineland, which provides select outpatient services, and the Inspira Health Center Woodbury, which provides select outpatient services, emergency services and psychiatric services.

IMC also functions as the sole corporate member of Inspira Health Network Foundation (the Foundation), which is a tax-exempt organization that supports the funding of healthcare services provided in Cumberland, Salem and Gloucester counties.

On December 15, 2022, the Network became the sole member of Salem County Hospital Corporation (SMC) and Salem Physician Practices, PC (SPP), through a membership transfer agreement. SMC is a tax-exempt health care organization and consists of an acute care hospital, Salem Medical Center in Salem County. SPP is a not-for-profit corporation, which engages in activities to enhance and support the mission of its affiliate SMC, such as the operations of physician practices in Salem County. In connection with the membership transfer agreement, the Network received $16,000,000 in grant funding from the state of New Jersey which was then transferred to SMC. SMC utilized the grant funding to purchase the hospital building, medical office building and property for which Salem Medical Center is located. In connection with the transaction, approximately $21,000,000 of goodwill was recognized and is recorded in other assets. Salem Medical Center Properties LLC (SMCP), a newly formed for-profit property ownership company and subsidiary of SMC, subsequently purchased the ambulatory surgery center building on the Salem Medical Center property for $5,000,000.

Inspira Health Network Urgent Care, P.C. (Urgent Care), incorporated in the state of New Jersey, provides a wide range of medical services for minor or nonlife-threatening conditions.

Oak & Main Surgicenter, LLC (Oak & Main) is an ambulatory surgery center located in Vineland, New Jersey. In May 2011, IMC initially acquired 81% of the outstanding ownership interest of Oak & Main, and then acquired another 4% of interest in August 2011. IMC is currently the sole owner.

Inspira Health Management Corporation (IHMC) is a for-profit corporation, which engages in activities to enhance and support the mission of the Network and its affiliates, such as the operations of the Center for Health and Fitness, management services organization and building management. Additionally, IHMC is the general partner in Bridgeton Physician Office Center, L.P. (BPOC), which owns and leases a medical office building in Bridgeton, New Jersey. The building is used for physicians' offices. The limited partner of BPOC is the Network. IHMC is also the controlling partner of Inspira SJ Urgent Care Management Company, LLC (SJUC), which manages and operates urgent care service centers in New Jersey. Inspira SJ Urgent Care, P.C. (UCPC) is a for-profit consolidated subsidiary of IHMC. IHMC is the limited partner of Woodbury Medical Center Associates, LLP (WMCA), which owns and leases a medical office building in Woodbury, New Jersey. The controlling partner of WMCA is Red Bank Development Corporation (RBDC).

Inspira Health Network Medical Group, P.C. (IMG) is a not-for-profit corporation, which engages in activities to enhance and support the mission of the Network and its affiliates, such as the operations of physician practices in Cumberland, Salem, Gloucester and Camden Counties.

Inspira Health Connections PC (IHC), a not-for-profit corporation which engages in activities to enhance the mission of the Network and its affiliates, such as physician, cardiology and management services.

Inspira HomeCare & HospiceCare, Inc. (HCHC) is a not-for-profit corporation, which has a noncontrolling interest in a certified home health company that provides skilled nursing, therapy services, home health aides and hospice care to southern New Jersey residents.

Inspira Health Network LIFE, Inc. (LIFE) is a not-for-profit corporation, which engages in activities to enhance and support the mission of the Network and its affiliates, such as the operation of Programs of All-Inclusive Care for the Elderly in Cumberland and Gloucester Counties.

Juno Assurance, LTD (Juno) is a freestanding corporation through which the Network insures a portion of its professional liability and general liability risk through the single parent captive insurance company.

Red Bank Development Corporation (Red Bank), a for-profit subsidiary, and its majority controlled affiliate, Woodbury Medical Center Associates, LLP, provide building management services. RBDC is also 100% owner of IHMC.

Inspira Care Connect, LLC (ICC) is a Medicare Shared Savings Program. ICC's mission is to establish a group of coordinated healthcare providers which agree to be accountable for the quality, cost and overall care for an assigned group of Medicare beneficiaries.

Inspira Health Partners, LLC. (IHP) is a physician hospital organization. IHN owns 51% of IHP. IHP's mission is to establish a clinically integrated physician-hospital enterprise which is designed to achieve improvement in healthcare quality, efficiency and cost.

Inspira Deptford Healthpark Properties (DHP) consists of Inspira Deptford Healthpark, LLC and 1450 North Almonesson Road, LLC which are property ownership and management organizations owned solely by IMC.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Network and the related entities under control or ownership. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

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

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Patient Accounts Receivable, Net

The Network assesses collectability on patient contracts prior to the recognition of net patient service revenue. Patient accounts receivable, net, are recorded at net realizable value. Accounts are written off when the Network has exhausted all collection efforts and determines accounts are impaired based on changes in credit worthiness.

The Network has not changed its financial assistance policy in 2022 or 2021.

Supplies

Supplies are carried at the lower of cost, determined by the first-in, first-out method or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. Supplies are used in the provision of patient care and are not held for sale.

Assets Limited as to Use, Investment and Investment Income

Assets limited as to use by Board of Directors (the Board) are resources that have been designated by the Board for specific purposes. Assets limited as to use under bond indenture agreements are held by a trustee in a construction fund and debt service fund.

Assets limited as to use under the interest rate swap agreements are Woodbury funds to collateralize the liability of the interest rate swaps in an account held by Morgan Stanley. This is a requirement which began in 2009 because the insurer, Ambac, had their credit rating fall below A3 by Moody's.

Assets limited as to use by donor include assets set aside for specific donor purposes or endowment to provide for specified payments to designated individuals. Assets limited as to use by donor are restricted for permanent investment.

Amounts required to meet current liabilities of the Network have been classified as current assets in the consolidated balance sheets.

All investments with readily determinable fair values are measured at fair value in the consolidated balance sheets. The fair value of debt and equity securities is based upon quoted market prices.

Interest and dividend income from assets limited as to use under bond indenture agreements is included in other revenue. Investment income, realized gains and losses, and unrealized gains and losses on assets limited as to use by the Board are recorded as nonoperating gains, net. Realized gains and losses for all investments are determined by the average cost method.

Property and Equipment, Net

Property and equipment, net are recorded at cost. Donated assets are recorded at their market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Gifts of long-lived assets such as land, buildings or equipment are reported as other changes in net assets, unless explicit donor stipulations specify how the donated assets must be used. When applicable, gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

The Network continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful lives of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, the Network uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset, or determines the fair market value of the long-lived asset in measuring whether the long-lived asset is recoverable. No revision to the remaining useful lives or write-down of long-lived assets was recorded in 2022 and 2021.

Pledges Receivable and Donor-Restricted Gifts

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 either temporarily or permanently restricted support 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 as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as other revenue for operating activities and net assets released from restriction for property and equipment.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized under the straight-line method over the remaining term of the related indebtedness, which approximates the effective interest method, and is included in interest expense in the consolidated statements of operations and changes in net assets.

Beneficial Interest in Perpetual and Temporary Trusts

The Network has recorded its portion of the fair value of these trusts. The trusts are either perpetual in nature, and the original corpus cannot be expended, or are temporary in nature and can be released to the Network after a sequence of events takes place. All of the beneficial interest in perpetual and temporary trusts are reported as net assets with donor restriction. Income earned on the trust assets and distributed to the Network is recorded as interest and dividend income in the consolidated statements of operations and changes in net assets unless otherwise restricted by the donor.

Classification of Net Assets

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. 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.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in the Network's consolidated balance sheets at net realizable value.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Network expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors and others and includes variable consideration for retroactive adjustments due to settlements of audits and reviews. Generally, the Network bills patients and third-party payors several days after the services are performed and the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Network. The Network recognizes net operating revenues in the period in which it satisfies performance obligations under contracts by transferring services to customers. Revenue for performance obligations satisfied over time is recognized based on the actual charges incurred in relation to total expected or actual charges. The Network believes 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. The Network measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided and the Network does not believe it is required to provide additional services to the patient.

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

The Network determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the Network's policy and implicit price concessions provided to patients. The Network determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Network determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as a collective group rather than individually. The consolidated financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Consistent with the Network's mission, care is provided to patients regardless of their ability to pay. Therefore, the Network has determined the estimated uncollectible amounts due from patients are generally considered implicit price concessions that are a direct reduction to net operating revenues. The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts the Network expects to collect based on its collection history.

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

Stimulus Grant Revenue

Stimulus grant revenue is primarily comprised of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Network accounts for this funding in accordance with the FASB ASC 958-605 guidance for conditional contributions, and accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Network complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. Total CARES Act funding received in 2020 through 2022 was $68,933,000. The Network has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the Provider Relief Fund that were applicable under the CARES Act. For the years ended December 31, 2022 and 2021, $1,141,000 and $3,751,000 of prior funding was recognized and included in stimulus grant revenue in the accompanying consolidated statements of operations and changes in net assets. The Network has recorded a deferred balance of $11,495,000 and $12,581,000 as of December 31, 2022 and 2021 respectively. These amounts are recorded in the current portion of estimated settlements due to third-party payors in the consolidated balance sheets.

The majority of the funding received is subject to future reporting and audit requirements. Noncompliance with the terms and conditions of the funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. An estimate of the possible effects of these matters cannot be made as of the date these consolidated financial statements were issued.

Advances From Third-Party Payors

The CARES Act also included provisions to expand the Centers for Medicare and Medicaid Services Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In April and September of 2020, the Network received $61,064,000 and $10,381,000, respectively, in advance payments under this program. The outstanding balance at December 31, 2021 was $39,930,000, which was recorded in advances from third-party payors in the accompanying consolidated balance sheets. Repayment occurred automatically through a partial offset in Medicare payments due to the Network for services rendered to Medicare program beneficiaries. Repayment of the advances began in April 2021 and was repaid in full during 2022.

Performance Indicator

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenue and expenses within operating (loss) income. Other transactions, including interest and dividend income, realized and unrealized gains and losses on the sale of investments, and change in value of interest rate swap agreements are reported as nonoperating activities. The performance indicator is revenue (less than) in excess of expenses and includes nonoperating activities.

Changes in net assets without donor restrictions that are excluded from revenue (less than) in excess of expenses include permanent transfers of assets to and from affiliates, assets released from restriction for property and equipment, and certain pension liability adjustments.

Income Taxes

The Network, IMC, Foundation, SMC, SPP, IMG, HCHC, LIFE and IHC are Section 501(c)(3) organizations exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. The Network, IMC, Foundation, SMC, LIFE and HCHC also are exempt from state income taxes. IHMC, Red Bank, Juno, Urgent Care and UCPC are for-profit corporations subject to federal and state income taxes; however, income tax expense is not significant to the Network's consolidated financial statements.

IHP and SJUC are treated as if they were partnerships for federal and state income tax purposes. Therefore, income earned is passed through to its members and, as such, no income taxes have been incurred or accrued. Oak & Main, ICC, DHP, SMCP and 1450 North Almonesson are single member limited liability companies of the Network and are considered disregarded entities for tax purposes.

The Network accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2022 or 2021.

3. Charity Care

Certain entities within the Network have a patient acceptance policy, which is based on its mission statement and its charitable purposes. Accordingly, these entities accept all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain financial criteria established by the State of New Jersey and the Network's policy. The Network's charity care policy includes additional financial criteria which were established with the intent of expanding the availability of financial assistance. Because the Network does not believe that accounts which qualify for charity care are likely to be collected, they are not reported as net patient service revenue.

The unreimbursed costs for services and supplies furnished to patients eligible for such charity care are based on cost to charge ratios and costs incurred and are as follows:

	2022	2021
In accordance with the:		
State of New Jersey's criteria	$ 4,105,000	$ 4,145,000
Network's additional criteria	13,690,000	11,465,000
Total	$ 17,795,000	$ 15,610,000

The Network also sponsors certain other charitable programs, which provide substantial benefit to the broader community. Such programs include services to needy and elderly populations that require special support, as well as health promotion and education for the general community welfare.

4. State Subsidies

The New Jersey Health Care Reform Act of 1992 established the Health Care Subsidy Fund (HCSF) to provide a mechanism and funding source to compensate certain entities for charity care. The Network received $1,456,000 and $1,026,000 in 2022 and 2021, respectively, for charity care that is included in net patient service revenue.

The New Jersey Department of Human Services, Medicaid Program, has established a Hospital Relief and Special Subsidy fund for Mental Health (the Hospital Relief Fund), a Delivery System Reform Incentive Payment Program (DSRIP) and a Quality Improvement Program (QIP-NJ), to provide statewide funding to certain hospitals. The Network received $13,728,000 and $11,134,000 in 2022 and 2021, respectively, from the Hospital Relief Fund, DSRIP and QIP-NJ. These amounts are included in net patient service revenue.

The allocations to the Network from HCSF, the Hospital Relief Fund, DSRIP and QIP-NJ are subject to change from year to year based on available state budget amounts and allocation methodologies. A proportionate amount is in place through June 30, 2023; however, such amounts are subject to change.

5. Net Patient Service Revenue

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

- **Medicare:** Inpatient acute care, psychiatric and rehabilitation services and outpatient 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. In addition, the Network is reimbursed for certain cost reimbursable items at tentative interim rates, with final settlement determined after submission of annual costs reports and audits thereof by the Medicare fiscal intermediary. Provisions for estimated adjustments resulting from audit and final settlements have been recorded. IMC's Medicare cost reports have not been final settled by the fiscal intermediaries for the 2011 and 2017 through 2022 cost report years.

- **Medicaid:** Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge based on severity of illness. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services are paid based on a published fee schedule. The Network is reimbursed for costs reimbursable and other items at a tentative rate with final settlements determined after submission of annual cost reports by the Network and audits thereof by the programs' fiscal intermediaries. Provisions for estimated adjustments resulting from audit and final settlements have been recorded. The Network's Medicaid cost report years have not been audited by the fiscal intermediaries for the 2020 through 2022 cost report years.

- **Blue Cross:** Inpatient acute care services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services are reimbursed based on ambulatory payment classifications.

- **Other:** The Network has also entered into payment arrangements with certain managed care and commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Network has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under the agreements, HMOs make capitated and fee-for-service payments to the Network for certain covered services based upon discounted fee schedules.

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Network'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 (that is, as new information become available), or as years are settled or no longer subject to such audits, reviews and investigations. In the opinion of management, adequate provision has been made for any adjustment, which may result from the final settlement of cost reports or appeal items. Net settlements and adjustments of prior-year cost reports and appeal items resulted in an increase to the Network's net patient service revenue of $12,612,000 and $5,763,000 for the years ended December 31, 2022 and 2021, respectively.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Network also provides services to uninsured patients, and offers those uninsured or underinsured 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 charges by any contractual adjustment, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenue in the period of the change. For the year ended December 31, 2022, the impact of changes in the estimates of discounts and contractual adjustments for performance obligations satisfied in prior years was insignificant to the consolidated financial statements.

Consistent with the Network's mission, care is provided to patients regardless of their ability to pay. Therefore, the Network has determined it has provided implicit price concessions to uninsured patients and other patient balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Network expects to collect based on its collection history with those patients.

The Network disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

The composition of net patient service revenue by primary payor for the years ended December 31 is as follows:

	2022	2021
Medicare	$ 350,979,000	$ 314,157,000
Blue Cross	246,220,000	256,130,000
Commercial	214,070,000	198,842,000
Medicaid	193,984,000	177,636,000
Other	36,753,000	34,994,000
Self-pay/uninsured	4,533,000	3,020,000
Total	$ 1,046,539,000	$ 984,779,000

Revenue from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor.

	2022	2021
Inpatient	$ 488,938,000	$ 488,822,000
Outpatient	442,760,000	392,578,000
Physician services	56,501,000	49,532,000
Capitation	31,579,000	29,177,000
Other	26,761,000	24,670,000
Total	$ 1,046,539,000	$ 984,779,000

The Network has not further disaggregated other revenues as the economic factors affecting the nature, timing, amount and uncertainty of revenue and cash flows do not significantly vary within the revenue category.

6. Fair Value Measurements and Other Financial Instruments

Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined 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. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Network for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

The following table presents financial instruments measured at fair value at December 31, 2022, by caption on the consolidated balance sheets:

	December 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets:				
Assets limited as to use:				
Internally designated by Board of Directors:				
Mutual funds, equities	$ 279,316,000	$ 279,316,000	$ -	$ -
Mutual funds, fixed income	177,664,000	177,664,000	-	-
Corporate and government bonds	101,590,000	-	101,590,000	-
Government securities	33,338,000	-	33,338,000	-
	591,908,000	456,980,000	134,928,000	-
Externally designated by donor:				
Mutual funds, fixed income	1,201,000	1,201,000	-	-
Total assets limited as to use measured at fair value	593,109,000	458,181,000	134,928,000	-
Beneficial interest in trusts	9,840,000	-	-	9,840,000
Total assets in the fair value hierarchy	602,949,000	$ 458,181,000	$ 134,928,000	$ 9,840,000
Assets measured at net asset value (a)	204,732,000			
Assets at fair value	$ 807,681,000			
Liabilities:				
Interest rate swap agreements	$ 2,829,000	$ -	$ -	$ 2,829,000

The following table presents financial instruments measured at fair value at December 31, 2021, by caption on the consolidated balance sheets:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets:				
Assets limited as to use:				
Internally designated by Board of Directors:				
Mutual funds, equities	$ 315,324,000	$ 315,324,000	$ -	$ -
Mutual funds, fixed income	220,699,000	220,699,000	-	-
Corporate and government bonds	105,959,000	-	105,959,000	-
Government securities	34,420,000	-	34,420,000	-
	676,402,000	536,023,000	140,379,000	-
Externally designated by donor:				
Mutual funds, fixed income	2,454,000	2,454,000	-	-
Total assets limited as to use measured at fair value	678,856,000	538,477,000	140,379,000	-
Beneficial interest in trusts	11,495,000	-	-	11,495,000
Total assets in the fair value hierarchy	690,351,000	$ 538,477,000	$ 140,379,000	$ 11,495,000
Assets measured at net asset value (a)	277,053,000			
Assets at fair value	$ 967,404,000			
Liabilities:				
Interest rate swap agreements	$ 6,146,000	$ -	$ -	$ 6,146,000

(a) In accordance with Accounting Standards Update (ASU) No. 2015-07, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

The assets limited as to use included on the consolidated balance sheets at December 31, 2022 and 2021 are as follows:

	2022	2021
Assets limited as to use, internally designated by Board of Directors: Cash and cash equivalents	$ 13,599,000	$ 9,829,000
Assets limited as to use, internally designated by Board of Directors: Measured in the fair value hierarchy	591,908,000	676,402,000
Assets limited as to use, internally designated by Board of Directors: Measured outside the fair value hierarchy	204,732,000	277,053,000
Total	$ 810,239,000	$ 963,284,000

	2022	2021
Assets limited as to use, externally designated by donor:		
Measured in the fair value hierarchy	$ 1,201,000	$ 2,454,000
Assets limited as to use, externally designated under bond indenture agreements:		
Cash and cash equivalents	$ 12,037,000	$ 12,063,000
Assets limited as to use, under interest rate swap agreements:		
Cash and cash equivalents	$ 2,829,000	$ 6,146,000
Total assets limited as to use	$ 826,306,000	$ 983,947,000
Less current portion	12,037,000	12,063,000
Assets limited as to use	$ 814,269,000	$ 971,884,000

Valuation Methodologies

Government securities, corporate and government bonds and marketable equity securities are stated at fair value, which are the amounts reported in the consolidated balance sheets in assets limited as to use, based on quoted market prices, if available, or estimated using quoted market prices of similar securities.

Cash and cash equivalents are valued at cost which approximates fair value because of the short maturity of these financial instruments.

Mutual funds are valued at the net asset value (NAV) of shares held by the Network at year-end.

The beneficial interest in perpetual and temporary trusts is valued at fair value which takes into consideration the underlying investments and the Network's interest in the trusts. This approximates the present value of the future distributions expected to be received.

The fair value of the Network's interest rate swaps is estimated based on a model utilizing current interest rates and other factors that would be considered Level 3 inputs in the fair value hierarchy.

Investments that have been excluded from the fair value hierarchy consist of commingled funds and limited partnerships that are valued based on the NAV of the underlying investments (basis for trade) of the funds held at the end of the year.

Commingled funds primarily consist of the Network's investment in the Wellington Trust Company, NA, CTF Research Equity Portfolio (Wellington Fund), the Champlain Small Cap Fund, LLC (Champlain Fund) and The Sanderson International Value Fund (Sanderson Fund). The Wellington Fund's objective is long-term total returns in excess of the S&P 500 Index. The Wellington Fund is managed on a total return basis, and not with an objective of achieving or avoiding any particular tax consequences. At December 31, 2022 and 2021, 53% and 48%, respectively, of the Network's commingled funds were held in the Wellington Fund. The Network is able to withdraw or contribute to the Wellington fund on the first of each month, as dictated by the investment agreement. There were no commitments related to the Wellington Fund at December 31, 2022. The Champlain Fund's investment objective is capital appreciation. In order to achieve this objective, the Champlain Fund invests mainly in common stocks of small capitalization companies. The Champlain Fund attempts to identify investments that have strong long-term fundamentals, potential for superior capital appreciation and attractive valuation. At December 31, 2022 and 2021, 11% and 13%, respectively, of the Network's commingled funds were held in the Champlain Fund. The Network is able to withdrawal or contribute to the Champlain Fund on the first of each month, as dictated by the investment agreement. There were no commitments related to the Champlain Fund at December 31, 2022. During 2019, the Network made an initial investment in the Sanderson Fund. The Sanderson Fund's objective is long-term growth principally by investing in a diversified portfolio of equity securities of international companies. At December 31, 2021, 13% of the Network's commingled funds were held in the Sanderson Fund. No amounts were held as of December 31, 2022.

The Network had no commitment requirements related to other commingled funds at December 31, 2022.

7. Property and Equipment

	2022	2021	Depreciable Lives
Land	$ 32,690,000	$ 32,657,000	
Land improvements	32,438,000	31,903,000	5-25 years
Leasehold improvements	11,715,000	11,717,000	10-15 years
Buildings and building improvements	678,181,000	655,849,000	10-40 years
Fixed equipment	239,657,000	237,113,000	10-20 years
Major movable equipment	546,160,000	526,160,000	5-20 years
	1,540,841,000	1,495,399,000	
Less accumulated depreciation	813,822,000	732,194,000	
	727,019,000	763,205,000	
Construction-in-progress	70,213,000	29,337,000	
Total	$ 797,232,000	$ 792,542,000	

Depreciation on property and equipment for the years ended December 31, 2022 and 2021 amounted to $81,658,000 and $79,852,000, respectively.

8. Long-Term Debt

Series 2016A Refunding Bonds

In June 2016, the New Jersey Health Care Facilities Financing Authority (the Authority) issued, on behalf of IMC, its $177,765,000 aggregate principal amount of Refunding Bonds, Inspira Health Obligated Group Issue (Series 2016A) (the Series 2016A Bonds). Total proceeds of $201,352,000 (including a net original issue premium of $23,587,000) were used by IMC and Woodbury to (i) refinance all of the outstanding Authority Series 2004 Bonds, Series 2006 Bonds and Series 2008 Bonds (Refunded Bonds), (ii) refinance the 2011 Note Payable and (iii) pay for the costs of issuance of the Series 2016A Bonds.

The Series 2016A Bonds consist of $120,015,000 of serial bonds that mature in 2036, and $26,570,000 and $31,180,000 of term bonds that mature in 2041 and 2046, respectively. Annual principal/sinking fund payments range from $4,415,000 to $7,720,000, maturing on July 1 of each year with interest rates ranging from 2.0% to 5.0% due January 1 and July 1 of each year. The net original issue premium balance was $10,632,000 and $12,059,000 at December 31, 2022 and 2021, respectively.

The Series 2016A Bonds were issued under a Master Trust Indenture (MTI), dated June 1, 2016. As such, the obligations issued pursuant to the MTI are joint and several obligations of IMC (the Obligated Group), and does not include any other affiliates of the Network. All property and equipment, and gross receipts of IMC are pledged to secure payment of interest and principal. The MTI and loan agreement between the Authority and IMC require the compliance with financial covenants, including the requirement that IMC generate funds available for debt service (as defined) equivalent to at least 125% of maximum annual debt service, and a cushion rate (as defined) of at least 1.25.

Series 2017 Revenue Bonds

In August 2017, the Authority issued, on behalf of IMC, its $265,000,000 aggregate principal amount of Revenue Bonds, Inspira Health Obligated Group Issue, Series 2017A (the Series 2017A Bonds), and its Revenue Bonds, Inspira Health Obligated Group Issues, Series 2017B (the Series 2017B Bonds), collectively, the 2017 Bonds. Total proceeds of the Series 2017A Bonds (including a net original premium, net of an underwriter's discount, of $20,756,000), were $285,756,000, and total proceeds of the Series 2017B Bonds were $60,000,000. The Series 2017B Bonds were purchased by TD Bank, N.A.

The proceeds from the 2017 Bonds were used by IMC to (i) finance the construction of Mullica Hill, (ii) establish a radiation oncology program at Woodbury, including the purchase of a linear accelerator, (iii) finance the expansion of the Vineland emergency department, (iv) construction of two additional floors to the existing facility to house 36 new inpatient beds and (v) pay for the costs of issuance of the 2017 Bonds.

The Series 2017A Bonds consist of $1,900,000 and $90,035,000 of serial bonds that mature in 2029 and 2037, respectively, and $66,445,000 and $106,620,000 of term bonds that mature in 2042 and 2047, respectively. Annual principal/sinking fund payments range from $500,000 to $28,595,000, maturing on July 1 of each year with interest rates ranging from 3.0% to 5.0% due January 1 and July 1 of each year. The net original issue premium balance was $14,999,000 and $16,039,000 at December 31, 2022 and 2021, respectively.

The Series 2017B Bonds, which mature in 2042, are due in monthly installments beginning in January 2018. Annual principal payments range from $1,000,000 to $4,800,000. Interest is payable monthly at a variable rate. The interest rate was 3.51% and 0.70% at December 31, 2022 and 2021, respectively.

The 2017 Bonds were issued under a Third Supplemental MTI and the bond agreements. The MTI and loan agreement between the Authority and IMC require the compliance with financial covenants, including the requirement that to generate funds available for debt service (as defined) equivalent to at least 1.25% of maximum annual debt service, and a cushion ratio (as defined) of at least 1.25%.

Term Loan

The Network has a term loan with a bank for available borrowings up to $14,296,000, with an interest rate of 4.98% at December 31, 2022. Interest is payable monthly and principal is due at maturity. In October 2021, the term loan was amended to extend the maturity date to November 2023. The Network has investments which are classified as assets limited as to use by the Board that are held in a separate account, which meet the collateral requirement of approximately $20,000,000. The outstanding balance on the term loan was $14,278,000 at December 31, 2022 and 2021.

Other Long-Term Obligations

During 2011, IMC entered into a loan agreement with the City of Vineland's Urban Enterprise Zone Authority (UEZ) for a total of $4,000,000. This loan is secured by a bank letter of credit and guaranteed by the Network. The term of the loan is 20 years with interest-only payments for the first 36 months through July 2013, and principal and interest payments of $27,000 per month beginning in August 2013. The interest rate on this loan is 5% during the interest-only period and 4% thereafter. The outstanding obligation was $2,121,000 and $2,355,000 at December 31, 2022 and 2021, respectively.

Other long-term obligations also include a loan with Fulton bank that bears interest of 4.25% with principal and interest payments of $24,000 per month through 2032. The loan had an outstanding balance of $1,919,000 and $2,091,000 at December 31, 2022 and 2021, respectively.

Long-Term Debt Summary

	2022	2021
Series 2016A Bonds	$ 139,205,000	$ 143,725,000
Series 2017A Bonds	260,120,000	261,645,000
Series 2017B Bonds	51,000,000	55,000,000
Term loan	14,278,000	14,278,000
Other long-term obligations	4,040,000	4,446,000
	468,643,000	479,094,000
Plus original issue premium	25,631,000	28,368,000
Less:		
Current maturities of long-term debt	(10,854,000)	(10,452,000)
Deferred financing costs, net	(991,000)	(1,035,000)
Underwriters' discount, net	(1,900,000)	(1,985,000)
Long-term debt	$ 480,529,000	$ 493,990,000

Future Principal Payments

Maturities and principal payments on long-term debt for the next five years and thereafter are as follows:

	2017A Bonds	2017B Bonds	2016 Bonds	Other Long-Term Obligations	Total
2023	$ 1,495,000	$ 4,200,000	$ 4,735,000	$ 424,000	$ 10,854,000
2024	1,490,000	4,400,000	4,970,000	442,000	11,302,000
2025	1,495,000	4,600,000	5,230,000	461,000	11,786,000
2026	1,490,000	4,800,000	5,460,000	480,000	12,230,000
2027	4,815,000	1,630,000	5,755,000	501,000	12,701,000
Thereafter	249,335,000	31,370,000	113,055,000	16,010,000	409,770,000
Total	$ 260,120,000	$ 51,000,000	$ 139,205,000	$ 18,318,000	$ 468,643,000

9. Leases

The Network leases various physician offices. Lease payments are increased based on the terms of each specific lease agreement. The Network assesses renewal options using a reasonably certain threshold, which is understood to be a high threshold, and therefore, certain leases do not include the renewal periods for accounting purposes.

The maturity and future minimum commitments of total operating lease obligations at December 31, 2022 is as follows:

2023	$ 3,179,000
2024	3,047,000
2025	2,561,000
2026	2,052,000
2027	1,679,000
Thereafter	3,474,000
Total lease payments	15,992,000
Less present value discount	(1,861,000)
Total lease obligations	14,131,000
Less current portion	(3,193,000)
Long-term lease obligations	$ 10,938,000

Lease related expenses was $7,789,000 and $7,343,000 for the years ended December 31, 2022 and 2021, respectively.

The following tables include supplemental lease information as of and for the years ended December 31, 2022 and 2021:

Lease Term and Discount Rate	2022	2021
Weighted-average remaining lease term (years):		
Operating leases	6.2	7.2
Weighted-average discount rate:		
Operating leases	5.75 %	5.75 %

10. Derivative Financial Instruments

IMC has two interest rate swap agreements with Morgan Stanley (Morgan Stanley Swaps I and II) which had been entered into to manage its risk relating to the changes in cash flow associated with its variable rate bonds. These interest rate swaps allowed IMC to effectively swap the variable rate interest on the variable rate bonds to a fixed interest rate (Tranche I of 3.459% and Tranche II of 3.760%). The interest rate swaps require IMC to exchange quarterly the net difference between the fixed rate and variable rate interest amounts calculated by reference to the notional amounts, which are consistent with the amount of the Tranches outstanding. The fair value of the Morgan Stanley Swaps I and II represented a liability of $2,290,000 and $6,117,000 at December 31, 2022 and 2021, respectively, and is included in total liabilities in the consolidated balance sheets.

IMC has another interest rate swap agreement with Morgan Stanley (Morgan Stanley Swap III) which was entered into to reduce IMC's overall interest expense. Under this interest rate swap, IMC receives payments from Morgan Stanley in the amount of 67% of the five-year LIBOR. In exchange, IMC will pay 67% of the one-month LIBOR. The fair value of the Morgan Stanley Swap III represented a liability of $539,000 and $29,000 at December 31, 2022 and 2021, respectively, and is included in total liabilities in the consolidated balance sheets.

The net expense related to net cash settlements was $621,000 and $1,272,000 for the years ended December 31, 2022 and 2021, respectively, and is included in interest expense in the consolidated statements of operations and changes in net assets.

11. Retirement Benefits

Defined Contribution Pension Plans and Supplemental Executive Retirement Plans

IMC sponsors defined contribution plans that are available to substantially all of its employees, should they elect to participate. The plans match a portion of an employee's contribution to a tax-sheltered annuity. The amount of expense related to the plans was $26,265,000 and $18,905,000 for the years ended December 31, 2022 and 2021, respectively.

The Network has a Supplemental Executive Retirement Plan (SERP Plan) that covers a group of management and physician employees designated by the Board. The contributions to the plan are determined annually. The Network recorded expenses of $1,871,000 and $968,000 associated with the SERP Plan for the years ended December 31, 2022 and 2021, respectively. The Network had an outstanding liability related to the SERP Plan of $4,047,000 and $5,078,000 at December 31, 2022 and 2021, respectively, and is included in accrued retirement benefits in the consolidated balance sheets.

During 2017, the Network established a retirement plan for certain management level employees, which is funded strictly by employee deferrals. The outstanding liability related to the employee deferral retirement plan was $5,539,000 and $6,822,000 at December 31, 2022 and 2021, respectively, and is included in accrued retirement benefits in the consolidated balance sheets.

Defined Benefit Pension Plan

IMC has a noncontributory defined benefit pension plan (the Cash Balance Plan) covering all full-time employees who meet prescribed eligibility requirements. The Cash Balance Plan uses a December 31 measurement date. Effective January 1, 2010, the Cash Balance Plan was amended to eliminate service benefit accruals for Plan years after 2009 and to no longer permit new participants into the Cash Balance Plan. The Board approved this action of freezing the Cash Balance Plan.

The following table summarizes information about the Cash Balance Plan at December 31, 2022 and 2021:

	2022	2021
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 50,428,000	$ 53,997,000
Interest cost	1,173,000	1,005,000
Actuarial gain	(8,353,000)	(927,000)
Benefits paid	(4,305,000)	(3,647,000)
Projected benefit obligation at end of year	38,943,000	50,428,000
Change in plan assets:		
Fair value of the plan assets at beginning of year	57,077,000	62,218,000
Actual return on plan assets	(8,216,000)	(1,621,000)
Contributions	-	500,000
Benefits and administrative expenses paid	(4,594,000)	(4,020,000)
Fair value of the plan assets at end of year	44,267,000	57,077,000
Funded status	$ 5,324,000	$ 6,649,000
Accumulated benefit obligation	$ 38,943,000	$ 50,428,000
Amounts recognized in the consolidated balance sheets consist of:		
Noncurrent asset	$ 5,324,000	$ 6,649,000
Amounts recognized in unrestricted net assets consist of:		
Actuarial loss	$ 24,455,000	$ 25,521,000

	2022	2021
Components of net periodic pension loss (income):		
Interest cost	$ 1,173,000	$ 1,005,000
Expected return on plan assets	(1,058,000)	(716,000)
Recognized actuarial loss	511,000	746,000
Recognized loss due to settlements	1,765,000	1,058,000
Net periodic pension cost	2,391,000	2,093,000
Less amounts recognized as changes in unrestricted net assets	1,065,000	21,000
Total recognized in net periodic pension loss and changes in net assets without donor restrictions	$ 1,326,000	$ 2,072,000

During 2022 and 2021, lump sum benefit payments to Cash Balance Plan beneficiaries totaled $2,811,000 and $2,090,000, respectively, and are included in benefits paid. Since the lump sum payments/settlements in 2022 and 2021 exceeded the interest cost of $1,173,000 and $1,005,000, respectively, IMC was required to recognize a loss of $1,765,000 in 2022 and $1,058,000 in 2021 which is included in net periodic pension income.

The estimated net actuarial loss that is expected to be amortized from other changes in net assets without donor restrictions into net periodic pension cost for the year ending December 31, 2023, is $1,210,000.

Assumptions	2022	2021
Weighted average assumptions used to determine pension obligation:		
Discount rate	5.08 %	2.42 %
Weighted average assumptions used to determine net periodic pension income:		
Discount rate	2.42	1.92
Expected return on the plan assets	2.42	1.92

Plan Assets	Target Asset Allocation	2022	Target Asset Allocation	2021
Debt securities/mutual funds	100 %	100	100 %	99 %
Alternative investments	-	-	-	1
		100 %		100 %

The investment policy, as established by the Investment Committee, is to provide for growth of capital with a moderate level of volatility by investing per the target allocations stated above. The asset allocation and the investment policy are reviewed on a semiannual basis, to determine if the policy should be changed.

No expected contributions to the Cash Balance Plan in 2023.

Estimated future benefit payments, including future benefit accruals are as follows:

2023	$ 4,373,000
2024	3,934,000
2025	3,479,000
2026	3,424,000
2027	3,374,000

The following fair value hierarchy table presents information about each major category of the Cash Balance Plan's financial assets measured at fair value, on the Market approach valuation technique, on a recurring basis as of December 31, 2022 and 2021:

	December 31, 2022		
	Total Fair Value	Level 1	Level 2
Government bonds	$ 12,986,000	$ -	$ 12,986,000
Mutual funds:			
Fixed income	31,281,000	31,281,000	-
Money market funds	1,000	1,000	-
Total assets	$ 44,268,000	$ 31,282,000	$ 12,986,000

	December 31, 2021		
	Total Fair Value	Level 1	Level 2
Government bonds	$ 15,200,000	$ -	$ 15,200,000
Mutual funds:			
Fixed income	41,236,000	41,236,000	-
Money market funds	641,000	641,000	-
Total assets	$ 57,077,000	$ 41,877,000	$ 15,200,000

12. Commitments and Contingencies

Malpractice Litigation and Estimated Malpractice Cost

The Network currently maintains claims-made malpractice insurance coverage and occurrence-based reinsurance for excess coverage and has estimated losses for liabilities relating to unasserted malpractice claims incurred but not reported to its malpractice insurance company. This estimate for unreported incidents and losses is based on actuarial estimates which use its own past experience and industry experience data and the unpaid deductibles on open claims. Additionally, under the provisions of the Network's insurance program, the Network was responsible for deductibles up to $150,000 per claim and $750,000 in the annual aggregate for 2005, 2004 and 2003; for 2002 the deductibles were $100,000 per claim and $500,000 in the annual aggregate. The Network records actuarial estimates for this deductible component of its medical malpractice and comprehensive general liability insurance programs. Effective November 1, 2010, the Network's primary malpractice insurance coverage is being provided through Juno, its wholly owned captive insurance company. The total amount recorded for malpractice insurance program liabilities is $30,294,000 and $23,979,000 at December 31, 2022 and 2021, respectively, and is included in other liabilities in the consolidated balance sheets. The Network has recorded a receivable and related claim liability, for anticipated insurance recoveries of $5,154,000 and $3,033,000 at December 31, 2022 and 2021, respectively.

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in the Network's consolidated balance sheets at net realizable value.

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Network. Such lawsuits and claims are either specifically covered by insurance or are not deemed material. While the outcome of these lawsuits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Network.

13. Concentrations of Credit Risk

The Network grants credit without collateral to its patients who are insured under third-party payor agreements. The composition of accounts receivable from payors is as follows:

	2022	2021
Medicare	32 %	29 %
Commercial	21	20
Blue Cross	16	20
Medicaid	14	14
Self-pay/uninsured	9	9
Other	8	8
Total	100 %	100 %

The Network invests its operating cash and cash equivalents with several local banks on a short-term basis. The amounts on deposit exceed the federal insurance deposit limits. In addition, cash and cash equivalents related to assets limited as to use by Board of Directors are invested in certain mutual funds which invest in highly liquid U.S. Government and agency obligations.

14. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year of the consolidated balance sheets date, consist of the following at December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	$ 86,722,000	$ 118,882,000
Patient accounts receivable, net	135,080,000	118,201,000
Assets limited as to use, designated by the Board	810,239,000	963,284,000
Total	$ 1,032,041,000	$ 1,200,367,000

The Network has cash available related to advances from third-party payors and other assets limited as to use that are externally designated, under bond indenture agreements, under interest rate swap agreements and endowments that have donor-restricted purposes. These assets are not available for general expenditures within the next year and are not reflected in the amounts above.

As part of the Network's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Network invests excess cash in short-term investments.

15. Functional Expenses

The Network provides general health care and related services to residents within its geographic locations. Expenses related to providing these services are as follows:

	2022			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 486,162,000	$ 52,081,000	$ 578,000	$ 538,821,000
Employee benefits	121,300,000	13,487,000	178,000	134,965,000
Physician fees	46,473,000	1,374,000	-	47,847,000
Supplies and other expenses	275,879,000	34,686,000	928,000	311,493,000
Interest	16,320,000	1,813,000	-	18,133,000
Depreciation and amortization	73,672,000	8,187,000	33,000	81,892,000
Total	$ 1,019,806,000	$ 111,628,000	$ 1,717,000	$ 1,133,151,000

	2021			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 395,420,000	$ 43,519,000	$ 560,000	$ 439,499,000
Employee benefits	109,140,000	12,135,000	175,000	121,450,000
Physician fees	41,296,000	1,222,000	-	42,518,000
Supplies and other expenses	261,779,000	32,914,000	573,000	295,266,000
Interest	16,106,000	1,790,000	-	17,896,000
Depreciation and amortization	72,147,000	8,016,000	34,000	80,197,000
Total	$ 895,888,000	$ 99,596,000	$ 1,342,000	$ 996,826,000

The consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest and other occupancy costs, are allocated to a function based on a square footage basis.

16. Events Subsequent to December 31, 2022

Subsequent events have been evaluated through April 12, 2023, which is the date the consolidated financial statements were issued. In February 2023, the Board of Trustees resolved its intent to terminate the Cash Balance Plan. The termination will be effective June 30, 2023 and any active participants in the Cash Balance Plan will remain fully vested as of such date.

Inspira Health Network, Inc.

Consolidating Schedule, Balance Sheet
December 31, 2022
(In Thousands)

	Inspira Medical Centers, Inc.	Salem County Hospital & Physician Practices	Inspira Health Network, Inc.	Inspira Network Foundations	Inspira Health Network Urgent Care, P.C.	Oak and Main Surgicenter, LLC	Inspira Health Management Corporation	Inpsira Physician Practices	Inspira HomeCare & HospiceCare, Inc.	Inspira Health Network LIFE, Inc.	Inspira Deptford Healthpark Properties	Juno	Red Bank Development Corporation	Salem Medical Center Properties	Inspira Health Partners LLC	Consolidation Eliminations	Consolidated
Assets																	
Current Assets																	
Cash and cash equivalents	$ 46,383	$ 2,334	$ 5,530	$ 1,548	$ 5,798	$ 131	$ 2,545	$ 9,904	$ 2,390	$ 4,263	$ 144	$ 4,363	$ 702	$ -	$ 687	$ -	$ 86,722
Assets limited as to use, externally designated	12,037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,037
Patient accounts receivable, net	121,884	4,977	-	-	2,804	164	364	4,441	-	446	-	-	-	-	-	-	135,080
Supplies	20,636	1,971	-	-	-	-	-	16	-	-	-	-	-	-	-	-	22,623
Prepaid expenses and other current assets	34,599	2,113	89	67	1,276	55	720	6,266	-	234	34	4,463	243	-	-	(19,309)	30,850
Due from affiliated organizations	105,040	-	817	-	-	-	-	-	-	-	-	-	-	-	-	(105,857)	-
Total current assets	340,579	11,395	6,436	1,615	9,878	350	3,629	20,627	2,390	4,943	178	8,826	945	-	687	(125,166)	287,312
Assets Limited as to Use																	
Internally designated by Board of Directors	642,971	-	50,407	25,706	-	-	-	-	-	-	-	91,155	-	-	-	-	810,239
Externally designated by donor	-	-	-	1,201	-	-	-	-	-	-	-	-	-	-	-	-	1,201
Under interest rate swap agreements	2,829	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,829
Total assets limited as to use	645,800	-	50,407	26,907	-	-	-	-	-	-	-	91,155	-	-	-	-	814,269
Investments in Subsidiaries	-	-	37,782	-	-	-	20	55	-	-	-	-	-	-	-	(37,857)	-
Investments in Partnerships	-	-	15	-	-	-	-	-	-	-	-	-	-	-	-	(15)	-
Property and Equipment, Net	732,635	23,782	4,134	40	4,633	159	1,509	3,062	-	6,306	13,029	-	2,933	5,010	-	-	797,232
Other Assets																	
Pledges receivable, net	-	-	-	5,215	-	-	-	-	-	-	-	-	-	-	-	-	5,215
Investment in unconsolidated entities	10,109	-	-	-	-	-	-	-	4,063	-	-	-	-	-	-	-	14,172
Insurance recoveries receivable	17,062	-	-	-	-	-	-	-	-	-	-	5,154	-	-	-	(17,062)	5,154
Other assets	36,731	21,353	5,188	-	-	-	264	142	-	-	-	-	-	-	-	(39,431)	24,247
Operating lease right-of-use asset	4,717	-	349	-	4,083	-	181	3,934	-	6,562	-	-	-	-	-	(6,164)	13,662
Pension asset	5,324	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,324
Total other assets	73,943	21,353	5,537	5,215	4,083	-	445	4,076	4,063	6,562	-	5,154	-	-	-	(62,657)	67,774
Beneficial Interest in Perpetual and Temporary Trusts	7,964	-	-	1,876	-	-	-	-	-	-	-	-	-	-	-	-	9,840
Beneficial Interest in Inspira Health Network Foundation	6,008	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,008)	-
Total assets	$ 1,806,929	$ 56,530	$ 104,311	$ 35,653	$ 18,594	$ 509	$ 5,603	$ 27,820	$ 6,453	$ 17,811	$ 13,207	$ 105,135	$ 3,878	$ 5,010	$ 687	$ (231,703)	$ 1,976,427
Liabilities and Net Assets																	
Current Liabilities																	
Accounts payable and accrued expenses	$ 103,404	$ 15,160	$ 520	$ 222	$ 1,578	$ 130	$ 632	$ 10,303	$ -	$ 3,774	$ 2	$ 17,062	$ 168	$ -	$ 101	$ (17,215)	$ 135,841
Accrued salaries and payroll taxes	18,178	1,566	-	-	114	-	-	13	-	-	-	-	-	-	-	-	19,871
Accrued vacation and other employee benefits	23,746	-	-	-	175	-	-	-	-	-	-	-	-	-	-	-	23,921
Accrued interest payable	9,398	-	-	-	-	-	-	-	-	-	-	-	7	18	-	(102)	9,321
Due to affiliated organizations	-	2,499	-	1,682	30,726	2,383	13,595	27,830	-	12,652	13,224	-	798	-	468	(105,857)	-
Estimated settlements due to third-party payors	69,952	226	-	-	507	147	88	5,537	15	195	-	-	-	-	60	-	76,727
Current portion of operating lease obligations	1,667	-	57	-	760	-	47	1,109	-	592	-	-	-	-	-	(1,039)	3,193
Current installments of long-term debt	10,674	-	-	-	-	-	-	-	-	-	-	-	180	-	-	-	10,854
Total current liabilities	237,019	19,451	577	1,904	33,860	2,660	14,362	44,792	15	17,213	13,226	17,062	1,153	18	629	(124,213)	279,728
Accrued Retirement Benefits	9,586	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,586
Interest Rate Swap Agreements	2,829	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,829
Estimated Settlements Due to Third-Party Payors	20,908	-	-	-	-	12	-	-	-	-	-	-	-	-	-	-	20,920
Operating Lease Obligations	3,253	-	298	-	3,501	-	137	2,882	-	5,992	-	-	-	-	-	(5,125)	10,938
Other Long-Term Liabilities	40,054	216	-	-	-	-	-	-	-	-	-	29,134	-	5,018	-	(37,467)	36,955
Long-Term Debt	464,512	21,367	14,278	-	-	-	-	-	-	-	-	-	1,739	-	-	(21,367)	480,529
Total liabilities	778,161	41,034	15,153	1,904	37,361	2,672	14,499	47,674	15	23,205	13,226	46,196	2,892	5,036	629	(188,172)	841,485
Net Assets																	
Without donor restrictions	1,020,564	15,496	89,158	27,333	(18,767)	(2,163)	(8,896)	(19,854)	6,438	(5,394)	(19)	58,939	986	(26)	58	(43,531)	1,120,322
With donor restrictions	8,204	-	-	6,416	-	-	-	-	-	-	-	-	-	-	-	-	14,620
Total net assets	1,028,768	15,496	89,158	33,749	(18,767)	(2,163)	(8,896)	(19,854)	6,438	(5,394)	(19)	58,939	986	(26)	58	(43,531)	1,134,942
Total liabilities and net assets	$ 1,806,929	$ 56,530	$ 104,311	$ 35,653	$ 18,594	$ 509	$ 5,603	$ 27,820	$ 6,453	$ 17,811	$ 13,207	$ 105,135	$ 3,878	$ 5,010	$ 687	$ (231,703)	$ 1,976,427

Inspira Health Network, Inc.

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

	Inspira Medical Centers, Inc.	Salem County Hospital & Physician Practices	Inspira Health Network, Inc.	Inspira Network Foundations	Inspira Health Network Urgent Care, P.C.	Oak and Main Surgicenter, LLC	Inspira Health Management Corporation	Inpsira Physician Practices	Inspira HomeCare & HospiceCare, Inc.	Inspira Health Network LIFE, Inc.	Inspira Deptford Healthpark Properties	Juno	Red Bank Development Corporation	Salem Medical Center Properties	Inspira Health Partners, LLC	Consolidation Eliminations	Consolidation Consolidated
Net Assets Without Donor Restrictions																	
Revenue:																	
Net patient service revenue	$ 934,794	$ 1,387	$ -	$ -	$ 19,047	$ 1,389	$ 2,879	$ 60,233	$ -	$ 31,579	$ -	$ -	$ -	$ -	$ -	$ (4,769)	$ 1,046,539
Stimulus grant revenue	1,087	-	-	-	-	47	7	-	-	-	-	-	-	-	-	-	1,141
Other revenue	39,953	(50)	1,032	1,155	11	59	7,792	6,158	1,282	451	401	9,942	865	-	-	(26,230)	42,821
Total revenue	975,834	1,337	1,032	1,155	19,058	1,495	10,678	66,391	1,282	32,030	401	9,942	865	-	-	(30,999)	1,090,501
Expenses:																	
Salaries and wages	456,481	969	6	578	8,623	654	6,111	56,829	-	8,570	-	-	-	-	-	-	538,821
Employee benefits	119,273	182	-	178	1,500	146	1,738	9,262	-	2,686	-	-	-	-	-	-	134,965
Physician fees	43,316	68	-	-	2,810	-	152	5,009	-	311	-	-	-	-	-	(3,819)	47,847
Supplies and other expenses	268,728	1,619	1,000	927	8,539	956	2,127	18,102	-	20,701	511	14,463	996	1	423	(27,600)	311,493
Interest	17,562	217	352	-	-	-	-	-	-	-	-	-	86	18	-	(102)	18,133
Depreciation and amortization	79,185	226	9	33	650	32	223	989	-	293	-	-	245	7	-	-	81,892
Total expenses	984,545	3,281	1,367	1,716	22,122	1,788	10,351	90,191	-	32,561	511	14,463	1,327	26	423	(31,521)	1,133,151
Operating (loss) income	(8,711)	(1,944)	(335)	(561)	(3,064)	(293)	327	(23,800)	1,282	(531)	(110)	(4,521)	(462)	(26)	(423)	522	(42,650)
Nonoperating Gains (Losses), Net																	
Interest and dividend income	18,256	-	415	594	-	-	-	-	-	-	-	-	-	-	-	-	19,265
Change in value of interest rate swap agreements	3,323	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,323
Net realized (losses) gains on sale of investments	(12,274)	-	8	289	-	-	-	-	-	-	-	1,222	-	-	-	(102)	(10,857)
Change in net unrealized gains and losses on investments	(111,151)	-	(8,090)	(6,211)	-	-	-	-	-	-	-	(13,214)	-	-	-	-	(138,666)
Revenue (less than) in excess of expenses	(110,557)	(1,944)	(8,002)	(5,889)	(3,064)	(293)	327	(23,800)	1,282	(531)	(110)	(16,513)	(462)	(26)	(423)	420	(169,585)
Other changes in net assets without donor restrictions:																	
Net asset transfers	(15,014)	16,000	(16,000)	(2,486)	-	-	(2,500)	20,000	-	-	-	-	-	-	-	-	-
Capital Grant	-		16,000														16,000
Other	76	1,440	(709)	(217)			(199)	(96)							(763)	1,854	1,386
Pension liability adjustment	1,065	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,065
Net assets released from restriction for property and equipment	-	-	-	154	-	-	-	-	-	-	-	-	-	-	-	-	154
(Decrease) increase in net assets without donor restrictions	(124,430)	15,496	(8,711)	(8,438)	(3,064)	(293)	(2,372)	(3,896)	1,282	(531)	(110)	(16,513)	(462)	(26)	(1,186)	2,274	(150,980)
Net Assets Without Donor Restrictions																	
Contributions	121	-	-	1,728	-	-	-	-	-	-	-	-	-	-	-	-	1,849
Change in beneficial interest in temporary trust	(600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(600)
Net assets released from restriction	-	-	-	(176)	-	-	-	-	-	-	-	-	-	-	-	-	(176)
Investment income	-	-	-	78	-	-	-	-	-	-	-	-	-	-	-	-	78
Other	-	-	-	(547)	-	-	-	-	-	-	-	-	-	-	-	-	(547)
Change in beneficial interest in perpetual trusts	(1,269)	-	-	(40)	-	-	-	-	-	-	-	-	-	-	-	-	(1,309)
(Decrease) increase in net assets with donor restrictions	(1,748)	-	-	1,043	-	-	-	-	-	-	-	-	-	-	-	-	(705)
(Decrease) increase in net assets	(126,178)	15,496	(8,711)	(7,395)	(3,064)	(293)	(2,372)	(3,896)	1,282	(531)	(110)	(16,513)	(462)	(26)	(1,186)	2,274	(151,685)
Net Assets (Deficit), Beginning	1,154,946	-	97,869	41,144	(15,703)	(1,870)	(6,524)	(15,958)	5,156	(4,863)	91	75,452	1,448	-	1,244	(45,805)	1,286,627
Net Assets (Deficit), Ending	$ 1,028,768	$ 15,496	$ 89,158	$ 33,749	$ (18,767)	$ (2,163)	$ (8,896)	$ (19,854)	$ 6,438	$ (5,394)	$ (19)	$ 58,939	$ 986	$ (26)	$ 58	$ (43,531)	$ 1,134,942

Inspira Health Network, Inc.

Consolidating Schedule, Balance Sheet
December 31, 2021
(In Thousands)

	Inspira Medical Centers, Inc.	Inspira Health Network, Inc.	Inspira Network Foundations	Inspira Health Network Urgent Care, P.C.	Oak and Main Surgicenter, LLC	Inspira Health Management Corporation	Inspira Health Network Medical Group, P.C.	Inspira HomeCare & HospiceCare, Inc.	Inspira Health Network LIFE, Inc.	Inspira Deptford Healthpark Properties	Juno	Red Bank Development Corporation	Inspira Care Connect, LLC	Inspira Health Partners LLC	Consolidation Eliminations	Consolidation Consolidated
Assets																
Current Assets																
Cash and cash equivalents	$ 112,727	$ 11,062	$ 1,015	$ 2,738	$ 181	$ 1,759	$ 12,538	$ 905	$ 2,805	$ -	$ 10,313	$ 896	$ -	$ 1,873	$ -	$ 158,812
Assets limited as to use, externally designated	12,063	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,063
Patient accounts receivable, net	110,579	-	-	3,463	127	384	2,861	-	787	-	-	-	-	-	-	118,201
Supplies	21,503	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,503
Prepaid expenses and other current assets	32,758	59	131	841	34	559	4,933	-	122	61	3,792	212	-	-	(13,522)	29,980
Due from affiliated organizations	90,293	894	-	-	-	-	-	-	-	-	-	-	-	-	(91,187)	-
Total current assets	379,923	12,015	1,146	7,042	342	2,702	20,332	905	3,714	61	14,105	1,108	-	1,873	(104,709)	340,559
Assets Limited as to Use																
Internally designated by Board of Directors	780,531	57,789	31,719	-	-	-	-	-	-	-	93,245	-	-	-	-	963,284
Externally designated by donor	-	-	2,454	-	-	-	-	-	-	-	-	-	-	-	-	2,454
Under interest rate swap agreements	6,146	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,146
Total assets limited as to use	786,677	57,789	34,173	-	-	-	-	-	-	-	93,245	-	-	-	-	971,884
Investments in Subsidiaries	-	38,491	-	-	-	53	55	-	-	-	-	-	-	-	(38,599)	-
Investments in Partnerships	-	15	-	-	-	-	-	-	-	-	-	-	-	-	(15)	-
Property and Equipment, Net	752,561	4,143	791	5,274	143	1,416	4,646	-	6,361	14,029	-	3,178	-	-	-	792,542
Other Assets																
Pledges receivable, net	-	-	5,547	-	-	-	-	-	-	-	-	-	-	-	-	5,547
Investment in unconsolidated entities	11,307	-	-	-	-	-	-	4,266	-	-	-	-	-	-	-	15,573
Insurance recoveries receivable	24,503	-	-	-	-	-	-	-	-	-	3,033	-	-	-	(24,503)	3,033
Other assets	53	-	-	-	-	264	114	-	-	-	-	-	-	-	1,922	2,353
Operating lease right-of-use asset	4,321	397	-	4,662	-	224	4,928	-	7,129	-	-	-	-	-	(7,179)	14,482
Pension asset	6,649	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,649
Total other assets	46,833	397	5,547	4,662	-	488	5,042	4,266	7,129	-	3,033	-	-	-	(29,760)	47,637
Beneficial Interest in Perpetual and Temporary Trusts	9,831	-	1,664	-	-	-	-	-	-	-	-	-	-	-	-	11,495
Beneficial Interest in Inspira Health Network Foundation	7,121	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,121)	-
Total assets	$ 1,982,946	$ 112,850	$ 43,321	$ 16,978	$ 485	$ 4,659	$ 30,075	$ 5,171	$ 17,204	$ 14,090	$ 110,383	$ 4,286	$ -	$ 1,873	$ (180,204)	$ 2,164,117
Liabilities and Net Assets																
Current Liabilities																
Accounts payable and accrued expenses	$ 104,924	$ 305	$ 160	$ 1,728	$ 193	$ 449	$ 8,778	$ -	$ 3,456	$ -	$ 12,902	$ 100	$ -	$ 106	$ (11,530)	$ 121,571
Accrued salaries and payroll taxes	15,929	-	-	107	-	-	387	-	-	-	-	-	-	-	-	16,423
Accrued vacation and other employee benefits	22,522	-	-	243	-	-	-	-	-	-	-	-	-	-	-	22,765
Accrued interest payable	9,328	-	-	-	-	-	-	-	-	-	-	7	-	-	-	9,335
Due to affiliated organizations	-	-	2,017	24,821	2,015	10,376	25,556	-	11,295	13,999	-	640	468	-	(91,187)	-
Estimated settlements due to third-party payors	73,294	-	-	944	147	134	5,247	15	178	-	-	-	-	55	-	80,014
Current portion of operating lease obligations	1,312	49	-	755	-	43	1,047	-	568	-	-	-	-	-	(1,015)	2,759
Advances from third-party payors	38,846	-	-	-	-	-	1,084	-	-	-	-	-	-	-	-	39,930
Current installments of long-term debt	10,280	-	-	-	-	-	-	-	-	-	-	172	-	-	-	10,452
Total current liabilities	276,435	354	2,177	28,598	2,355	11,002	42,099	15	15,497	13,999	12,902	919	468	161	(103,732)	303,249
Accrued Retirement Benefits	11,900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,900
Interest Rate Swap Agreements	6,146	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,146
Estimated Settlements Due to Third-Party Payors	21,190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,190
Operating Lease Obligations	3,215	349	-	4,083	-	181	3,934	-	6,570	-	-	-	-	-	(6,164)	12,168
Other Long-Term Liabilities	31,321	-	-	-	-	-	-	-	-	-	22,029	-	-	-	(24,503)	28,847
Long-Term Debt	477,793	14,278	-	-	-	-	-	-	-	-	-	1,919	-	-	-	493,990
Total liabilities	828,000	14,981	2,177	32,681	2,355	11,183	46,033	15	22,067	13,999	34,931	2,838	468	161	(134,399)	877,490
Net Assets																
Without donor restrictions	1,144,994	97,869	35,771	(15,703)	(1,870)	(6,524)	(15,958)	5,156	(4,863)	91	75,452	1,448	(468)	1,712	(45,805)	1,271,302
With donor restrictions	9,952	-	5,373	-	-	-	-	-	-	-	-	-	-	-	-	15,325
Total net assets	1,154,946	97,869	41,144	(15,703)	(1,870)	(6,524)	(15,958)	5,156	(4,863)	91	75,452	1,448	(468)	1,712	(45,805)	1,286,627
Total liabilities and net assets	$ 1,982,946	$ 112,850	$ 43,321	$ 16,978	$ 485	$ 4,659	$ 30,075	$ 5,171	$ 17,204	$ 14,090	$ 110,383	$ 4,286	$ -	$ 1,873	$ (180,204)	$ 2,164,117

Inspira Health Network, Inc.

Consolidating Schedule, Statement of Operations and Changes in Net Assets
Year Ended December 31, 2021
(In Thousands)

	Inspira Medical Centers, Inc.	Inspira Health Network, Inc.	Inspira Network Foundations	Inspira Health Network Urgent Care, P.C.	Oak and Main Surgicenter, LLC	Inspira Health Management Corporation	Inspira Health Network Medical Group, P.C.	Inspira HomeCare & HospiceCare, Inc.	Inspira Health Network LIFE, Inc.	Inspira Deptford Healthpark Properties	Juno	Red Bank Development Corporation	Inspira Care Connect, LLC	Inspira Health Partners, LLC	Consolidation Eliminations	Consolidation Consolidated
Net Assets Without Donor Restrictions																
Revenue:																
Net patient service revenue	$ 885,070	$ -	$ -	$ 17,901	$ 1,057	$ 2,370	$ 53,186	$ -	$ 29,177	$ -	$ -	$ -	$ -	$ -	$ (3,982)	$ 984,779
Stimulus grant revenue	234	-	-	11	-	-	3,506	-	-	-	-	-	-	-	-	3,751
Other revenue	36,226	14,150	959	17	-	7,495	7,766	1,989	407	42	8,753	894	-	19,455	(37,236)	60,917
Total revenue	921,530	14,150	959	17,929	1,057	9,865	64,458	1,989	29,584	42	8,753	894	-	19,455	(41,218)	1,049,447
Expenses:																
Salaries and wages	364,964	175	560	8,708	749	5,687	51,629	-	7,012	-	-	-	15	-	-	439,499
Employee benefits	106,959	54	175	1,471	180	1,614	8,855	-	2,141	-	-	-	1	-	-	121,450
Physician fees	38,407	-	-	1,888	308	142	4,721	-	298	-	-	-	-	-	(3,246)	42,518
Supplies and other expenses	262,435	893	573	7,922	848	2,069	18,247	-	19,025	186	7,245	559	-	350	(25,086)	295,266
Interest	17,615	188	-	-	-	-	-	-	-	-	-	93	-	-	-	17,896
Depreciation and amortization	77,581	12	34	687	33	291	1,012	-	306	-	-	241	-	-	-	80,197
Total expenses	867,961	1,322	1,342	20,676	2,118	9,803	84,464	-	28,782	186	7,245	893	16	350	(28,332)	996,826
Operating income (loss)	53,569	12,828	(383)	(2,747)	(1,061)	62	(20,006)	1,989	802	(144)	1,508	1	(16)	19,105	(12,886)	52,621
Nonoperating Gains (Losses), Net																
Interest and dividend income	19,594	870	569	-	-	-	-	-	-	-	997	-	-	-	-	22,030
Change in value of interest rate swap agreements	2,769	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,769
Net realized gains (losses) on sale of investments	16,033	2,462	1,609	-	-	-	-	-	-	-	1,374	-	-	-	-	21,478
Change in net unrealized gains and losses on investments	27,858	(818)	1,337	-	-	-	-	-	-	-	6,800	-	-	-	-	35,177
Revenue in excess of (less than) expenses	119,823	15,342	3,132	(2,747)	(1,061)	62	(20,006)	1,989	802	(144)	10,679	1	(16)	19,105	(12,886)	134,075
Other changes in net assets without donor restrictions:																
Other	(10,980)	(61)	(2,820)	-	-	(4,061)	20,000	(2,162)	-	-	-	-	-	(17,542)	12,490	(5,136)
Pension liability adjustment	21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21
Net assets released from restriction for property and equipment	(191)	-	600	-	-	-	-	-	-	-	-	-	-	-	-	409
Increase (decrease) in net assets without donor restrictions	108,673	15,281	912	(2,747)	(1,061)	(3,999)	(6)	(173)	802	(144)	10,679	1	(16)	1,563	(396)	129,369
Net Assets Without Donor Restrictions																
Contributions	-	-	456	-	-	-	-	-	-	-	-	-	-	-	-	456
Change in beneficial interest in temporary trust	(480)	-	-	-	-	-	-	-	-	-	-	-	-	-	(114)	(594)
Net assets released from restriction	100	-	(623)	-	-	-	-	-	-	-	-	-	-	-	114	(409)
Investment income	-	-	178	-	-	-	-	-	-	-	-	-	-	-	-	178
Other	380	-	88	-	-	-	-	-	-	-	-	-	-	-	-	468
Change in beneficial interest in perpetual trusts	602	-	6	-	-	-	-	-	-	-	-	-	-	-	-	608
Increase in net assets with donor restrictions	602	-	105	-	-	-	-	-	-	-	-	-	-	-	-	707
Increase (decrease) in net assets	109,275	15,281	1,017	(2,747)	(1,061)	(3,999)	(6)	(173)	802	(144)	10,679	1	(16)	1,563	(396)	130,076
Net Assets (Deficit), Beginning	1,045,671	82,588	40,127	(12,956)	(809)	(2,525)	(15,952)	5,329	(5,665)	235	64,773	1,447	(452)	149	(45,409)	1,156,551
Net Assets (Deficit), Ending	$ 1,154,946	$ 97,869	$ 41,144	$ (15,703)	$ (1,870)	$ (6,524)	$ (15,958)	$ 5,156	$ (4,863)	$ 91	$ 75,452	$ 1,448	$ (468)	$ 1,712	$ (45,805)	$ 1,286,627