



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

The Cooper Health System
Years Ended December 31, 2024 and 2023
With Report of Independent Auditors



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The Cooper Health System

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2024 and 2023

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Report of Independent Auditors

Board of Trustees
The Cooper Health System

Opinion

We have audited the consolidated financial statements of The Cooper Health System (the Health System), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health System at December 31, 2024 and 2023, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health System 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 Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health System'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.



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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2024 and consolidating statement of operations and changes in net assets for the year then ended are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Ernst & Young LLP

April 28, 2025

The Cooper Health System

Consolidated Balance Sheets

(In Thousands)

	December 31	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 906,451	\$ 846,608
Current portion of assets limited as to use	17,860	7,386
Patient accounts receivable, net	233,194	189,224
Prepaid expenses and other current assets	124,014	125,948
Total current assets	1,281,519	1,169,166
Assets limited as to use:		
Internally designated by Board of Trustees	516,959	372,881
Externally designated for donor purposes	83,797	72,543
Externally designated – capital grant purposes	29,641	44,859
Designated under self-insurance programs, net of current portion	2,332	4,039
Assets limited as to use, net of current portion	632,729	494,322
Property, plant, and equipment, net	951,781	818,153
Operating lease assets, net	107,298	71,056
Other assets, net	34,349	28,696
Total assets	<u>\$ 3,007,676</u>	<u>\$ 2,581,393</u>

	December 31	
	2024	2023
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 63,642	\$ 40,907
Accrued expenses	266,897	263,999
Current portion of estimated settlements due to third-party payors	11,509	9,675
Current portion of self-insured reserves	44,005	33,092
Current portion of long-term debt	10,700	10,538
Current portion of operating lease liability	17,527	12,698
Line of credit advances	58,005	41,000
Total current liabilities	472,285	411,909
Estimated settlements due to third-party payors, net of current portion	60,477	55,134
Accrued retirement benefits	6,482	—
Self-insured reserves, net of current portion	111,547	103,935
Long-term debt, net of current portion	235,457	242,291
Operating lease liability, net of current portion	91,505	59,462
Deferred revenue and other liabilities	80,834	84,079
Total liabilities	1,058,587	956,810
Net assets:		
Without donor restrictions	1,889,097	1,570,184
With donor restrictions	59,992	54,399
Total net assets	1,949,089	1,624,583
Total liabilities and net assets	\$ 3,007,676	\$ 2,581,393

See accompanying notes.

The Cooper Health System

Consolidated Statements of Operations and Changes in Net Assets (In Thousands)

	Year Ended December 31	
	2024	2023
Net assets without donor restrictions		
Revenue:		
Net patient service revenue	\$ 2,354,487	\$ 2,079,945
Other revenue	166,181	143,331
Total revenue	<u>2,520,668</u>	<u>2,223,276</u>
Expenses:		
Salaries, wages, and fringe benefits	1,508,360	1,276,377
Supplies and other	784,835	671,359
Malpractice	39,410	37,005
Depreciation and amortization	74,915	65,750
Interest	13,221	10,248
Total expenses	<u>2,420,741</u>	<u>2,060,739</u>
Operating income	99,927	162,537
Nonoperating gains (losses):		
Investment income	61,510	41,443
Net change in unrealized gains and losses	27,267	59,798
Change in value of equity method investments	3,756	713
Net periodic pension cost and settlement charge	(56)	(29,006)
Change in fair value of interest rate swap agreements	1,069	(350)
Other gains and losses, net	(403)	(352)
Inherent contribution of net assets without donor restrictions received in the acquisition of Cape Regional Health System, Inc.	<u>67,945</u>	<u>—</u>
Excess of revenue over expenses	261,015	234,783
Other changes in net assets without donor restrictions:		
Change in pension benefit obligation	589	519
Contributions for capital acquisitions	56,470	43,524
Net change in unrealized gains and losses on fixed-income other-than-trading securities	<u>839</u>	<u>905</u>
Increase in net assets without donor restrictions	318,913	279,731
Net assets with donor restrictions		
Contributions, gifts, and special events, net of fundraising expenses	9,201	5,285
Income from investments	719	530
Net realized and change in unrealized gains and losses	880	(155)
Inherent contribution of net assets with donor restrictions received in the acquisition of Cape Regional Health System, Inc.	<u>2,935</u>	<u>—</u>
Net assets released from restrictions for operating purposes	<u>(8,142)</u>	<u>(2,381)</u>
Increase in net assets with donor restrictions	5,593	3,279
Increase in net assets	324,506	283,010
Net assets, at beginning of year	1,624,583	1,341,573
Net assets, at end of year	<u><u>\$ 1,949,089</u></u>	<u><u>\$ 1,624,583</u></u>

See accompanying notes.

The Cooper Health System

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31	
	2024	2023
Operating activities		
Increase in net assets	\$ 324,506	\$ 283,010
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in pension benefit obligation	(589)	(519)
Change in fair value of interest rate swap agreements	(1,069)	350
Depreciation and amortization	74,915	65,750
Net realized and unrealized gains and losses on investments	(30,859)	(56,964)
Change in value of equity method investments	(3,756)	(713)
Contributions for capital acquisitions	(56,470)	(43,524)
Gain on extinguishment of debt	—	(5,004)
Inherent contribution received in the acquisition of Cape Regional Health System, Inc.	(70,880)	—
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(24,862)	(485)
Prepaid expenses and other assets	(21,490)	(38,836)
Accounts payable and accrued expenses	(3,362)	31,728
Self-insured reserves and accrued retirement benefits	16,866	(1,770)
Estimated settlements with third-party payors	6,087	18,409
Deferred revenue and other liabilities	31,187	8,159
Net cash provided by operating activities	<u>240,224</u>	<u>259,591</u>
Investing activities		
(Purchases) sales of assets limited as to use, net	(102,529)	53,849
Cash received in acquisition of Cape Regional Health System, Inc.	1,049	—
Capital expenditures, net	<u>(146,099)</u>	<u>(175,177)</u>
Net cash used in investing activities	<u>(247,579)</u>	<u>(121,328)</u>
Financing activities		
Repayments of long-term debt	(11,030)	(154,997)
Issuance of long-term debt	—	148,047
Payment of financing costs	—	(1,560)
Contributions for capital acquisitions	56,470	43,524
Net cash provided by financing activities	<u>45,440</u>	<u>35,014</u>
Net increase in cash and cash equivalents and restricted cash and restricted cash equivalents	38,085	173,277
Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of year	<u>898,007</u>	<u>724,730</u>
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of year	<u>\$ 936,092</u>	<u>\$ 898,007</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 13,893</u>	<u>\$ 8,523</u>

See accompanying notes.

The Cooper Health System

Notes to Consolidated Financial Statements (Dollars in Thousands)

December 31, 2024

1. Organization

The Cooper Health System (CHS) is a New Jersey not-for-profit organization. CHS is comprised of three operating divisions: The Cooper University Hospital (CUH), Cooper University Physicians (UP) and Cooper Care Alliance (CCA). The CUH division includes the operations of Cooper Hospital/University Medical Center and The Children's Regional Hospital at Cooper, as well as programs focusing on ambulatory diagnostic and treatment services, wellness and prevention, and many other health services. The UP division consists primarily of the services provided by the employed medical staff and related physician practices. The CCA division consists primarily of the services provided by employed community-based medical professionals who do not have academic faculty appointments.

CHS also controls certain other entities which are included in the accompanying consolidated financial statements. Such entities include The Cooper Cancer Center (CCC); Cooper HealthCare Services, Inc. (CHCS); Cooper Medical Services, Inc. (CMS); The Cooper Foundation (the Foundation); and Benson Investments, LLC (Benson). CCC owns and operates the cancer building which is leased to CUH. CHCS is a holding company, which is the sole shareholder of Cooper HealthCare Properties, Inc. (CHCP) and C&H Collection Services, Inc. (C&H). CHCP holds an interest in an entity that owns a radiotherapy device. C&H provides collection services primarily to CHS. Benson owns several properties which are adjacent to the CHS campus. CMS owns and manages a medical office building and an education and research building on the campus of CHS. CHS appoints all of the members of the Foundation's Board of Trustees and exercises certain control over the Foundation, which promotes the charitable, scientific, and educational programs and policies of CHS.

In July 2016, CHS entered into a service agreement with All Care Health Alliance, LLC (ACO), a New Jersey limited liability company participating in the Medicare Shared Saving Program, coordinated care, shared savings, bundled payment, and other similar programs or initiatives with or implemented by government payors. CHS is the sole member of ACO.

In March 2021, CHS incorporated Cooper Apex Care PC (APEX). APEX was formed to provide "concierge medicine," continual personalized services provided to members based on a monthly fee that is not reimbursable by insurance carriers (governmental and non-governmental). Members will have access to a physician for questions and receive communications such as wellness bulletins and COVID-related news. There was insignificant activity for APEX during 2024 and 2023.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization (continued)

On July 1, 2024 (the Acquisition Date), CHS acquired Cape Regional Health System, Inc. (CRHS) consisting of the following organizations: Cape Regional Medical Center, Inc., a not-for-profit 242-bed approved acute care medical center located in Cape May Court House, New Jersey; Cape Regional Physicians Associates, P.A, a for-profit, multi-specialty medical group; Cape Regional Health Enterprises, Inc., a for-profit entity that provides billing services to certain physicians and manages health care real estate; and Cape Regional Holdings, LLC, a not-for-profit entity that maintains and operates certain health care related rental real estate. CRHS was renamed Cooper University Health Cape Regional, Inc. (referred to herein as Cape Regional).

CHS acquired Cape Regional by means of an inherent contribution, in which no consideration was transferred by the Health System. CHS accounted for this business combination by applying the acquisition method and, accordingly, the inherent contribution received was valued as the excess of the value of Cape Regional's assets over liabilities. In determining the inherent contribution received, all assets and liabilities were measured at fair value as of the Acquisition Date. The results of Cape Regional's operations have been included in the accompanying consolidated financial statements since the Acquisition Date.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization (continued)

The following table summarizes the estimated fair values of Cape Regional's assets and liabilities at the Acquisition Date:

Assets	
Cash and cash equivalents	\$ 1,049
Patient accounts receivable, net	19,108
Prepaid expenses and other current assets	8,327
Assets limited as to use: Internally designated	37,251
Property, plant, and equipment, net	62,292
Operating lease assets, net	553
Other assets, net	4,766
Total assets	<u>133,346</u>
Liabilities and net assets	
Accounts payable	10,399
Accrued expenses	18,596
Line of credit advances	17,005
Long-term debt	4,206
Estimated settlements due to third-party payors	1,090
Accrued retirement benefits	8,730
Operating lease liability	562
Other liabilities	1,878
Total liabilities	<u>62,466</u>
Excess of assets over liabilities	<u>\$ 70,880</u>
Net assets:	
Without donor restrictions	\$ 67,945
With donor restrictions	2,935
Total net assets	<u>\$ 70,880</u>

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization (continued)

The following table summarizes amounts attributable to Cape Regional from the Acquisition Date through December 31, 2024 that are included in the accompanying 2024 consolidated statement of operations and changes in net assets, excluding the inherent contribution received in the acquisition of Cape Regional:

	Period From July 1, 2024 to December 31, 2024
Net patient service revenue	\$ 79,041
Other revenue	5,188
Total revenue	84,229
Total expenses	97,180
Operating loss	(12,951)
Investment return and other	2,420
Deficiency of revenue over expenses	(10,531)
Other changes in net assets without donor restrictions	23,303
Change in net assets without donor restrictions	<u>\$ 12,772</u>
Change in net assets with donor restrictions	<u>\$ (2,316)</u>

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization (continued)

The following table represents unaudited pro forma financial information for CHS, assuming the acquisition of Cape Regional had taken place on January 1, 2023. The unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effective on January 1, 2023 and excludes the inherent contribution received in the acquisition of Cape Regional.

	Year Ended December 31	
	2024	2023
Net patient service revenue	\$ 2,427,118	\$ 2,234,613
Other revenue	171,933	159,974
Total revenue	2,599,051	2,394,587
Total expenses	2,516,379	2,246,814
Operating income	82,672	147,773
Investment return and other	96,797	80,189
Excess of revenue over expenses	179,469	227,962
Other changes in net assets without donor restrictions	61,216	44,415
Change in net assets without donor restrictions	240,685	272,377
Change in net assets with donor restrictions	\$ 2,864	\$ 3,789

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CHS and its controlled affiliates and subsidiaries as described in Note 1. The reporting entity resulting from the consolidation of these entities is referred to herein as the “Health System.” All significant intercompany balances and transactions have been eliminated in consolidation. Although these entities have been consolidated for financial statement reporting purposes, there may be limitations on the use of an entity’s funds by another member of the group resulting from the charitable nature of some of the entities or other factors.

The entities comprising the Health System provide various inter-entity services to their affiliated entities and the Health System parent company. The services consist of certain financial planning, general accounting, and other management services. Charges for such services are based on the approximate cost to provide the services and are allocated between the entities based on an agreed-upon method which reflects the approximate level of usage by each entity.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies

Coronavirus Disease 2019 Pandemic and Related Funding

In relation to the Coronavirus Disease 2019 (COVID-19) pandemic, the Health System has applied for reimbursement for qualifying expenditures under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. For the years ended December 31, 2024 and 2023, the Health System received approximately \$1,333 and \$29,569, respectively, in FEMA reimbursement payments and recognized approximately \$15,000 as other revenue in 2023 (none in 2024) for reimbursement of operating costs. FEMA reimbursement payments in excess of amounts recognized as other revenue of \$1,333 and \$14,569 in 2024 and 2023, respectively, have been recorded within settlements due to third-party payors in the accompanying consolidated balance sheets, as such amounts are subject to finalization of certain FEMA grant requirements prior to revenue recognition. The Health System is finalizing project worksheets and will continue to pursue funding of eligible costs due to COVID-19. The ultimate amount of incurred costs that the Health System may be reimbursed is uncertain.

Use of Estimates

The preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) has required management to make estimates and assumptions that affect the reported amounts of assets, such as estimates affecting patient accounts receivable, and liabilities, such as estimated settlements due to third-party payors, self-insured reserves, and accrued retirement benefits, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and savings accounts and all short-term funds with initial maturity dates of three months or less held on deposit with various lending institutions, excluding cash equivalents classified as assets limited as to use designated by the Board of Trustees, donors and for self-insurance programs as such holdings are within investment portfolios. The Health System does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

The following is a reconciliation of amounts reported on the consolidated balance sheets to the statements of cash flows as of and for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 906,451	\$ 846,608
Assets limited as to use: cash and cash equivalents	<u>29,641</u>	<u>51,399</u>
Total cash and cash equivalents and restricted cash and restricted cash equivalents	<u>\$ 936,092</u>	<u>\$ 898,007</u>

Patient Accounts Receivable

Patient accounts receivable for which the Health System receives payment under prospective payment formulae, negotiated rates, or cost reimbursement, which cover the majority of patient services, are stated at the estimated net amount receivable from such payors, which are generally less than the established billing rates of the Health System, inclusive of provisions for variable consideration such as contractual adjustments, discounts, implicit price concessions and other reductions to the Health System's standard charges. An allowance for doubtful accounts is recorded only from a delinquency of patient accounts that were considered collectible at the time patient care was provided.

Supplies

Supplies, used in the provision of patient care, are stated at the lower of cost or net realizable value, determined by the average cost valuation method and are included in prepaid expenses and other current assets on the consolidated balance sheets.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments

The Health System has entered into interest rate swap agreements with the intent of mitigating cash flow risk relating to changes in the variable interest rates for certain outstanding debt and prospective transactions. The swap agreements are recorded at fair value on the accompanying consolidated balance sheets within other assets, net at December 31, 2024 and 2023. The net changes in the fair value of these swap agreements are recorded in nonoperating gains (losses) on the accompanying consolidated statements of operations and changes in net assets, and the net monthly cash exchanged under the contracts is reflected within interest expense.

Assets Limited as to Use and Investment Return

Assets limited as to use include internally designated assets set aside by the Board of Trustees (the Board), externally designated assets held by trustees under debt agreements, assets for self-insurance programs (workers' compensation and for medical professional and general liability), and funds related to donor restrictions and capital grant purposes. Amounts set aside by the Board are designated for operations, future capital improvements, and other contingencies, as needed. The Board retains control over the internally designated assets and may, at its discretion, subsequently direct the Health System to use such assets for other purposes.

Amounts internally designated by the Board and externally designated by donors are classified as trading securities and all other assets limited as to use are deemed to be other than trading. Amounts required to meet current liabilities of the Health System have been classified as current assets in the consolidated financial statements.

Assets limited as to use consist of marketable securities that are carried at fair value based on quoted market prices. Investment return from assets limited as to use, consisting of interest and dividend income, realized gains and losses, and the change in unrealized gains and losses on equities and trading securities, is presented within nonoperating gains (losses) on the accompanying consolidated statements of operations and changes in net assets. Investment return is reported net of external and direct internal investment expenses, such as trustee fees and investment fund manager fees. The net change in unrealized gains and losses on investments which are classified as other-than-trading fixed income securities is reported as a separate component of the change in net assets without donor restrictions on the accompanying consolidated statements of operations and changes in net assets, except for impairments of such securities resulting from credit losses which are reported within nonoperating gains (losses).

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Property, Plant, and Equipment

Property, plant, and equipment that were purchased are recorded at cost. Contributed assets and assets acquired through business combinations are recorded at fair value at the date of the transaction. Depreciation is provided over the estimated useful lives of the assets of each class of depreciable asset and is computed using the straight-line method. Equipment under finance lease obligations is amortized using the straight-line method over the lesser of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations and changes in net assets. Interest costs incurred on borrowed funds, net of related interest income during the period of construction of capital assets, is capitalized as a component of acquiring the assets.

Gifts or grants for the purchase of long-lived assets such as land, buildings, or equipment are excluded from the excess of revenue over expenses. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Health System continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life 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 Health System uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset, or determines the fair value of the long-lived asset in measuring whether the long-lived asset is recoverable. Management believes that no revision to the remaining useful lives or write-down of long-lived assets was required as of December 31, 2024 or 2023.

Self-Insured Reserves

The Health System is self-insured for the majority of its risks resulting from medical malpractice, employee health, general liability, and the first layer of workers' compensation. A portion of the losses are covered with high-deductible commercial insurance policies and through trust funds. The Health System accrues liabilities which include estimates of the ultimate costs for both reported claims and claims incurred but not reported for each of the risks.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Charity Care

The Health System has a policy of providing charity care to patients who are unable to pay based on federal poverty income guidelines. All charity care patients are separately identified and related charges are reduced based on financial information obtained from the patient. Since management does not expect payment for charity care, the charges are excluded from net patient service revenue.

Advertising Costs

The Health System expenses advertising costs as incurred. In 2024 and 2023, the Health System incurred advertising expenses of \$9,718 and \$10,765, respectively, which are included in supplies and other expense on the consolidated statements of operations and changes in net assets.

Excess of Revenue Over Expenses

The accompanying consolidated statements of operations and changes in net assets include the excess of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the excess of revenue over expenses include net change in unrealized gains and losses on fixed income other-than-trading securities to the extent such losses are not related to credit losses, changes in the pension benefit obligation, and contributions received and expended for capital acquisitions (including assets acquired using donor-restricted contributions or grant funds that were to be used for the purposes of acquiring such assets). Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses and included within operating income.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Health System separately accounts for and reports net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are not externally restricted for identified purposes by donors or grantors. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Health System and an outside party other than a donor or grantor.

Net assets with donor restrictions are those whose use by the Health System has been limited by donors to a specific time period or purpose, or have been restricted by donors as permanent endowments to be maintained in perpetuity. When the donors' intentions are met or a time restriction expires for net assets limited by donors to a specific time period or purpose, the net assets are reclassified to net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions.

The Health System recognizes government grants where commensurate value is not exchanged as contributions when conditions and restrictions are satisfied and reports such amounts within other revenue.

Income Taxes

CHS, CCC, CMS, the Foundation, Cape Regional, and Cape Regional Holdings, LLC are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code and the laws of the state of New Jersey. CHCS, Cape Regional Physicians Associates, P.A., and Cape Regional Health Enterprises, Inc. are subject to federal and state income taxes; however, the provision for income taxes is not material to the Health System's consolidated results of operations. ACO and APEX have had insignificant activity since inception.

Reclassifications

Reclassifications have been made to certain 2023 disclosures in order to conform to the current year presentation.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue

Accounts Receivable and Net Patient Service Revenue

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

The Health System uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue as well as high-balanced accounts regardless of payor class. Based on historical collection trends and other analyses, the Health System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Health System's initial estimate of the transaction price for services provided to patients is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Health System's standard charges. The Health System determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the Health System's discount policies and historical experience. For uninsured and underinsured patients who do not qualify for charity care, the Health System determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Health System's historical collection experience for applicable patient portfolios. Under the Health System's charity care policy, a patient who has no insurance or is underinsured and is ineligible for any government assistance program has his or her bill reduced to (1) the lesser of charges or the Medicaid diagnostic-related group for inpatient and (2) a discount from Medicaid fee-for-service rates for outpatient. Patients who meet the Health System's criteria for charity care are provided care without charge; such amounts are not reported as revenue.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

Generally, the Health System bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Health System. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Health System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the Health System's outpatient and ambulatory care centers. The Health System 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 the completion of the outpatient visit.

Substantially all of its performance obligations relate to contracts with a duration of less than one year. Unsatisfied or partially unsatisfied performance obligations primarily relate to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the Health System's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2024 and 2023, changes in the Health System's estimates of implicit price concessions, discounts, contractual adjustments, or other reductions to expected payments for performance obligations satisfied in prior periods were not significant. Portfolio collection estimates are updated quarterly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay based on current or future estimated credit losses (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2024 and 2023 was not significant.

The Health System has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and lines of business. Tables providing details of these factors are presented below.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

Net patient service revenue recognized in the period from these major payor sources, based on primary insurance designation, is as follows:

	Year Ended December 31	
	2024	2023
Medicare	\$ 394,499	\$ 323,764
Managed Medicare	340,168	273,234
Medicaid	75,895	35,789
Managed Medicaid	409,753	428,171
Commercial carriers and health maintenance organizations	996,281	884,106
State subsidies (Note 4)	37,491	31,265
Self-pay	15,078	24,970
Medicaid supplement: County Option Program	85,322	78,646
	<u>\$ 2,354,487</u>	<u>\$ 2,079,945</u>

The Health System receives additional Medicaid funding under the New Jersey County Option Hospital Fee Program. This program is administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health Services (DMAHS). The program requires that participating hospitals pay quarterly assessed fees based on estimated Medicaid utilization data within the county, and such payments are then pooled with federal Medicaid matching funds and redistributed to the participating hospitals as State Directed Payments. The State Directed Payments are subject to annual settlement based actual Medicaid utilization data and other factors. The program resulted in fees paid by the Health System of \$24,160 and \$20,923 in 2024 and 2023, respectively, (included within supplies and other expense) and Medicaid State Directed Payments revenue of \$85,322 and \$78,646, respectively, (included within net patient service revenue) for the years ended December 31, 2024 and 2023.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

Net patient service revenue by line of business is as follows:

	Year Ended December 31	
	2024	2023
Hospital	\$ 1,832,561	\$ 1,608,952
Physician services	490,744	444,706
Cooper Care Alliance	31,182	26,287
	<u>\$ 2,354,487</u>	<u>\$ 2,079,945</u>

Accounts receivable is comprised of the following components:

	December 31	
	2024	2023
Patient receivables	\$ 211,046	\$ 171,672
Contract assets	22,148	17,552
	<u>\$ 233,194</u>	<u>\$ 189,224</u>

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for which the Health System may not have the right to bill.

Third-Party Payment Programs

The Health System has agreements with third-party payors that provide for payments at amounts different from established charges. The Health System's services for Medicare and Medicaid program beneficiaries are primarily paid at prospectively determined rates per discharge or visit or based upon fee schedules. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Health System is reimbursed for cost reimbursable and other pass-through items, such as bad debts and paramedical education, from Medicare and outpatient services for Medicaid at tentative rates with final settlements determined after submission of annual cost reports by the Health System and audits thereof by the programs' fiscal intermediaries. Provisions for estimated adjustments resulting from audit and final

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

settlements have been recorded. The Health System's Medicare cost report years 2020 and prior and Medicaid cost report years 2021 and prior have been audited and settled by the programs' fiscal intermediaries, although revisions to final settlements or other retroactive changes could be made. In the opinion of management, adequate provision has been made for adjustments which may result from the final settlement of cost reports, appeal items, or other retroactive changes.

Settlements with third-party payors for cost report filings and retroactive adjustments due to ongoing and future 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 from the payor and the Health System's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), 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. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

During 2024 and 2023, the Health System revised estimates made in prior years to reflect the passage of time and the availability of more recent information, such as cost report settlement activity, associated with the related revenue estimates. The net effect of the Health System's revisions to prior year estimates resulted in net patient service revenue increasing by approximately \$3,503 and \$24,801 for the years ended December 31, 2024 and 2023, respectively. The amount for 2023 includes approximately \$28,249 related to the Health System's allocation of a national settlement of Medicare payment rates for drug pricing under the federal 340B program. This settlement is recorded in prepaid expenses and other current assets on the accompanying consolidated balance sheet as of December 31, 2023 and payment was received in January 2024.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation, and noncompliance could subject the Health System to significant regulatory action, including fines and penalties. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Health System believes that it is in compliance with applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential noncompliance that could have a material adverse effect on the accompanying consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretations as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Health System has a corporate compliance program to monitor compliance with Medicare and Medicaid laws and regulations.

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Health System. Additionally, certain payors' payment rates for various years have been appealed by the Health System. If the appeals are successful, additional income applicable to those years might be realized.

The Health System has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Health System under these agreements includes prospectively determined rates per discharge or visit, discounts from established charges, and prospectively determined daily rates. These agreements have retrospective audit clauses allowing the payor to review and adjust claims subsequent to initial payment.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

The Health System's primary service area is southern New Jersey. The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net accounts receivable from patients and third-party payors was as follows:

	December 31	
	2024	2023
Commercial	13%	15%
Health maintenance organizations	21	21
Medicare	12	9
Managed Medicare	16	13
Blue Cross	18	19
Self-pay (including accounts which may ultimately be charity care)	1	1
Medicaid	3	3
Managed Medicaid	16	19
	100%	100%

4. Charity Care and State Subsidies

The Health System provides care to those who meet the State of New Jersey Public Law 1992 (Chapter 160) charity care criteria. Charity care is provided without charge or at amounts less than its established charges. The Health System maintains records to identify and monitor the level of charity care it provides. The cost of services provided and supplies furnished under its charity care policy is estimated using internal cost data and is calculated based on the Health System's cost accounting system. The total direct and indirect amount of charity care provided, determined on the basis of cost, was \$35,082 and \$25,067 for the years ended December 31, 2024 and 2023, respectively.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Charity Care and State Subsidies (continued)

The Health System's patient acceptance policy is based upon its mission statement and its charitable purposes. Accordingly, the Health System accepts all patients regardless of their ability to pay. This policy results in the Health System's assumption of significant patient receivable credit risks. For patients who were determined by the Health System to have the ability to pay but did not, the expected uncollected amounts are classified as an implicit price concession which directly reduces net patient service revenue. Distinguishing between charity care and implicit price concessions is difficult, in part because services are often rendered prior to the Health System's full evaluation of the patient's ability to pay.

Chapter 160 established the Charity Care Subsidy Fund to provide a mechanism and funding source to compensate certain hospitals for charity care and other services. These amounts are subject to change from year to year based on available state budget amounts and allocation methodologies. Commencing July 1, 2024, DMAHS redirected the Charity Care Subsidy towards a new Medicaid Outpatient Hospital Supplemental State-Directed Payment Program. Under the new program, hospitals receive quarterly payments through Medicaid managed care organizations.

Effective July 1, 2021, the State implemented the Quality Improvement Program-New Jersey (QIP-NJ). QIP-NJ is available to certain participating hospitals to establish performance improvement activities of certain metrics until individual targets align with statewide goals.

The Health System recorded the following amounts from these sources as net patient service revenue:

	Year Ended December 31	
	2024	2023
Charity Care Subsidy Fund	\$ 13,292	\$ 19,533
Quality Improvement Program	9,696	11,732
Medicaid Outpatient Hospital Supplemental	14,503	—
	<u>\$ 37,491</u>	<u>\$ 31,265</u>

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity

The composition of assets limited as to use, primarily at fair value, is as follows:

	December 31	
	2024	2023
Internally designated by Board of Trustees:		
Cash and cash equivalents	\$ 10,236	\$ 17,386
U.S. equity securities	130,755	103,043
U.S. Treasury securities	169,469	124,494
Mutual funds	17,384	7,722
Governmental asset-backed securities	9,232	—
Investment fund-redeemed, at exit value	375	300
Corporate bonds	196,513	119,936
Less assets held for Cape Regional line of credit, reported within current portion (<i>Note 8</i>)	(17,005)	—
	<u>\$ 516,959</u>	<u>\$ 372,881</u>
Externally designated for donor purposes:		
Cash and cash equivalents	\$ 2,138	\$ 2,736
U.S. equity securities	2,715	22,908
U.S. Treasury securities	36,224	10,137
Mutual funds	28,740	23,162
Governmental asset-backed securities	1,964	1,695
Corporate bonds	12,016	11,905
	<u>\$ 83,797</u>	<u>\$ 72,543</u>

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

	December 31	
	2024	2023
Externally designated under debt agreements:		
Cash and cash equivalents	\$ —	\$ 6,540
Less current portion	—	6,540
	<u>\$ —</u>	<u>\$ —</u>
Assets held under debt agreements are maintained for the following purposes:		
Debt service interest funds	\$ —	\$ 152
Debt service principal funds	—	6,373
Debt service reserve funds	—	15
	<u>\$ —</u>	<u>\$ 6,540</u>
Externally designated – capital grant purposes:		
Cash equivalents	\$ 29,641	\$ 879
U.S. Treasury securities	—	43,980
	<u>\$ 29,641</u>	<u>\$ 44,859</u>
Designated under self-insurance programs:		
Cash and cash equivalents	\$ 156	\$ 298
U.S. equity securities	292	93
U.S. Treasury securities	998	683
Mutual funds	1,001	1,333
Corporate bonds	740	2,478
	<u>3,187</u>	<u>4,885</u>
Less current portion	(855)	(846)
	<u>\$ 2,332</u>	<u>\$ 4,039</u>

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

Investment return and net change in unrealized gains and losses are comprised of the following:

	Year Ended December 31	
	2024	2023
Nonoperating gains and (losses):		
Interest and dividend income	\$ 59,637	\$ 45,027
Net realized gains (losses) on sales of securities	1,873	(3,584)
Investment income	61,510	41,443
Net change in unrealized gains and losses on equities and trading securities	27,267	59,798
Investment return included in non-operating gains and (losses)	88,777	101,241
Net change in unrealized gains and losses on other-than-trading fixed income securities	839	905
Total investment return	\$ 89,616	\$ 102,146

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

Liquidity Resources

The table below presents financial assets and liquidity resources available for general expenditures within one year:

	December 31	
	2024	2023
Financial assets available as reported on the accompanying balance sheets:		
Cash and cash equivalents	\$ 906,451	\$ 846,608
Patient accounts receivable, net	233,194	189,224
Other current assets	–	28,249
Current portion of assets limited to use	17,860	7,386
Assets limited as to use, net of current portion	632,729	494,322
Total financial assets available	1,790,234	1,565,789
Less amounts not available to be used within one year for general expenditures:		
Assets limited as to use:		
Assets held for Cape Regional line of credit	17,005	–
Externally designated for donor purposes	83,797	72,543
Externally designated under debt agreements	–	6,540
Externally designated – capital grant purposes	29,641	44,859
Designated under self-insurance programs	3,187	4,885
Financial assets available and liquid to meet general expenditures within one year	<u>\$ 1,656,604</u>	<u>\$ 1,436,962</u>

The Health System has certain Board designated assets limited to use which are available for general expenditure. The Health System has other assets limited to use for donor-restricted purposes, debt agreements, capital grants and self-insurance programs. As part of the Health System's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Assets which are not available for general expenditure within one year in the normal course of operations are excluded from the total liquidity balance in the table above. Additionally, the Health System maintains lines of credit currently totaling \$166,000, as described in Note 8. As of December 31, 2024 and 2023, there was approximately \$58,000 and \$41,000 outstanding on the lines of credit, respectively.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

Fair Value

The fair value framework establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include Level 1 – defined as observable inputs such as quoted prices in active markets; Level 2 – defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 – defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

In determining fair value, the Health System uses the market approach. This approach utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Health System included the redemption value of an investment fund totaling \$375 and \$300 at December 31, 2024 and 2023, respectively, in its assets limited as to use. This asset is excluded from the fair value table below.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Assets Limited as to Use, Investment Income, and Liquidity (continued)

The following table presents the fair value hierarchy for the Health System's financial assets measured at fair value on a recurring basis which include cash and cash equivalents, assets limited as to use, and the mark-to-market position of interest rate swap arrangements:

	Total	Level 1	Level 2	Level 3
December 31, 2024				
Cash and cash equivalents	\$ 948,622	\$ 948,622	\$ —	\$ —
U.S. equity securities	133,762	133,762	—	—
Mutual funds	47,125	45,730	1,395	—
U.S. Treasury securities	206,691	206,691	—	—
Governmental asset-backed securities	11,196	—	11,196	—
Corporate bonds	209,269	—	209,269	—
Interest rate swaps	12,591	—	12,591	—
Total assets measured at fair value	<u>\$ 1,569,256</u>	<u>\$ 1,334,805</u>	<u>\$ 234,451</u>	<u>\$ —</u>
	Total	Level 1	Level 2	Level 3
December 31, 2023				
Cash and cash equivalents	\$ 874,447	\$ 874,447	\$ —	\$ —
U.S. equity securities	126,044	126,044	—	—
Mutual funds	32,217	32,217	—	—
U.S. Treasury securities	179,294	179,294	—	—
Governmental asset-backed securities	1,695	—	1,695	—
Corporate bonds	134,319	—	134,319	—
Interest rate swaps	11,522	—	11,522	—
Total assets measured at fair value	<u>\$ 1,359,538</u>	<u>\$ 1,212,002</u>	<u>\$ 147,536</u>	<u>\$ —</u>

The Health System determines the estimated fair value for its Level 1 securities using quoted (unadjusted) prices for identical assets in active markets.

The Health System determines the estimated fair value for its Level 2 securities using the following methods: quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets in non-active markets (few transactions, limited information, noncurrent prices, high variability over time), inputs other than quoted prices that are observable for the asset/liability (e.g., interest rates, yield curves, default rates), and inputs that are derived principally from or corroborated by other observable market data.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Property, Plant, and Equipment

	December 31 2024	2023	Depreciable Life
Land	\$ 19,509	\$ 12,253	
Land improvements	1,463	1,478	5–25 years
Buildings and building improvements	953,628	873,862	10–40 years
Fixed equipment	102,604	100,832	10–20 years
Major movable equipment	683,129	631,094	5–20 years
	<u>1,760,333</u>	<u>1,619,519</u>	
Less accumulated depreciation	(971,355)	(897,167)	
	<u>788,978</u>	<u>722,352</u>	
Construction-in-progress	162,803	95,801	
	<u>\$ 951,781</u>	<u>\$ 818,153</u>	

Depreciation expense, which includes amortization of assets under finance leases, for the years ended December 31, 2024 and 2023 totaled \$74,763 and \$66,234, respectively. Property, plant, and equipment, net included \$885 and \$765 of assets held under finance leases at December 31, 2024 and 2023, respectively.

The Health System is in the process of constructing several significant capital projects totaling approximately \$642,000, which represents a portion of a broader capital plan. The expected cost of projects that have contractual commitments is approximately \$233,120; unrecorded commitments for these projects total approximately \$205,000.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Leases

The Health System leases certain property and equipment under finance and operating leases. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than a year the Health System records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The Health System's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the Health System is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Health System has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The Health System does not account for the nonlease components together with the related lease components when determining the right-of-use assets and liabilities, except for medical equipment. The Health System does not record leases with an initial term of less than a year as right-of-use assets and liabilities.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Leases (continued)

The following schedules summarize information related to the lease assets and liabilities as of and for the year ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	\$ 1,474	\$ 885
Interest on lease liabilities	909	1,125
Operating lease cost	20,971	20,617
Short-term lease cost	12,747	15,703
Total lease cost	<u>\$ 36,101</u>	<u>\$ 38,330</u>
Right-of-use assets and liabilities:		
Right-of-use assets – finance leases	\$ 765	\$ 885
Lease liability – finance leases	4,141	4,569
Right-of-use assets – operating leases	107,298	71,056
Lease liability – operating leases	109,032	72,160
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 888	\$ 1,125
Operating cash flows from operating leases	20,010	20,353
Financing cash flows from finance leases	1,509	976
Right-of-use assets obtained in exchange for new operating lease liabilities	53,972	9,501
Weighted average remaining lease term – finance leases	5.00	6.00
Weighted average remaining lease term – operating leases	11.81	14.05
Weighted average discount rate – finance leases	1.53%	1.53%
Weighted average discount rate – operating leases	2.84%	2.14%

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Leases (continued)

For finance leases, right-of-use assets are recorded in property, buildings and equipment and lease liabilities are recorded in long-term debt in the accompanying consolidated balance sheets. For operating leases, right-of-use assets are recorded in operating lease assets, net and lease liabilities are recorded in operating lease liability, current and noncurrent in the accompanying consolidated balance sheets.

The following table reconciles the undiscounted lease payments to the lease liabilities recorded on the accompanying consolidated balance sheet at December 31, 2024:

	Finance Leases	Operating Leases
2025	\$ 1,691	\$ 21,805
2026	1,317	20,057
2027	1,125	11,950
2028	1,112	10,808
2029	1,112	8,965
Thereafter	—	57,820
Total lease payments	6,357	131,405
Less imputed interest	(2,216)	(22,373)
Total lease obligation	4,141	109,032
Less current portion	(680)	(17,527)
Long-term portion	\$ 3,461	\$ 91,505

On April 12, 2006, the Health System executed an agreement to lease ground owned by the Health System to the Camden County Improvement Authority (CCIA), upon which a parking facility was constructed. The parking facility was financed and constructed and is operated by the CCIA. Upon completion of construction in 2007, the Health System leased from the CCIA approximately 57% of the total parking spaces in the facility pursuant to a parking license agreement that was also executed on April 12, 2006 (the right-of-use asset and liability are reflected in the amounts above). Under the ground lease, the Health System receives base rent of \$100 annually over the term of the lease and may receive additional variable rent based upon the operations of the garage. During the initial term of 15 years and renewal terms of one eight-year renewal, followed by four five-year renewals, the Health System's parking license fee agreement increased annually 3% during the first 5 years and increases 1.5% annually thereafter.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt and Lines of Credit

	December 31	
	2024	2023
CHS: 2008A New Jersey Economic Development Authority (NJEDA) Variable Rate Demand Revenue Bonds, with principal payments ranging from \$1,800 to \$13,500 due annually beginning on November 1, 2033 through 2038, with monthly interest payments adjusted to a weekly rate determined by the remarketing agent, not to exceed 12% (3.65% and 3.25% at December 31, 2024 and 2023, respectively)	\$ 50,000	\$ 50,000
CHS: 2014A Camden County Improvement Authority (CCIA) Revenue Bonds; the bonds were refinanced in 2023 as further described below, with the final outstanding balance paid in February 2024	—	6,830
CHS: 2023A CCIA Variable Rate Direct Purchase Bonds with principal payments ranging from \$1,560 to \$15,204 due annually from 2034 to 2042, with an interest rate of 1-Month Adjusted SOFR plus 0.73% (4.49% and 5.02% at December 31, 2024 and 2023, respectively) due February 1 and August 1 of each year	55,730	55,730
CHS: 2023B CCIA Fixed Rate Direct Purchase Bonds with 5.42% interest and 4.28% after November 17, 2023, with principal payments ranging from \$2,905 to \$10,930 due February 1 and August 1 of each year beginning in 2025 to 2035	90,480	90,480
CHS: Equipment loan, due in 2028	1,418	1,837
CHS: \$8,849 finance lease, with principal and interest payments due monthly through 2029	3,356	4,569
CHS: NJEDA 20-year loan, with 2% interest	7,653	8,023
CHS: Equipment loan, due in 2030	1,100	1,350
CHS: Mortgage loan due in monthly installments of \$220, including interest at 3.04%, through October 1, 2041	34,658	36,202

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt and Lines of Credit (continued)

	December 31	
	2024	2023
Cape Regional: Mortgage payable secured by certain Cape Regional property, maturing January 2036 with an interest rate reset every 5-years. Principal and interest at 2.43% are paid monthly	\$ 3,017	\$ —
Cape Regional: Finance leases, with principal and interest payments due monthly through 2027	785	—
	248,197	255,021
Less current portion	10,700	10,538
Less deferred financing costs	2,040	2,192
Long-term debt, net of current portion	\$ 235,457	\$ 242,291

In August 2023, CHS borrowed \$55,730 under a loan agreement from the sale of Healthcare Redevelopment Project Revenue Refunding Bonds (The Cooper Health System Obligated Group) Series 2023A, issued by the CCIA. The net proceeds were used to refund the previously outstanding Series 2013A Bonds and pay bond issuance costs. For purposes of long-term debt issuances, the “Obligated Group” represents CHS only, exclusive of its controlled affiliates and subsidiaries.

Additionally, in August 2023, CHS borrowed \$90,480 under a loan agreement from the sale of Healthcare Redevelopment Project Revenue Refunding Bonds (The Cooper Health System Obligated Group) Series 2023B, issued by the CCIA. The net proceeds were used to refund substantially all of the outstanding Series 2014A Bonds and pay bond issuance costs. The balance remaining on the Series 2014A Bonds was fully repaid in February 2024.

CHS paid financing costs of approximately \$1,560 in connection with issuance of the Series 2023A and 2023B Bonds in 2023. Unamortized deferred financing costs totaling \$1,385 related to the refinanced Series 2013A and 2014A Bonds were written off in 2023. A net gain on extinguishment of debt of approximately \$5,004 was recognized in 2023 resulting from the write-off of unamortized financing costs and original issue premium and discount.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt and Lines of Credit (continued)

As part of 2023 refinancing, CHS's master trust indenture (MTI) was amended and restated. Under the MTI, related obligations are secured by a pledge of gross receipts of the Obligated Group. Additionally, CHS must comply with certain covenants applicable to its outstanding debt, including requirements as to the permitted level of indebtedness, restrictions on the sale of certain assets, mergers, and other significant transactions, and a requirement that CHS maintain a debt service coverage ratio (as defined in the MTI). As of December 31, 2024 and 2023, CHS has complied with the applicable financial covenants.

The Series 2008A Bonds are credit-enhanced by a letter of credit agreement from a bank, which expires on January 28, 2030, with renewal options as defined in the agreement. In addition, the 2008A Revenue Bonds letter of credit agreement requires CHS to maintain minimum days cash on-hand, as defined. As of December 31, 2024 and 2023, CHS has complied with the applicable financial covenants.

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

2025	\$ 10,700
2026	10,869
2027	11,195
2028	11,599
2029	11,974
Thereafter	191,860
	<u>\$ 248,197</u>

Lines of Credit

CHS had a revolving line of credit for \$5,000 with a bank through December 31, 2024 which was not renewed. At December 31, 2024 and 2023, there were no amounts outstanding under this line of credit.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt and Lines of Credit (continued)

CHS has a revolving line of credit for \$125,000 with a bank at December 31, 2024 and 2023. The agreement provides for interest at 1-Month SOFR plus 81.45 basis points. The line of credit has a two-year term ending January 28, 2028. The line of credit includes financial covenants requiring a debt service coverage ratio of at least 1.25, a current ratio of at least 1.50, and at least 60 days cash on hand. To secure the line of credit, CHS is granting to the bank a parity pledge under the MTI secured by the parity gross receipts of CHS. At December 31, 2024 and 2023, there was \$41,000 drawn and outstanding on the line of credit.

Cape Regional has a \$41,000 revolving line of credit with a financial institution, which has no expiration. All amounts outstanding are due on demand and are collateralized by a portion of assets limited as to use, which are held by the same financial institution. The fair value of the collateral assets totaled \$17,005 at December 31, 2024. The borrowings on the revolving line of credit are broken down into tranches which can be restructured with the financial institution. The outstanding balance consists of fixed rate tranches that have agreed-upon due dates ranging from April 2025 to February 2030, with prepayment penalties as defined in the agreement. Fixed interest ranges from 3.03% to 4.57% on the outstanding tranches and is due monthly. At December 31, 2024, there was \$17,005 drawn and outstanding on the line of credit.

Interest Rate Swap Agreements

Under the swap agreements for the Series 2008A Bonds, CHS pays interest at fixed rates and receives interest at variable rates. The swap agreement for the Series 2023A Bonds consists of a forward-starting SIFMA-based floating to fixed interest rate swap; CHS pays interest at fixed rates and receives interest at variable rates. The following schedule outlines the terms and fair values of the interest rate swap agreements that are included on the accompanying consolidated financial statements:

Notional amount at December 31, 2024	\$ 25,000	\$ 25,000	\$ 55,755
Effective date	March 23, 2009	March 9, 2009	November 27, 2019
Termination date	November 1, 2029	November 1, 2029	February 15, 2042
Fixed rate	2.577%	2.428%	1.627%
Variable rate basis	3-month USD-SOFR-BBA	3-month USD-SOFR-BBA	SIFMA
Fair value at December 31, 2024	\$ 435	\$ 596	\$ 11,561
Fair value at December 31, 2023	\$ 1,363	\$ 1,551	\$ 8,608
Change in fair value for the year ended December 31, 2024	\$ (928)	\$ (955)	\$ 2,952

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans

Defined Contribution Plans

The Health System sponsors several defined contribution retirement plans, including a noncontributory defined contribution retirement plan covering all CHS collective bargaining and non-bargaining employees. Employer contributions to the defined contribution plans are based on formulas as defined in each plan document. Costs related to the defined contribution plans charged to expense were \$25,110 and \$21,294 for the years ended December 31, 2024 and 2023, respectively.

Defined Benefit Plan

The Health System maintained a frozen noncontributory defined benefit pension plan (the CHS Plan) which covered all employees who met certain criteria. The Health System terminated the CHS Plan effective December 31, 2022. During 2023, the plan assets were distributed by lump sum payments to eligible participants and annuity placements to a commercial insurer; the commercial insurer retains the future benefit obligation for those participants. The total settlement loss for the termination of the CHS Plan was \$24,299 and is included as a component of 2023 net periodic benefit cost.

Cape Regional maintains a noncontributory defined benefit pension plan (“Cape Pension Plan”) covering employees who began employment prior to January 1, 2008 and who met prescribed eligibility requirements. The Cape Pension Plan used a June 30th measurement date at the Acquisition Date. The Cape Pension Plan was frozen effective March 31, 2014.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The following tables summarize information about the defined benefit pension plans, including the CHS Plan through December 31, 2023 and the Cape Pension Plan effective July 1, 2024:

	December 31	
	2024	2023
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ —	\$ 101,354
Benefit obligation assumed in acquisition	72,471	
Interest cost	1,936	4,491
Actuarial gain	(864)	(3,833)
Benefits paid	(2,325)	(5,419)
Plan settlements	—	(96,593)
Projected benefit obligation, end of year	<u>\$ 71,218</u>	<u>\$ —</u>
Accumulated benefit obligation	<u>\$ 71,218</u>	<u>\$ —</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ —	\$ 99,821
Plan assets assumed in acquisition	63,741	
Actual return on plan assets, net of expenses	2,330	(3,530)
Employer contribution to plan	1,715	5,721
Benefits paid	(2,325)	(5,419)
Fees and premiums	(725)	—
Plan settlements	—	(96,593)
Fair value of plan assets at end of year	<u>\$ 64,736</u>	<u>\$ —</u>
Funded status at year-end – recognized on the consolidated balance sheets as accrued retirement benefits	<u>\$ (6,482)</u>	<u>\$ —</u>

Actuarial gain in the projected benefit obligation was primarily the result of changes in the discount rate.

The accumulated amounts recorded in net assets without donor restrictions consist of net unrecognized gain totaling approximately \$589 at December 31, 2024 (none at December 31, 2023).

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

	2024	2023
Components of net periodic benefit cost		
Net periodic benefit cost:		
Interest cost	\$ 1,936	\$ 4,491
Expected return on plan assets	(1,880)	(2,090)
Recognized actuarial loss	—	2,306
Settlement charge	—	24,299
	<u>\$ 56</u>	<u>\$ 29,006</u>

Assumptions

Weighted average assumptions used to determine benefit obligations at December 31:

Discount rate*	5.64%	N/A
Rate of compensation increase	N/A	N/A

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

Discount rate	5.51%	5.43%
Expected long-term return on plan assets	6.00%	4.60%
Rate of compensation increase	N/A	N/A

* The Cape Pension Plan benefit obligation was measured effective July 1, 2024 using a discount rate of 5.51%.

To develop the expected long-term rate of return on assets assumption, the Health System considered the historical returns and the future expectations for returns for each asset class, as well as the target allocation of the pension portfolio. This resulted in the selection of the 6.00% (applicable to the Cape Pension Plan) and 4.60% (applicable to the CHS Plan) long-term rate of return on assets assumptions used in 2024 and 2023, respectively. The mortality table used for projecting the benefit obligation is the Pri-2012 private plans mortality tables projected with the mortality improvement scale MP-2021 for the period ended December 31, 2024.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The target and actual asset allocations for the Cape Pension Plan are as follows:

	Target	December 31 2024
Plan assets		
Weighted average asset allocations, by asset category:		
Equity securities	40-60%	38%
Debt securities	40-60	36
Other	0-20	26
		<u>100%</u>

The fair values of each major category of plan assets, according to the level within the fair value hierarchy in which the fair value measurements fall in their entirety, are as follows at December 31, 2024:

	Total	Level 1	Level 2	Level 3
Fixed income securities ¹	\$ 23,152	\$ –	\$ 23,152	\$ –
Equity securities ²	27,903	27,903	–	–
	<u>51,055</u>	<u>\$ 27,903</u>	<u>\$ 23,152</u>	<u>\$ –</u>
Alternative investments at net asset value ³	13,681			
Total	<u>\$ 64,736</u>			

¹ Fixed income securities are comprised of investment grade bonds of U.S. issuers from various industries.

² Equity Securities are comprised of mutual funds investing in at least 90% of assets in common stock of companies with large market capitalizations similar to companies in the Standard & Poor's 500 Index.

³ Alternative investments are comprised of an opportunity investment, made up of various strategy funds, including relative value investments, discretionary global macro-funds, managed futures, structured products and direct lending, and a core property real estate investment fund.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

Assets invested for the Cape Pension Plan are carried at fair value. Fixed income and equity securities with readily determinable values are carried at fair value as determined based on independent published sources or quoted prices for identical or similar assets in non-active markets. Alternative investments are stated at fair value, as estimated in an unquoted market. Fair value for alternative investments is determined for each investment using net asset value as a practical expedient, as permitted by GAAP, rather than using another valuation method to independently estimate fair value.

10. Self-Insured Reserves

CHS self-insures the primary layer of its employee health benefits, professional malpractice, general, and workers' compensation liabilities. Recorded liabilities for the self-insured reserves and other related liabilities are as follows:

	December 31	
	2024	2023
Employee health benefits	\$ 6,000	\$ 4,373
Workers' compensation	10,698	9,174
Professional and general liability	138,854	123,480
	155,552	137,027
Less current portion of self-insured reserves	44,005	33,092
	\$ 111,547	\$ 103,935

The employee health insurance program is administered through a commercial insurance company. The plan provides for covered expenses in any accredited hospital and by any licensed physician. The lifetime plan maximum per person is \$1,000.

CHS provides coverage for all employees for work-related injuries and illnesses. This plan pays for medical expenses and reimburses 70% of lost wages up to the state-defined maximum. Stop-loss coverage is provided at various levels depending upon the circumstances surrounding the injury or illness.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Self-Insured Reserves (continued)

For professional malpractice claims reported after January 1, 2005, CHS is self-insured. The self-insurance retention as of December 31, 2024 for medical malpractice was \$12,000 per occurrence. Claims in excess of this retained amount are covered by commercial claims-made insurance policies to \$50,000. Claims prior to January 1, 2005 were covered by various programs combining a self-insured captive insurance company and commercial claims-made insurance policies. The estimated liability for all unreported claims as of December 31, 2024, and retained uninsured risk for all prior years is included in the self-insured reserves.

The estimated losses on self-insured malpractice claims are discounted at a rate of 3.5% and 1.5% at December 31, 2024 and 2023, respectively. Professional liabilities are discounted based on the expected timing of the actuarially estimated future payments under the program using an interest rate expected to be earned on related invested assets during such future periods. Such estimates are reviewed and updated on an annual basis.

CHS is also self-insured for general liability coverage with a self-insured general liability retention of \$1,000 per occurrence with a buffer layer of \$2,000 per occurrence and \$4,000 aggregate. Claims in excess of this retained amount are covered by commercial claims made insurance policies to \$50,000.

Cape Regional maintains commercial claims-made coverage and has recorded a liability totaling \$1,629 at December 31, 2024 for estimated losses from known medical malpractice claims as well as incurred but not reported claims. Insurance recoveries associated with the reported claims totaled approximately \$829 for the year ended December 31, 2024 and are included in other assets in the consolidated balance sheet.

The estimates for self-insured reserves are based upon complex actuarial calculations which utilize factors such as historical claim experience for the Health System and related industry factors, trending models, estimates for the payment and loss development patterns of future claims, and present value discounting factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Commitments and Contingencies

At December 31, 2024, approximately 18% of the Health System's employees are covered by collective-bargaining agreements. Approximately, 5% of the Health System's employees are covered by a collective-bargaining agreement expiring in less than a year.

Litigation Claims and Settlements

The Health System is involved in litigation and claims which are not considered unusual to the Health System's business. The final outcome of any current or future litigation or governmental or internal investigations cannot be accurately predicted at this time, nor can the Health System predict any resulting penalties, fines, or other sanctions that may be imposed at the discretion of federal or state regulatory authorities. The Health System records accruals for such contingencies to the extent that it concludes it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. While management is not currently aware of any issues which have not been accrued at December 31, 2024, it is possible that the outcome of such matters could potentially have a material adverse impact on the Health System's future results of operations, financial position, and cash flows.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

	December 31	
	2024	2023
Purpose – various funds for the benefit of the departments, programs, or educational programs of the Health System	\$ 55,779	\$ 50,740
Time restricted – pledges	441	441
Permanent endowments – to be maintained in perpetuity	3,772	3,218
Total net assets with donor restrictions	<u>\$ 59,992</u>	<u>\$ 54,399</u>

The Health System follows the requirements of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as they relate to its permanent endowments. The Health System's endowments consist of numerous individual funds established for a variety of purposes and consist solely of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

12. Net Assets With Donor Restrictions (continued)

The Health System has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The original value of such gifts and subsequent gifts are classified as net assets with donor restrictions – permanent endowment. Accumulated earnings of the permanent endowment are to be used in accordance with the direction of the applicable donor gift. The remaining portion of the endowment fund that is not required to be maintained in perpetuity is characterized as restricted for time or purpose until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowments to be maintained in perpetuity consist of the following:

	December 31	
	2024	2023
Women's Board	\$ 1,035	\$ 1,034
Edward Viner fund	1,000	505
Radiology	501	501
Lummis Trust	286	286
Nursing education	171	171
Cleft Palate program	107	107
Lippincott	61	61
Nispel Estate	16	16
Physical teaching and excellence award	13	13
Other	582	524
Total endowments	<u>\$ 3,772</u>	<u>\$ 3,218</u>

The investment income earned on the above endowments is to be used to support patient care services, with the exception of the Nispel Estate, Lippincott and the Lummis Trust, for which the investment income is without restrictions.

The Health System has adopted investment policies for its endowment assets that are consistent with the policies and objectives of its overall investments. The assets are invested in a manner that is intended to produce a positive rate of return while assuming a low level of risk.

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

12. Net Assets With Donor Restrictions (continued)

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	Year Ended December 31	
	2024	2023
Purpose:		
Various funds for the benefit of the departments, programs, or educational programs of the Health System	\$ 8,142	\$ 2,381
	<u>\$ 8,142</u>	<u>\$ 2,381</u>

13. Other Revenue

Other revenue consists of the following:

	Year Ended December 31	
	2024	2023
FEMA Disaster Relief Fund grant	\$ —	\$ 15,000
Other grant revenue	29,743	25,518
Medical school support	4,400	9,085
Food services	8,239	7,386
Centers for population health	22,860	11,399
Retail pharmacy cost sharing	23,303	21,420
Physician services	43,063	24,857
Emergency/air transport	8,332	8,538
Net assets released from restrictions for operating purposes	8,142	2,381
Other	18,099	17,747
	<u>\$ 166,181</u>	<u>\$ 143,331</u>

The Cooper Health System

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Other Revenue (continued)

The Health System received approximately \$18,993 and \$15,329 in government grants which include conditions and restrictions which were not satisfied as of December 31, 2024 and 2023, respectively, and such amounts are reported within deferred revenue on the accompanying consolidated balance sheets. Within the 2024 and 2023 amounts, the majority relates to the New Jersey Emergency Preparedness Grant, a multiyear project for which the Health System is expected to receive an additional \$17,500 from the State and \$0 from Camden County in funding for a total grant award of \$167,500 from the State and \$25,000 from the County.

14. Functional Expenses

The Health System provides general health care services to residents within its service area. The accompanying consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Costs not directly attributable to a function are allocated on a functional basis using the Health System's internal records and estimates. Expenses by function and natural classification are as follows:

	Health Care Services	Physician Services	General and Administrative	Total
Year ended December 31, 2024				
Salaries, wage, and fringe benefits	\$ 540,996	\$ 695,994	\$ 271,370	\$ 1,508,360
Supplies and other	524,460	88,108	172,267	784,835
Malpractice	—	18,966	20,444	39,410
Depreciation and amortization	—	5,136	69,779	74,915
Interest	—	—	13,221	13,221
	<u>\$ 1,065,456</u>	<u>\$ 808,204</u>	<u>\$ 547,081</u>	<u>\$ 2,420,741</u>
	Health Care Services	Physician Services	General and Administrative	Total
Year ended December 31, 2023				
Salaries, wage, and fringe benefits	\$ 456,826	\$ 586,938	\$ 232,613	\$ 1,276,377
Supplies and other	453,574	79,749	138,036	671,359
Malpractice	—	17,055	19,950	37,005
Depreciation and amortization	—	2,960	62,790	65,750
Interest	—	—	10,248	10,248
	<u>\$ 910,400</u>	<u>\$ 686,702</u>	<u>\$ 463,637</u>	<u>\$ 2,060,739</u>

The Cooper Health System

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

15. Subsequent Events

The Health System has evaluated subsequent events through April 28, 2025, the date when the accompanying consolidated financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

Supplementary Information

The Cooper Health System

Consolidating Balance Sheet
(In Thousands)

December 31, 2024

The Cooper Health System Obligated Group													
	The Cooper Health System	The Cooper Cancer Center	Eliminating Entries	The Cooper Health System Obligated Group	The Cooper Foundation	C&H Collection Services	Cooper HealthCare Services, Inc.	Cooper Medical Services, Inc.	All Care Health Alliance, LLC	Benson Investments, LLC	Cooper University Health Cape Regional, Inc.	Eliminating Entries	The Cooper Health System Consolidated
Assets													
Current assets:													
Cash and cash equivalents	\$ 874,864	\$ –	\$ –	\$ 874,864	\$ 12,744	\$ –	\$ –	\$ 18,183	\$ 1	\$ –	\$ 659	\$ –	\$ 906,451
Current portion of assets limited as to use	855	–	–	855	–	–	–	–	–	–	17,005	–	17,860
Patient accounts receivable, net	216,265	–	–	216,265	–	–	–	–	–	–	16,929	–	233,194
Prepaid expenses and other current assets	115,670	–	–	115,670	–	48	–	412	–	–	8,806	(922)	124,014
Due from affiliates	–	32,360	(32,360)	–	–	338	–	23,904	3,609	148	–	(27,999)	–
Total current assets	1,207,654	32,360	(32,360)	1,207,654	12,744	386	–	42,499	3,610	148	43,399	(28,921)	1,281,519
Assets limited as to use:													
Internally designated by Board of Trustees	508,983	–	–	508,983	–	–	–	–	–	–	7,976	–	516,959
Externally designated for donor purposes	–	–	–	–	83,797	–	–	–	–	–	–	–	83,797
Externally designated – capital grant purposes	29,641	–	–	29,641	–	–	–	–	–	–	–	–	29,641
Designated under self-insurance programs, net of current portion	2,332	–	–	2,332	–	–	–	–	–	–	–	–	2,332
Assets limited as to use, net of current portion	540,956	–	–	540,956	83,797	–	–	–	–	–	7,976	–	632,729
Property, plant, and equipment, net	862,515	–	–	862,515	–	–	–	11,284	–	2,542	75,440	–	951,781
Operating lease assets, net	106,275	–	–	106,275	–	–	–	–	–	–	1,023	–	107,298
Other assets, net	12,858	–	–	12,858	478	22	14,619	2,318	–	–	4,054	–	34,349
Due from affiliates	–	–	–	–	–	–	–	31,422	–	–	–	(31,422)	–
Total assets	\$ 2,730,258	\$ 32,360	\$ (32,360)	\$ 2,730,258	\$ 97,019	\$ 408	\$ 14,619	\$ 87,523	\$ 3,610	\$ 2,690	\$ 131,892	\$ (60,343)	\$ 3,007,676
Liabilities and net assets													
Current liabilities:													
Accounts payable	\$ 60,167	\$ –	\$ –	\$ 60,167	\$ 3	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 3,472	\$ –	\$ 63,642
Accrued expenses	251,637	–	–	251,637	–	–	–	597	–	–	14,663	–	266,897
Current portion of estimated settlements due to third-party payers	10,567	–	–	10,567	–	–	–	–	–	–	942	–	11,509
Current portion of self-insured reserves	43,105	–	–	43,105	–	–	–	–	–	–	900	–	44,005
Current portion of long-term debt	8,374	–	–	8,374	–	–	–	1,537	–	–	789	–	10,700
Current portion of operating lease liability	17,224	–	–	17,224	–	–	–	–	–	–	303	–	17,527
Line of credit advances	41,000	–	–	41,000	–	–	–	–	–	–	17,005	–	58,005
Due to affiliates	–	–	–	–	4,949	–	11,411	–	–	48	–	(16,408)	–
Total current liabilities	432,074	–	–	432,074	4,952	–	11,411	2,134	–	48	38,074	(16,408)	472,285
Estimated settlements due to third-party payers, net of current portion	60,477	–	–	60,477	–	–	–	–	–	–	–	–	60,477
Accrued retirement benefits	–	–	–	–	–	–	–	–	–	–	6,482	–	6,482
Self-insured reserves, net of current portion	110,220	–	–	110,220	–	–	–	–	–	–	1,327	–	111,547
Long-term debt, net of current portion	199,374	–	–	199,374	–	–	–	33,070	–	–	3,013	–	235,457
Operating lease liability, net of current portion	90,767	–	–	90,767	–	–	–	–	–	–	738	–	91,505
Deferred revenue and other liabilities	112,533	–	–	112,533	–	–	–	–	–	–	–	(31,699)	80,834
Due to affiliates	32,356	4	(32,360)	–	1,156	–	393	3,588	3,608	2,569	922	(12,236)	–
Total liabilities	1,037,801	4	(32,360)	1,005,445	6,108	–	11,804	38,792	3,608	2,617	50,556	(60,343)	1,058,587
Net assets:													
Without donor restrictions	1,692,018	32,356	–	1,724,374	31,978	408	2,815	48,731	2	73	80,716	–	1,889,097
With donor restrictions	439	–	–	439	58,933	–	–	–	–	–	620	–	59,992
Total net assets	1,692,457	32,356	–	1,724,813	90,911	408	2,815	48,731	2	73	81,336	–	1,949,089
Total liabilities and net assets	\$ 2,730,258	\$ 32,360	\$ (32,360)	\$ 2,730,258	\$ 97,019	\$ 408	\$ 14,619	\$ 87,523	\$ 3,610	\$ 2,690	\$ 131,892	\$ (60,343)	\$ 3,007,676

The Cooper Health System

Consolidating Statement of Operations and Changes in Net Assets
(In Thousands)

Year Ended December 31, 2024

	The Cooper Health System Obligated Group												
	The Cooper Health System	The Cooper Cancer Center	Eliminating Entries	The Cooper Health System Obligated Group	The Cooper Foundation	C&H Collection Services	Cooper HealthCare Services, Inc.	Cooper Medical Services, Inc.	All Care Health Alliance, LLC	Benson Investments, LLC	Cooper University Health Cape Regional, Inc.	Eliminating Entries	The Cooper Health System Consolidated
Net assets without donor restrictions													
Revenue:													
Net patient service revenue	\$ 2,275,446	\$ –	\$ –	\$ 2,275,446	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 79,041	\$ –	\$ 2,354,487
Other revenue	374,801	–	(215,172)	159,629	3,002	–	–	7,296	6,319	–	5,188	(15,253)	166,181
Total revenue	2,650,247	–	(215,172)	2,435,075	3,002	–	–	7,296	6,319	–	84,229	(15,253)	2,520,668
Expenses:													
Salaries, wages, and fringe benefits	1,450,226	–	–	1,450,226	–	–	–	–	–	–	58,134	–	1,508,360
Supplies and other	964,921	–	(215,172)	749,749	5,202	–	114	3,837	6,319	88	34,779	(15,253)	784,835
Malpractice	39,188	–	–	39,188	–	–	–	–	–	–	222	–	39,410
Depreciation and amortization	70,500	–	–	70,500	–	–	17	740	–	11	3,647	–	74,915
Interest	11,726	–	–	11,726	–	–	–	1,097	–	–	398	–	13,221
Total expenses	2,536,561	–	(215,172)	2,321,389	5,202	–	131	5,674	6,319	99	97,180	(15,253)	2,420,741
Operating income (loss)	113,686	–	–	113,686	(2,200)	–	(131)	1,622	–	(99)	(12,951)	–	99,927
Nonoperating gains and (losses):													
Investment income	56,279	–	–	56,279	1,827	–	–	930	–	–	2,474	–	61,510
Net change in unrealized gains and losses	20,357	–	–	20,357	8,013	–	–	–	–	–	(1,103)	–	27,267
Change in value of equity method investments	–	–	–	–	–	–	1,839	1,917	–	–	–	–	3,756
Net periodic pension cost and settlement charge	–	–	–	–	–	–	–	–	–	–	(56)	–	(56)
Change in fair value of interest rate swap agreements	1,069	–	–	1,069	–	–	–	–	–	–	–	–	1,069
Other gains and losses, net	(404)	–	–	(404)	–	–	–	–	–	–	1	–	(403)
Inherent contribution of net assets without donor restrictions received in the acquisition of Cape Regional Health System, Inc.	–	–	–	–	–	–	–	–	–	–	67,945	–	67,945
Excess (deficiency) of revenue over expenses	190,987	–	–	190,987	7,640	–	1,708	4,469	–	(99)	56,310	–	261,015
Other changes in net assets without donor restrictions:													
Change in pension benefit obligation	–	–	–	–	–	–	–	–	–	–	589	–	589
Contributions for capital acquisitions	51,635	–	–	51,635	–	–	–	–	–	201	4,634	–	56,470
Net change in unrealized gains and losses on fixed-income other-than-trading securities	839	–	–	839	–	–	–	–	–	–	–	–	839
Net asset transfers (to) from related parties	(19,183)	–	–	(19,183)	–	–	–	–	–	–	19,183	–	–
Increase in net assets without donor restrictions	224,278	–	–	224,278	7,640	–	1,708	4,469	–	102	80,716	–	318,913
Net assets with donor restrictions													
Contributions, gifts, and special events, net of fundraising expenses	–	–	–	–	6,506	–	–	–	–	–	2,695	–	9,201
Income from investments	–	–	–	–	721	–	–	–	–	–	(2)	–	719
Net realized and unrealized gains on investments	–	–	–	–	880	–	–	–	–	–	–	–	880
Inherent contribution of net assets with donor restrictions received in the acquisition of Cape Regional Health System, Inc.	–	–	–	–	–	–	–	–	–	–	2,935	–	2,935
Net assets released from restrictions for operating purposes	–	–	–	–	(3,134)	–	–	–	–	–	(5,008)	–	(8,142)
Increase in net assets with donor restrictions	–	–	–	–	4,973	–	–	–	–	–	620	–	5,593
Increase in net assets	224,278	–	–	224,278	12,613	–	1,708	4,469	–	102	81,336	–	324,506
Net assets, beginning of year	1,468,179	32,356	–	1,500,535	78,298	408	1,107	44,262	2	(29)	–	–	1,624,583
Net assets, end of year	\$ 1,692,457	\$ 32,356	\$ –	\$ 1,724,813	\$ 90,911	\$ 408	\$ 2,815	\$ 48,731	\$ 2	\$ 73	\$ 81,336	\$ –	\$ 1,949,089

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