

# **University of Pennsylvania Health System**

**Combined Financial Statements and Combining  
Supplementary Data  
June 30, 2024 and 2023**

# University of Pennsylvania Health System

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June 30, 2024 and 2023

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## **Report of Independent Auditors**

To the Trustees of University of Pennsylvania

### ***Opinion***

We have audited the accompanying combined financial statements of University of Pennsylvania Health System (the "Health System"), which comprise the combined balance sheets as of June 30, 2024 and 2023, and the related combined statements of operations, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "combined financial statements").

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Health System as of June 30, 2024 and 2023, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 the combined financial statements are issued.

### ***Auditors' Responsibilities for the Audit of the Combined Financial Statements***

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material



if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 combined 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.

### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying combined information as of and for the years ended June 30, 2024 and 2023 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the combined financial statements. The combining information is not intended to present, and we do not express an opinion on, the financial position, results of operations, changes in net assets and cash flows of the individual entities. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

Philadelphia, Pennsylvania  
September 26, 2024

**University of Pennsylvania Health System**  
**Combined Balance Sheets**  
**June 30, 2024 and 2023 (thousands of dollars)**

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 1,133,979	\$ 875,232
Patient receivables, net	1,223,255	1,028,058
Third party payer receivables	37,398	39,925
Assets held for sale	-	43,369
Other current assets	494,173	426,289
Total current assets	<u>2,888,805</u>	<u>2,412,873</u>
Assets whose use is limited		
Held by trustees	194,157	168,328
RRG\Captive	198,270	201,327
Designated	4,143,174	3,871,739
Donor-restricted investments	883,041	850,670
	<u>5,418,642</u>	<u>5,092,064</u>
Investments	149,213	125,393
Property and equipment, net	5,947,846	5,915,043
Other assets	764,894	784,261
Total assets	<u>\$ 15,169,400</u>	<u>\$ 14,329,634</u>
<b>Liabilities and Net Assets</b>		
Current		
Accounts payable	\$ 404,888	\$ 291,157
Accrued expenses	1,105,008	951,171
Current portion of long-term debt	64,120	66,762
Due to the University of Pennsylvania	9,127	1,198
Liabilities associated with assets held for sale	-	19,046
Third party payer settlements	21,201	27,718
Total current liabilities	<u>1,604,344</u>	<u>1,357,052</u>
Long-term debt, net of current portion	2,387,907	2,464,585
Third party payer settlements, net of current portion	41,244	22,784
Due to the University of Pennsylvania	30,000	35,000
Other liabilities	1,263,955	1,238,031
Pension and postretirement benefit liability	508,371	255,169
Total liabilities	<u>5,835,821</u>	<u>5,372,621</u>
Net assets		
Net assets without donor restriction	8,443,852	8,094,975
Net assets with donor restriction	889,727	862,038
Total net assets	<u>9,333,579</u>	<u>8,957,013</u>
Total liabilities and net assets	<u>\$ 15,169,400</u>	<u>\$ 14,329,634</u>

See accompanying notes to combined financial statements.

**University of Pennsylvania Health System**  
**Combined Statements of Operations**  
**Years Ended June 30, 2024 and 2023 (thousands of dollars)**

	<b>2024</b>	<b>2023</b>
<b>Revenues and other support</b>		
Net patient service revenue	\$ 9,476,064	\$ 8,727,443
Other revenue and support	1,423,016	1,247,254
Total revenues and other support	<u>10,899,080</u>	<u>9,974,697</u>
<b>Expenses</b>		
Salaries and wages	4,541,613	4,263,683
Employee benefits	1,173,127	1,065,016
Supplies and other expenses	4,205,970	3,793,785
Depreciation and amortization	416,553	414,521
Malpractice	194,972	97,253
Interest	88,357	81,549
Perelman School of Medicine (PSOM) support	-	20,717
Total expenses	<u>10,620,592</u>	<u>9,736,524</u>
Excess of revenue over expenses from operations	278,488	238,173
<b>Non-operating gain (loss)</b>		
Investment income, net	316,827	93,270
Other non-operating income/(loss), net	8,557	(456)
Excess of revenue over expenses	<u>603,872</u>	<u>330,987</u>
Changes in unrealized gains on debt investments	3,193	545
Transfers to PSOM and University, net	(43,342)	(161,920)
Transfers from other external entities	11,854	-
Net assets released from restrictions for capital	8,535	19,823
Pension and other postretirement plan adjustments	<u>(235,235)</u>	<u>144,214</u>
Increase in net assets without donor restriction	<u>\$ 348,877</u>	<u>\$ 333,649</u>

See accompanying notes to combined financial statements.

**University of Pennsylvania Health System**  
**Combined Statements of Changes in Net Assets**  
**Years Ended June 30, 2024 and 2023 (thousands of dollars)**

	<b>Net assets without donor restriction</b>	<b>Net assets with donor restriction</b>	<b>Total</b>
<b>Net assets, June 30, 2022</b>	<b>\$ 7,761,326</b>	<b>\$ 854,965</b>	<b>\$ 8,616,291</b>
Excess of revenue over expenses	330,987	-	330,987
Changes in unrealized gains on investments	545	-	545
Pension and other postretirement plan adjustments	144,214	-	144,214
Contributions and investment income	-	55,726	55,726
Net assets released from restrictions for			
Operations	-	(37,427)	(37,427)
Capital	19,823	(19,823)	-
Net realized and unrealized gain on restricted funds	-	8,597	8,597
Transfer to PSOM and University, net	(161,920)	-	(161,920)
Increase in net assets	<u>333,649</u>	<u>7,073</u>	<u>340,722</u>
<b>Net assets, June 30, 2023</b>	<b>8,094,975</b>	<b>862,038</b>	<b>8,957,013</b>
Excess of revenue over expenses	603,872	-	603,872
Changes in unrealized gains on investments	3,193	-	3,193
Pension and other postretirement plan adjustments	(235,235)	-	(235,235)
Contributions and investment income	-	68,285	68,285
Net assets released from restrictions for			
Operations	-	(32,837)	(32,837)
Capital	8,535	(8,535)	-
Net realized and unrealized gain on restricted funds	-	18,844	18,844
Transfer associated with PA College sale	11,854	(13,762)	(1,908)
Transfer to PSOM and University, net	(43,342)	(4,306)	(47,648)
Increase in net assets	<u>348,877</u>	<u>27,689</u>	<u>376,566</u>
<b>Net assets, June 30, 2024</b>	<b>\$ 8,443,852</b>	<b>\$ 889,727</b>	<b>\$ 9,333,579</b>

See accompanying notes to combined financial statements.

**University of Pennsylvania Health System**  
**Combined Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023 (thousands of dollars)**

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 376,566	\$ 340,722
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	416,553	414,521
Bond premium amortization	(12,480)	(13,554)
Loss on sale of PA College	4,388	-
Net realized and unrealized (gains) on investments	(246,789)	(51,349)
Transfers, restricted contributions and pension adjustment	247,737	(30,866)
Increase/(decrease) from changes in		
Patient receivables	(195,197)	(15,116)
Other current assets	(67,884)	(28,992)
Other assets	20,490	(119,631)
Accounts payable and accrued expenses	287,203	(129,088)
Estimated third party payer settlements	14,472	(168,203)
Due from University of Pennsylvania	2,929	(5,105)
Other liabilities	19,347	63,086
Pension and postretirement benefit liability	17,966	14,122
Net cash provided by operating activities	<u>885,301</u>	<u>270,547</u>
<b>Cash flows from investing activities</b>		
Net purchases of property and equipment	(467,350)	(420,779)
Proceeds from sale of PA College	21,972	-
Purchases of assets whose use is limited and investments	(306,300)	(459,778)
Sale of assets whose use is limited and investments	204,464	820,691
Net cash used for investing activities	<u>(547,214)</u>	<u>(59,866)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt and notes payable	(66,840)	(54,632)
Proceeds from restricted contributions	37,054	48,573
Proceeds from issuance of long-term debt	-	16,419
Transfers and other	(49,554)	(161,920)
Net cash used for financing activities	<u>(79,340)</u>	<u>(151,560)</u>
Net increase in cash and cash equivalents	258,747	59,121
<b>Cash, cash equivalents, restricted cash and restricted cash equivalents</b>		
Beginning of year	875,232	816,111
End of year	<u>1,133,979</u>	<u>875,232</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest, net of amount capitalized	\$ 99,281	\$ 92,144
Purchases of property and equipment included in accounts payable	\$ 19,553	\$ 26,073
Operating cash flows for operating leases	\$ 55,919	\$ 50,635
Right-of-use assets obtained in exchange for lease liabilities	\$ 43,811	\$ 5,955

See accompanying notes to combined financial statements.



# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### 1. Organization

The University of Pennsylvania Health System (UPHS or Health System) includes the following operating entities: Clinical Practices of the University of Pennsylvania (CPUP), Clinical Care Associates (CCA), Hospital of the University of Pennsylvania (HUP), Penn Presbyterian Medical Center (PPMC), Pennsylvania Hospital of the University of Pennsylvania Health System (PAH-UPHS), Chester County Hospital and Health System (TCCHHS), Lancaster General Health (LGH), Princeton Healthcare System (PHCS) and Wissahickon Hospice of the University of Pennsylvania Health System ("Wissahickon Hospice / Homecare"). In addition, the activities of UPHS' risk retention program, supported and administered by Franklin Casualty Insurance Company (FCI), a wholly owned risk retention group and Quaker Insurance Company Ltd. (QIC), a wholly owned offshore captive insurance company (collectively referred to as RRG/Captive), are included in the combined financial statements.

UPHS and the University of Pennsylvania Perelman School of Medicine (PSOM) operate under the governance of Penn Medicine. The governing body, approved by the University, operates, oversees, and coordinates the academic, research, and clinical missions of Penn Medicine. Penn Medicine replaced the prior multiple governing boards of UPHS and the PSOM, all of which were dissolved, with this single governing board. The University (as to HUP and CPUP), CCA, PPMC, PAH-UPHS, TCCHHS, Lancaster General Health, Lancaster General Hospital, Princeton Healthcare System, and Wissahickon Hospice of the University of Pennsylvania Health System are sometimes referred to herein as the "Obligated Group." In addition, UPHS is included in the financial statements of the Trustees of the University of Pennsylvania (University), a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

#### 2. Significant Accounting Policies

##### Presentation

The University of Pennsylvania Health System Combined Financial Statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the valuation of alternative investments, the estimated net realizable value of patient receivables and the actuarially determined pension and other postretirement benefits, malpractice and self-insurance reserves.

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### 2. Significant Accounting Policies (continued)

##### **Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of demand deposits and money market mutual funds, which would be considered a Level 1 investment under the fair value hierarchy. Investments in highly liquid debt instruments with original maturities of three months or less when purchased are included in cash and cash equivalents. The carrying amount of cash and cash equivalents are at fair value based on quoted market prices. Operating cash equivalents and highly liquid investments that are reported as Assets whose use is limited and Investments, at fair value, are considered investments through policy and are therefore excluded from the Combined Statement of Cash Flows.

##### **Investments and Investment Income**

Investments and assets limited as to use include assets set aside by management for future purposes, including capital improvements and self-insurance funds. Certain investments have been restricted by donors and are designated as donor restricted. The significant portion of these assets are invested in the University's Associated Investment Fund (A.I.F.), which is described in greater detail below. The remaining assets are managed in separate investment portfolios.

Realized and unrealized gains and losses on investments, other than investments in debt securities that are not held for trading, are reported as a component of excess of revenue over expenses. The change in unrestricted unrealized gains and losses on investments in debt securities not held for trading are reported below excess of revenue over expenses. Investment income or loss, realized and unrealized gains and losses on investments of donor restricted funds are added to or deducted from the appropriate net asset category based on the donor's restriction. Debt securities not held for trading are subject to impairment considerations. The amount of the impairment is reported as a realized loss in either net assets with donor restriction or in excess of revenue over expenses, with no adjustment in the cost basis for subsequent recoveries in fair value. There were no impairment write downs reported for the years ended June 30, 2024 and June 30, 2023.

##### **Assets Whose Use Is Limited (AWUIL)**

Assets whose use is limited are comprised of cash, investments and pledges, which are reported at fair or net realizable value. These assets include assets held by trustees under indenture agreements or self-insurance trust arrangements, assets of self-insurance captives used to settle malpractice claims, assets for other retirement benefits, assets set aside by management for future purposes, over which they retain control and may subsequently use for other purposes, and donor-restricted funds (Endowments, Specific Purpose and Plant Replacement and Expansion Funds and Contributions Receivable). Contributions receivable are recognized as increases to net assets in the period received, at their fair value, net of discounts and allowances.

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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## 2. Significant Accounting Policies (continued)

### Fair Value

UPHS values certain financial and nonfinancial assets and liabilities by applying the FASB pronouncements on *Fair Value Measurements*. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of UPHS as follows:

- Level 1      Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2      Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.
- Level 3      Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. UPHS is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). UPHS considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to UPHS' perceived risk of that instrument. Assets and liabilities are disclosed in the Notes to Combined Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. UPHS' assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models or discounted cash flow methods, which all require significant management judgment or estimation. As a practical expedient, UPHS is permitted under the pronouncement to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). Adjustment is required if the Health System expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US generally accepted accounting principles (US GAAP).

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### 2. Significant Accounting Policies (continued)

##### **Associated Investment Fund (A.I.F.)**

The A.I.F. is a diversified pooled investment vehicle available solely to the University, its affiliates and subsidiaries. The A.I.F. is invested in accordance with the investment policies set out by an Investment Board which has been appointed by the Trustees of the University. The Office of Investments is responsible for the day-to-day management of the A.I.F. including identifying, selecting and monitoring a variety of external investment managers to implement the strategic asset allocation set forth by the Investment Board. Unrestricted realized gain/(loss) and the change in unrealized gain/(loss) on investments other than debt securities that are not for trading are reported as a component of the excess of revenue over expenses. The change in unrestricted unrealized gain/(loss) from investments in debt securities that are not for trading are reported in the change in net assets, while realized gain/(loss) are reported as a component of the excess of revenue over expenses. The fair value of the A.I.F. represents UPHS' ownership in the underlying fair value of the assets as determined by the University.

##### **Investment Allocation**

The following is a summary of the investments held by UPHS by asset allocation.

##### ***Short-Term (A.I.F., Investments and Pension)***

Short-term investments include money market accounts and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these short-term investments are held in a US Treasury money market account.

##### ***Equity (A.I.F., Investments and Pension)***

Equity investments consist of direct holdings of public securities in managed accounts as well as mutual funds and private funds. The securities held in managed accounts, along with mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1. Private funds are valued at NAV.

##### ***Absolute Return (A.I.F., Investments and Pension)***

Absolute return investments are made up of allocations to private funds. The fund managers of these private funds invest in a variety of securities, based on the strategy of the fund, which may or may not be quoted in an active market. Private funds are valued at NAV.

##### ***Debt (A.I.F., Investments and Pension)***

Debt investments consist of direct holdings of securities in managed accounts and private funds. Securities such as US Treasuries, held in managed accounts, are valued based on quoted market prices in active markets and are categorized as Level 1. Securities such as corporate bonds and sovereign bonds, also held in managed accounts, are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2 or in the cases where inputs are unobservable as Level 3. Private funds are valued at NAV.

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
**June 30, 2024 and 2023**

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**2. Significant Accounting Policies (continued)**

***Private Equity (A.I.F., Investments and Pension)***

Investments in private equity are in the form of close-ended private funds. The fund managers primarily invest in investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These private fund investments are valued at NAV.

***Real Estate (A.I.F. and Pension)***

Investments in real estate are primarily in the form of private funds. The fund managers of these private funds primarily invest in investments for which there is no readily determinable market value. The fund manager may value the underlying investments based on an appraised value, discounted cash flow, industry comparables or some other method. Private funds are valued at NAV.

***Natural Resources (A.I.F., Investments and Pension)***

Investments in natural resources are made up of private funds and securities in managed accounts. The fund managers of these private funds primarily invest in investments for which there is no readily determinable market value. The fund manager may value the underlying investments based on an appraised value, discounted cash flow, industry comparables or some other method. Private funds are valued at NAV. The securities held in the managed accounts are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1.

***Derivatives (A.I.F., Investments and Pension)***

In the normal course of business, UPHS utilizes derivative financial instruments in connection with its investment activity. Derivatives utilized by the UPHS can include futures, options, swaps and forward currency contracts and are reflected at fair value following the definition of Level 1 and 2 assets and liabilities as previously described. Investments in derivative contracts are subject to foreign exchange and equity price risks that can result in a loss of all or part of an investment. In addition, UPHS is also subject to additional counterparty risk should its counterparties fail to meet the terms of their contracts.

***Investment Risk (A.I.F., Investments and Pension)***

The Health System's investing activities expose it to a variety of risks, including market, credit and liquidity risks and attempts to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies.

Market risk is the potential for changes in the fair value of the UPHS's investment portfolio. Commonly used categories of market risk include currency risk (exposure to exchange rate differences between functional currency relative to other foreign currencies), interest rate risk (changes to prevailing interest rates or changes in expectations of futures rates) and price risk

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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## 2. Significant Accounting Policies (continued)

(changes in market value other than those related to currency or interest rate risk, including the use of NAV provided).

Credit risk is the risk that one party to a financial investment will cause a financial loss for the other party by failing to discharge an obligation (counterparty risk).

Liquidity risk is the risk that UPHS will not be able to meet its obligations associated with financial liabilities.

Details on the current redemption terms and restrictions by asset class and type of investment are as follows:

Strategy	Redemption Terms	Redemption Restrictions
Short-term	Daily	None
Equity		
Managed accounts	Daily and semi-annually with varying notice periods	None
Mutual funds	Daily	None
Private funds (1)	Weekly to annually with varying notice periods	Lock-up provisions ranging from 0 to 5 years and side pocket investments (2)
Debt		
Managed accounts	Daily	None
Private funds (1)	Daily	None; side pocket investments (2)
Absolute return	Range from monthly to annually and close-ended funds not available for redemption	Lock-up provisions ranging from 0 to 5 years with earlier redemptions subject to redemption fee, close-ended funds not available for redemption, and side pocket investments (2)
Real estate	Close-ended funds not available for redemption	Close-ended funds not available for redemption
Private equity	Close-ended funds not available for redemption	Close-ended funds not available for redemption
Natural resources		
Managed accounts	Daily	None
Private funds (1)	Close-ended funds not available for redemption	Close-ended funds not available for redemption

(1) Private funds consist of close-ended and open-ended funds generally in the form of limited partnerships.

Close-ended funds have varying remaining fund terms between 1 to 18 years.

(2) Side pocket investments represents investments designated by a manager that are not available for liquidity in an otherwise liquid fund vehicle.

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### 2. Significant Accounting Policies (continued)

##### **Property, Equipment and Depreciation**

Property and equipment are stated at cost at the date of acquisition less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Useful lives range from 15 to 40 years for buildings and building improvements and 5 to 20 years for equipment. Interest cost incurred on borrowed funds during the period of construction of major capital assets is capitalized as a component of the cost of acquiring those assets.

##### **Intangible Assets**

Goodwill, representing the excess of cost over assets acquired in the 1996 statutory merger of the Presbyterian Medical Center into PPMC, was \$52,850,000. The remaining balance of \$24,888,000 is included in other assets in the accompanying combined balance sheets. This balance has remained consistent since UPHS adopted the FASB Statement 142 guidance to stop amortizing Goodwill and have Goodwill subject to impairment testing. UPHS performs an annual impairment test of the PPMC reporting unit during the second quarter of the fiscal year. The calculation compares the reporting unit's carrying value to its fair value that is calculated using a discounted cash flow approach, which incorporates market participant data. In addition to the annual impairment test, additional evaluations have been done if circumstances exist that may lead to impairment. There were no goodwill impairments during 2024 or 2023.

##### **Long-Lived Assets**

UPHS continually evaluates whether 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, UPHS uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset in measuring whether the long-lived asset is recoverable. An impairment loss on these assets is measured as the excess of the carrying amount of the asset over its fair value. Fair value is based on market prices when available, or discounted cash flows.

##### **Deferred Financing Fees**

Deferred financing fees at June 30, 2024 and 2023, totaling \$10,534,000 and \$11,020,000, respectively, are amortized using the effective interest method over the life of the related debt.

##### **Self-Insurance**

UPHS accrues for estimated risks arising from both asserted and unasserted medical professional and workers' compensation claims based on historical claims data utilized by an independent actuary.

##### **Split-Interest Agreements**

UPHS' split-interest agreements with donors consist primarily of irrevocable charitable perpetual trusts and charitable lead trusts. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### 2. Significant Accounting Policies (continued)

Perpetual trust assets are initially valued at the current market value of the underlying assets using observable market inputs based on its beneficial interest in the trust. The initially contributed assets are categorized as a Level 3 measurement in the fair value hierarchy due to the fact these initial investments are held in perpetuity with no intent to spend the principal. The investments are reported as investments, at fair value on the combined balance sheets and as contribution revenue on the combined statements of operations. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to donor-restricted investments, net on the combined statements of changes in net assets.

Charitable remainder trust assets, where UPHS does not serve as the trustee, are initially valued using the current fair value of the underlying assets, using observable market inputs based on its beneficial interest in the trust, discounted to a single present value using current market rates at the date of the contribution. The initially contributed assets are categorized as Level 3, and reported as Investments, at fair value on the combined balance sheet and as contribution revenue on the combined statements of operations. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to donor-restricted investments, net on the combined statements of changes in net assets.

#### **Net Assets**

Net assets are classified for accounting and financial reporting purposes into two net asset categories according to donor-imposed restrictions, if any. A description of the two net asset categories is as follows:

Without donor restrictions – includes net assets that are available for the support of operations and whose use is not donor-restricted, although their use may be limited by other factors such as by contract or board designation.

With donor restrictions – includes net assets that are (i) subject to legal or donor-imposed restrictions that will be met by actions of UPHS and/or the passage of time, and (ii) the original values of donor restricted net assets, the use of which is limited to investment and can only be appropriated for expenditure by UPHS in accordance with the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act).



# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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## 2. Significant Accounting Policies (continued)

### Interest Rate Exchange Agreements

The Health System enters into interest rate swap agreements to synthetically modify the interest rate terms of its long-term debt. The agreements are not entered into for trading or speculative purposes. Fair value of interest rate swap agreements are obtained by quotes from Merrill Lynch, which is based on the income approach that uses observable market data to discount future net payment streams. The quote provided by Merrill Lynch also represents the amount the Health System would accept or be required to pay to transfer the agreement to Merrill Lynch, or exit price as defined by *Fair Value Measurements*. The Health System verifies the reasonableness of the quote provided by Merrill Lynch by comparing it to a similar quote from a swap adviser and the results of similar observable inputs used in a pricing model. The Health System also assesses the risk of nonperformance by reviewing bond ratings, and accordingly considers the agreements to be Level 2 measurements in the fair value hierarchy. The Health System has recognized a liability of \$1,638,000 and \$2,246,000 as of June 30, 2024 and June 30, 2023, respectively, which represents the fair market value of the swaps. Gains/(losses) on the interest rate swap agreements are recorded as other non-operating income/(loss) in the Combined Statements of Operations. Two interest rate swap agreement matured during the fiscal year ended June 30, 2024 with no material impact to the financial statements.

	Merrill Lynch/ Bank of America
Notional amount	\$ 18,000,000
Trade date	7/28/2006
Maturity date	7/1/2041
Rate:	
Receive	70% of 1-Month credit spread adjusted SOFR
Pay	3.980%
Default optional termination at market value	Default by UPHS
Optional termination at market value	UPHS Only
Collateral threshold	AAA/Aaa = Infinite
	AA(+/-) / Aa(1,2,3) = \$40M
	A(+/-) / A(1,2,3) = \$20M
	A(+/-) / A(1,2,3) = \$20M
	A(+/-) / A(1,2,3) = \$20M
	BBB+ / Baa1 = \$10M
	BBB or below = None

### Participation in Partnerships

To further its mission, UPHS participates in several partnerships. If UPHS owns less than 20%, the investment is accounted for at fair value. If there is no readily determinable fair value, UPHS has elected to use the measurement alternative. If UPHS demonstrates significant influence, the investment is accounted for using the equity method. UPHS' investments within these partnerships are recorded in Other Assets on the Combined Balance Sheets. For partnerships for which UPHS has determined are central to its operations and mission, the equity share of income/(loss) is recorded in Other Revenue and Support. Those significant investments are summarized below.

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### 2. Significant Accounting Policies (continued)

UPHS has a 49% interest in Good Shepherd Penn Partners, a venture and strategic alliance that provides post-acute medical care in eastern Pennsylvania. The investment is accounted for by utilizing the equity method.

UPHS has a 50% interest in Lancaster Behavior Health Hospital LLC, which provides adult and adolescent inpatient care for those suffering from severe depression, anxiety, or other mood disorders. The investment is accounted for by utilizing the equity method.

UPHS has a 50% interest in Lancaster Rehabilitation Hospital which serves intensive inpatient physical rehabilitation following strokes, trauma or other healthcare problems that result in severe disabilities. The investment is accounted for by utilizing the equity method.

UPHS has a 50% interest in Physicians' Surgery Center Lancaster General LLC, which is a modern outpatient surgery center located in the city of Lancaster, Pennsylvania. The investment is accounted for by utilizing the equity method.

UPHS has a 49% interest in Virtua Penn Radiation Oncology Partners LLC, a venture and strategic alliance that provides radiation and oncology physician services in southern New Jersey. The investment is accounted for by utilizing the equity method.

All other equity income/(loss) from partnerships are recorded as a component of Other non-operating gain (loss), net.

In January 2023, UPHS, Tandigm Health, LLC and Independence Health Group (IHG), Inc. executed a Contribution, Exchange, and Warrant Purchase Agreement for a 26.7% interest of Class B Units in Tandigm. UPHS's contribution included \$50,000,000 in cash and an 18-Year Participation Agreement. The 18-Year Participation Agreement provides that UPHS primary care physicians will receive population health support from the Tandigm and participate in value-based opportunities through Tandigm. Tandigm issued 3-Year and 5-Year warrants that allow UPHS the right and option to purchase additional 3.35% in each respective year for a total of additional 6.7% interest in the Tandigm. IHG and UPHS also hold put and call rights whereby UPHS has a put right every five years. UPHS recognizes distributions earned under the value-based care agreements in Net Patient Service Revenue. The investment in Tandigm is accounted for using the equity method with income/(loss) from partnership recorded as a component of Other non-operating gain / (loss), net.

#### **Excess of Revenues Over Expenses**

The combined statements of operations include excess of revenue over expenses. Changes in net assets without donor restriction which are excluded from excess of revenue over expenses, consistent with generally accepted accounting principles, include the change in unrealized gains and losses on investments other than trading debt securities, permanent transfers of assets to and from the PSOM other than for goods and services, net assets released from restrictions for capital, and pension related changes other than net periodic pension cost.

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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## 2. Significant Accounting Policies (continued)

### Transfers between UPHS entities

All significant inter-entity accounts and transactions are eliminated in combination.

### Net Patient Service Revenue

UPHS reports revenues generally related to contracts with patients in which our performance obligations are to provide health care services to the patients. Net patient service revenues are recorded over time during the period our obligations to provide health care services are rendered and at the estimated net realizable amounts from patients, third party payers and others in exchange for the services received.

UPHS has agreements with third party payers that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Estimates of contractual allowances, under managed care plans, which represent explicit price concessions under ASC 606, are based upon the payment terms specified in the related contractual agreements. A summary of the payment arrangements with major third-party payers is as follows:

- Medicare: Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.
- Inpatient psychiatric services and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. UPHS is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by each hospital and audits thereof by the Medicare fiscal intermediary.
- Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Additional amounts are allocated to each hospital for training residents and serving a disproportionate indigent population.
- Commercial: UPHS also has reimbursement agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 35% and 12%, respectively, of Health System's hospital Net patient service revenue for the year ended 2024, and 34% and 12%, respectively, of the Health System's Net patient service revenue, for the year ended 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Certain revenue received for third party payers is subject to audit and retrospective adjustments.

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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## 2. Significant Accounting Policies (continued)

Final adjustments resulting from settlements with third party payers are recorded in the year in which they are settled. The amount was an increase of \$195,064,980 and \$68,954,620 to net patient service revenue in 2024 and 2023, respectively, as a result of final settlements and the revision or removal of reserves previously estimated that were no longer necessary.

### Self-Pay and Other Adjustments to Revenues

UPHS calculates implicit price concessions, or revenue adjustments, based on management's review of historic net portfolio collections, current economic conditions, historical experience, trends in health care coverage and other collection indicators. The portfolio approach combines similar classes of accounts into groups for assessment. These implicit price concessions are recorded when patient service revenues are recognized. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, UPHS follows established guidelines for placing certain past-due patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by UPHS. Account receivables are written off after collection efforts have been followed in accordance with UPHS' policy.

### Medicaid Modernization Program

On July 3, 2010, the Pennsylvania General Assembly passed the Public Welfare Code amendment (Act 49) which was signed into law by the Governor, establishing a new program referred to as Medicaid Modernization. The program was subsequently approved by the federal Centers for Medicare and Medicaid Services. The program is designed to provide additional funding to Pennsylvania hospitals for the purpose of enhancing access to quality healthcare for qualifying Medicaid beneficiaries, helping to partially mitigate the losses incurred by hospitals resulting from low reimbursement rates. To accomplish this objective, for fiscal years 2011 through 2024, the program provides participating hospitals with improved inpatient fee-for-service, hospital payments, establishes enhanced hospital payments through Medicaid managed care organizations (MCOs) and secures additional federal matching Medicaid funds through a Quality Care Assessment, under which hospitals pay the state a percentage of their net inpatient revenue. After deducting the cost of the assessment due to the state, UPHS recognized additional revenues over expenses of \$48,411,000 in fiscal year 2024 and \$59,773,081 in fiscal year 2023 from the Pennsylvania Medicaid Modernization program.

### Third Party Agreements

During 2017, UPHS and Independence Blue Cross (IBC) reached an agreement on terms of a new five-year agreement and continuing unless terminated by the parties. Payments made for inpatient services provided to IBC traditional and managed care subscribers are affected on a per case rate basis for most services. Payment for outpatient services is principally based upon negotiated fee schedules. Hospital and physician rates also provide for annual inflationary increases. In addition, incentives are paid for high performance with regard to clinical outcomes and patient quality. On September 10, 2021, this agreement was extended from June 30, 2022, to June 30, 2025.

During 2015, UPHS and Aetna reached agreement on terms of a new five-year agreement. The terms of the new agreement provide payments for inpatient hospital services on a per case rate basis. Payments for outpatient services continue to be predominantly based upon negotiated fee schedules. In June of 2020, a 1-year "bridge agreement" was agreed upon beginning July 1, 2020 and continues through June 30, 2021. In 2021, a new agreement was negotiated running through June 30, 2025. The new agreement consolidated all prior existing agreements across all

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### 2. Significant Accounting Policies (continued)

UPHS regions and entities. Further, extensive new value-based payment models were layered on top of the existing fee-for-service framework.

##### **Endowments**

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment, use and management of the UPHS' endowment funds. The Pennsylvania Act allows a non-profit to elect to spend between 2% and 7% of the endowment market value, determined at least annually and averaged over a period of three or more preceding years.

The Pennsylvania Act does not require the preservation of the fair value of a donor's original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, UPHS classifies the following as net assets with donor restrictions for reporting purposes: (i) the original value of donated assets required to be invested in perpetuity; (ii) the original value of subsequent donated assets required to be invested in perpetuity; (iii) accumulations to the donated assets invested in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund; and (iv) donated assets and accumulations that are subject to legal or donor-imposed restrictions that will be met by actions of the University and/or the passage of time.

UPHS follows the University's endowment spending policy. In accordance with the Pennsylvania Act, the University has elected to adopt and follow an investment policy seeking a total return for the investments held by the A.I.F., whether the return is derived from appreciation of capital or earnings and distributions with respect to capital or both. The endowment spending policy which the Board of Trustees has elected to govern the expenditure of funds invested in the A.I.F. is designed to manage annual spending levels and is independent of the cash yield and appreciation of investments for the year. For Fiscal Year 2024, the spending rule target payout was based on the sum of: (i) 70% of the prior fiscal year distribution adjusted by an inflation factor; and (ii) 30% of the prior fiscal year-end fair value of the A.I.F., lagged one year, multiplied by 5.0% target spending rate for all funds.

##### **Adoption of New Accounting Standards**

UPHS adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit losses on Financial Instruments, which implements an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model requires the immediate recognition of estimated expected losses over the life of a financial instrument, including trade receivables, net investment in leases and other off-balance sheet credit exposures. The adoption of ASU 2016-13 did not have a material impact on the UPHS financial statements for the period ended June 30, 2024 and 2023, respectively.

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
**June 30, 2024 and 2023**

**3. Assets Whose Use Is Limited**

Assets whose use is limited at June 30, 2024 and 2023 are set forth in the following table (in thousands):

	<b>2024</b>	<b>2023</b>
<b>Held by trustees</b>		
Short term investments		
Debt service	\$ 7,846	\$ 7,943
Capital project fund	2,623	2,623
Other	1,884	1,308
Marketable equity securities		
Other retirement programs	180,483	152,439
Other	1,321	1,500
Other	-	2,515
Total held by trustees	<u>194,157</u>	<u>168,328</u>
<b>RRG/Captive</b>		
Short term investments	198,270	201,327
Total RRG Captive	<u>198,270</u>	<u>201,327</u>
<b>Designated</b>		
Short term investments	43,808	31,557
Associated Investment Funds (A.I.F)	4,014,385	3,756,429
Marketable debt securities	27,455	24,818
Marketable equity securities	6	37
Other	57,520	58,898
Total designated	<u>4,143,174</u>	<u>3,871,739</u>
<b>Donor-restricted</b>		
Short term investments	55,444	47,834
Marketable debt securities	18,737	21,940
Marketable equity securities	91,694	86,397
Associated Investment Funds (A.I.F)	641,915	631,665
Contribution receivable, net	13,024	9,164
Other	62,227	53,670
Total donor-restricted	<u>883,041</u>	<u>850,670</u>
Total assets whose use is limited	<u>\$ 5,418,642</u>	<u>\$ 5,092,064</u>

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
**June 30, 2024 and 2023**

**4. Investments**

Investments at June 30, 2024 and 2023 are set forth in the following table (in thousands):

	<b>2024</b>	<b>2023</b>
US Treasury obligations	\$ 130,659	\$ 125,013
Marketable debt securities	-	-
Other	18,554	380
	<u>\$ 149,213</u>	<u>\$ 125,393</u>

**5. Fair Value Measurement**

Investments, derivative instruments, and assets whose use is limited, measured at fair value in accordance with the Fair Value Measurements standard as of June 30, 2024 and 2023 are as follows (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV	Total 2024
<b>Assets</b>					
Short term investments	\$ 390,656	\$ -	\$ -	\$ -	\$ 390,656
Equity investments					
US equities	158,605	-	-	-	158,605
Debt investments					
US Treasuries and Agencies	127,708	2,951	-	-	130,659
Corporate bonds	31,636	14,487	-	-	46,123
Split-interest agreements	-	-	114,899	-	114,899
Absolute return	-	-	-	-	0
Natural resources	69	-	-	-	69
Private equity	-	-	-	57,520	57,520
	<u>\$ 708,674</u>	<u>\$ 17,438</u>	<u>\$ 114,899</u>	<u>\$ 57,520</u>	<u>898,531</u>
Associated Investment Fund (A.I.F.)					<u>4,656,300</u>
Total: Assets					<u>\$ 5,554,831</u>

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
**June 30, 2024 and 2023**

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**5. Fair Value Measurement (continued)**

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV	Total 2023
<b>Assets</b>					
Short term investments	\$ 346,642	\$ -	\$ -	\$ -	\$ 346,642
Equity investments					
US equities	132,755	-	-	-	132,755
Debt investments					
US Treasuries and Agencies	121,840	3,173	-	-	125,013
Corporate bonds	34,782	14,405	-	-	49,187
Split-interest agreements	-	-	107,619	-	107,619
Natural resources	85	-	-	-	85
Private equity	-	-	-	58,898	58,898
	<u>\$ 636,104</u>	<u>\$ 17,578</u>	<u>\$ 107,619</u>	<u>\$ 58,898</u>	<u>820,199</u>
Associated Investment Fund (A.I.F.)					<u>4,388,094</u>
Total: Assets					<u>\$ 5,208,293</u>

Changes to the reported amounts of split interest agreements, measured at fair value using unobservable (Level 3) inputs as of June 30, 2024 and 2023 are all recorded as net unrealized gains and losses. The primary unobservable input used in the fair value measurement of the split interest agreements is the discount rate. Significant fluctuation in the discount rates utilized in this calculation could result in a material change in fair value.

As noted above, UPHS participates in the Associated Investment Fund (A.I.F.). At June 30, 2024 and June 30, 2023, UPHS held 21.38% and 21.58% of the total investment fund, respectively. The asset classification for the A.I.F. is as follows (in thousands):



**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
**June 30, 2024 and 2023**

**5. Fair Value Measurement (continued)**

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV	Total 2024
<b>Assets</b>					
Short term investments	\$ 623,525	\$ -	\$ -	\$ -	\$ 623,525
Equity investments	-	-	-	-	-
Global equities	739,495	-	-	4,383,310	5,122,805
Debt securities					
US Treasuries	828,739	-	-	-	828,739
Sovereign bonds	-	34	-	-	34
Absolute return	-	-	-	4,698,948	4,698,948
Real assets	-	-	-	2,804,981	2,804,981
Private equity	-	-	28,720	8,361,787	8,390,507
Derivative instruments	-	1,348	-	-	1,348
Total: Assets	\$ 2,191,759	\$ 1,382	\$ 28,720	\$ 20,249,026	\$ 22,470,887

**Liabilities**

Derivative instruments	668,420	18,088	-	-	686,508
	\$ 1,523,339	\$ (16,706)	\$ 28,720	\$ 20,249,026	\$ 21,784,379

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV	Total 2023
<b>Assets</b>					
Short term investments	\$ 585,274	\$ -	\$ -	\$ -	\$ 585,274
Equity investments	-	-	-	-	-
Global Equities	714,118	-	-	2,893,901	3,608,019
Emerging market equities	-	-	-	1,398,030	1,398,030
Debt securities					
US Treasuries	1,070,244	-	-	-	1,070,244
Sovereign bonds	-	35	-	-	35
High yield	-	-	-	-	-
Absolute return	-	-	-	4,275,853	4,275,853
Real assets	-	-	-	2,603,378	2,603,378
Private equity	-	-	4,000	7,770,858	7,774,858
Natural resources	-	-	-	-	-
Derivative instruments	-	2,784	-	-	2,784
Total: Assets	\$ 2,369,636	\$ 2,819	\$ 4,000	\$ 18,942,020	\$ 21,318,475

**Liabilities**

Derivative instruments	957,461	25,834	-	-	983,295
	\$ 2,369,636	\$ 2,819	\$ 4,000	\$ 18,942,020	\$ 21,318,475

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
**June 30, 2024 and 2023**

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**6. Other Assets**

Other assets at June 30, 2024 and 2023 are set forth in the following table (in thousands):

	<b>2024</b>	<b>2023</b>
Goodwill, net	\$ 24,888	\$ 24,888
Certificate of need	22,000	22,000
Other receivables	151,536	159,512
Malpractice receivable	204,156	200,145
Prepaid expenses	195,647	146,051
Inventory	143,097	121,461
Interests in non-combined subsidiaries	186,386	199,836
Right-of-use assets	307,704	301,126
Other	23,653	35,531
	<u>1,259,067</u>	<u>1,210,550</u>
Less: Current portion	<u>(494,173)</u>	<u>(426,289)</u>
	<u>\$ 764,894</u>	<u>\$ 784,261</u>

Amortization expense charged to operations totaled \$1,558,000 and \$1,700,000 in 2024 and 2023, respectively.

UPHS entered into an agreement with a local university to sell the Pennsylvania College of Health Sciences, a UPHS entity affiliated with Lancaster General Hospital and was accounted for as held for sale during 2023. The sale was finalized during fiscal year 2024 after receiving the applicable accreditation, and oversight from government and other bodies. The fair value of the PA College, less any costs to sell, was classified as held for sale as of December 21, 2022. Any subsequent changes in value are recorded as an adjustment to the carrying value of the assets held for sale. The assets held for sale and liabilities related to assets held for sale, respectively, as of June 30, 2023 were comprised of the following (in thousands):

	<b>2023</b>
Other receivables	\$ 6,347
Inventory	11
Prepaid Expenses and Current Assets	1,141
Property, Plant, and Equipment, net	<u>35,870</u>
Assets held for sale	<u>\$ 43,369</u>
Current portion of long-term debt	\$ 155
Accounts payable	1,003
Accrued payroll and related taxes	1,459
Lease Liability	14,334
Other Liabilities	<u>2,095</u>
Liabilities associated with assets held for sale	<u>\$ 19,046</u>

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
**June 30, 2024 and 2023**

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**6. Other Assets (continued)**

The intended sale of the PA College resulted in the recording of Fixed Asset impairment of approximately \$14,573,000 recognized within Other gains and losses as of June 30, 2023, while the actual sale in January, 2024 resulted in an additional Loss on Sale of \$4,388,000.

**7. Property, Plant, Equipment and Accumulated Depreciation**

Property, plant, equipment (PPE) and accumulated depreciation at June 30, 2024 and 2023 are set forth in the following table (in thousands):

	<u><b>2024</b></u>	<u><b>2023</b></u>
Land and improvements	\$ 198,146	\$ 200,800
Building and improvements	6,881,820	6,607,536
Fixed and movable equipment	<u>2,913,174</u>	<u>2,873,723</u>
	9,993,140	9,682,059
Accumulated depreciation	<u>(4,471,480)</u>	<u>(4,076,084)</u>
	5,521,660	5,605,975
Construction in progress	<u>426,186</u>	<u>309,068</u>
	<u><b>\$ 5,947,846</b></u>	<u><b>\$ 5,915,043</b></u>

Depreciation expense charged to operations totaled \$414,995,000 and \$412,821,000 in 2024 and 2023, respectively. Capitalized Interest recorded was \$1,620,000 and \$7,980,000 in 2024 and 2023, respectively.

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

#### 8. Long-Term Debt

A summary of debt as of June 30, 2024 and 2023 are set forth as follows (in thousands):

		Effective Interest Rate at June 30, 2024	2024	2023
	Final Maturity			
<u>Fixed rate debt obligations:</u>				
Lancaster County Hospital Authority (LCHA)				
Series A of 2016 revenue bonds	August 15, 2042	2.10% - 3.52%	\$137,960	\$142,915
Series B of 2016 revenue bonds	August 15, 2046	2.36% - 3.58%	99,105	107,890
Pennsylvania Higher Education Facilities Authority (PHEFA)				
Series A of 2021 revenue bonds	August 15, 2044	1.61% - 2.11%	79,810	79,810
Series B of 2021 revenue bonds	August 15, 2042	0.97% - 2.70%	101,470	109,735
Series A of 2019 revenue bonds	August 15, 2049	1.67% - 3.22%	534,870	534,870
Series A of 2017 revenue bonds	August 15, 2047	2.60% - 3.68%	400,000	400,000
Series C of 2016 revenue bonds	August 15, 2041	1.57% - 3.08%	110,840	124,255
Series A of 2015 revenue bonds	August 15, 2045	2.42% - 4.00%	182,200	194,245
New Jersey Health Care Facilities Financing Authority (NJHCFFA)				
Princeton Healthcare System Series A of 2016	July 1, 2039	2.45% - 3.88%	150,985	157,075
University of Pennsylvania Health System 2017 Taxable Bond	August 15, 2047	4.01%	200,000	200,000
Lancaster General Hospital 2015 Taxable Note	August 11, 2032	2.25%	57,650	60,453
Mortgages, Loans and other	Various	Various	85,018	95,500
<u>Variable rate debt obligations:</u>				
PHEFA Series A of 2008 revenue bonds	January 1, 2038	3.82%	69,995	69,995
NJHCFFA Princeton Healthcare System Series B of 2016	July 1, 2045	4.87%	65,000	65,000
NJHCFFA Princeton Healthcare System Series C of 2016	July 1, 2045	4.82%	20,000	20,000
Total outstanding bonds payable			2,294,903	2,361,743
Unamortized original issue premiums, discounts and debt costs, net			157,124	169,604
			2,452,027	2,531,347
Current portion of debt obligations			(64,120)	(66,762)
			2,387,907	2,464,585

*Effective interest rate include the impact of amortizing premiums and discounts.*

**University of Pennsylvania Health System**  
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**8. Long-Term Debt (continued)**

UPHS Series A of 2008 Bonds were issued on April 21, 2008. Interest on the bonds is reset weekly through a remarketing process. The bonds are subject to optional redemption by the University, the obligated group agent, on any scheduled interest payment date at a redemption price equal to 100% of the principal amount plus accrued interest and option tender by the Holders upon seven days' notice. The bonds are enhanced by a renewable direct pay letter of credit issued by Bank of America with an expiration date of April 15, 2028 and UPHS self-liquidity policy.

The PHEFA, LCHA and NJHCFFA Revenue Bonds are collateralized by master notes issued under the UPHS Master Trust Indenture (MTI). The MTI and related agreements contain certain restrictive covenants which limit the issuance of additional indebtedness and among other things, require UPHS to meet an annual debt service coverage requirement of "income available for debt service" (excess of revenue over expenses plus depreciation, amortization, interest expense and extraordinary items) at an amount equal to 110% of the annual debt service requirements. If the coverage requirement for a particular year is not met, within six months of the close of that fiscal year, UPHS must retain the services of a consultant, to make recommendations to improve the coverage requirement. UPHS must also implement the recommendations of the consultant to the extent that they can be feasibly implemented. UPHS will not be considered to be in default of the provisions of the MTI, so long as UPHS has sufficient cash flow to pay total operating expenses and to pay debt service for the fiscal year. The debt service coverage requirement for 2024 and 2023 was met by UPHS. Additionally, UPHS has pledged its gross revenues to collateralize its obligation under the MTI.

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
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**8. Long-Term Debt (continued)**

UPHS has \$100,000,000 line-of-credit, with a maturity on April 12, 2025, to supplement liquidity and issue letters of credit to cover balances due on construction projects and reinsurance agreements. There were no draws on or any outstanding balance on the Letter of Credit as of June 30, 2024 and June 30, 2023. Letters of credit issued under the line were \$4,034,000 and \$4,971,000 at June 30, 2024 and 2023, respectively, and are included in contingencies and commitments.

A summary of maturities of long-term debt payments for the next five years and thereafter is as follows (in thousands):

	<u>PHEFA</u>	<u>LCHA</u>	<u>NJHCFFA</u>	<u>Other</u>	<u>Total</u>
<b>Fiscal Year</b>					
2025	\$ 45,245	\$ 5,215	\$ 6,395	\$ 2,861	\$ 59,716
2026	47,575	5,475	6,715	2,919	62,684
2027	23,440	31,520	7,050	2,979	64,989
2028	35,680	6,050	7,405	3,041	52,176
2029	37,310	6,345	7,775	3,103	54,533
Thereafter	<u>1,289,935</u>	<u>182,460</u>	<u>200,645</u>	<u>242,747</u>	<u>1,915,787</u>
Total principal	1,479,185	237,065	235,985	257,650	2,209,885
Unamortized original issue premiums, discounts, and debt costs	<u>127,445</u>	<u>20,663</u>	<u>9,140</u>	<u>(124)</u>	<u>157,124</u>
Total debt	<u>\$ 1,606,630</u>	<u>\$ 257,728</u>	<u>\$ 245,125</u>	<u>\$ 257,526</u>	<u>\$ 2,367,009</u>

	<u>Mortgages Notes and Other</u>
<b>Fiscal Year</b>	
2025	\$ 4,556
2026	4,595
2027	4,524
2028	13,347
2029	3,951
Thereafter	<u>54,045</u>
Total mortgages, notes and other	<u>\$ 85,018</u>

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### 9. Transactions with the University of Pennsylvania

UPHS transferred \$32,882,000 and \$150,374,000 in 2024 and 2023, respectively, to further the research and educational activities of the PSOM, including capital projects constructed by Penn Medicine on behalf of the University funded by the University totaling \$178,171,000 and \$13,057,000 in 2024 and 2023, respectively. In addition, PSOM support totaling \$20,717,000, which represents academic operating support to the clinical departments of the PSOM, has been recognized as operating expenses in 2023.

Certain University expenses, such as a portion of the salaries of the PSOM faculty, qualify for reimbursement by third party payers. Reimbursement for these costs is claimed by UPHS and recognized as other operating revenue by CPUP and the PSOM.

Due to/(from) the University of Pennsylvania reflects the net balance resulting from transactions conducted between UPHS and the University (primarily inter-entity billings for allocation of common costs, physician salaries and benefits, certain purchased services, and support for the PSOM). UPHS transferred \$10,460,000 in 2024 and \$11,546,000 in 2023 to the University. The amounts outstanding at June 30, 2024 and 2023 represented normal current inter-entity activity.

#### 10. Net Assets

The major components of net assets at June 30, 2024 and 2023 are as follows (in thousands):

	<b>2024</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
General operating	\$ 4,428,232	\$ 101,050	\$ 4,529,282
Capital	-	33,683	33,683
Endowment	-	-	-
Quasi	4,015,620	-	4,015,620
Donor restricted	-	754,994	754,994
	<u>\$ 8,443,852</u>	<u>\$ 889,727</u>	<u>\$ 9,333,579</u>
	<b>2023</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
General operating	\$ 4,294,000	\$ 93,954	\$ 4,387,954
Capital	-	31,318	31,318
Endowment	-	-	-
Quasi	3,800,975	-	3,800,975
Donor restricted	-	736,766	736,766
	<u>\$ 8,094,975</u>	<u>\$ 862,038</u>	<u>\$ 8,957,013</u>

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
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**11. Net Assets with Donor Restriction**

Net assets with donor restriction are those whose use by UPHS has been limited by donors for the following purposes (in thousands):

	<b>2024</b>	<b>2023</b>
Specific purpose (i.e., departmental room funds)	\$ 134,733	\$ 125,272
Endowment - held by others	114,899	107,619
Endowment - fair value adjustments	512,609	508,980
Endowment - original cost basis	127,486	120,167
	<u>\$ 889,727</u>	<u>\$ 862,038</u>

Changes to the reported amounts of the UPHS' endowments and split interests as of June 30, 2024 and June 30, 2023 are as follows (in thousands):

	<b>2024</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Endowments and split interests at June 30, 2023</b>	<u>\$ 3,800,975</u>	<u>\$ 736,766</u>	<u>\$ 4,537,741</u>
Investment return	259,821	53,014	312,835
New gifts	-	7,319	7,319
Allocation of AIF assets for expenditure	(228,019)	-	(228,019)
Other investment allocations	(4,223)	-	(4,223)
Transfers to create Board designated funds	193,456	7,600	201,056
Transfers to St. Joseph's University	(83)	(13,413)	(13,496)
Other transfers	(32,972)	(9,627)	(42,599)
Released from restriction	26,665	(26,665)	-
<b>Endowments and split interests at June 30, 2024</b>	<u>\$ 4,015,620</u>	<u>\$ 754,994</u>	<u>\$ 4,770,614</u>

	<b>2023</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Endowments and split interests at June 30, 2022</b>	<u>\$ 3,970,264</u>	<u>\$ 746,936</u>	<u>\$ 4,717,200</u>
Investment return	38,887	15,623	54,510
New gifts	40	3,581	3,621
Allocation of AIF assets for expenditure	(213,554)	-	(213,554)
Other investment allocations	(4,954)	-	(4,954)
Transfers to create Board designated funds	(25,533)	3	(25,530)
Donor Imposed Income reinvestments	-	6,448	6,448
Other transfers	2,598	(2,598)	-
Released from restriction	33,227	(33,227)	-
<b>Endowments and split interests at June 30, 2023</b>	<u>\$ 3,800,975</u>	<u>\$ 736,766</u>	<u>\$ 4,537,741</u>



# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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At June 30, 2024 and 2023, there were no material donor-restricted endowment funds for which the fair value of assets was less than the level required by donor stipulations or law.

#### **12. Pension and Postretirement Benefit Costs**

Retirement benefits are principally provided to active employees through a combination of qualified and non-qualified defined contribution plans (DC). The UPHS policy with respect to its DC Plan contribution is up to 6.5% of eligible employee salaries and contributions amounted to \$142,028,000 and \$130,125,000 in 2024 and 2023, respectively.

UPHS also has several non-contributory defined benefit (DB) pension plans. Benefits under the plans generally are based on the employee's years of service and compensation during the years preceding retirement. Contributions to the plans are made in amounts necessary to at least satisfy the minimum required contributions as specified in the Internal Revenue Service Code and related regulations. UPHS' primary plan was closed to new entrants effective July 1, 2010; the benefit accruals for all participants of the LGH and PHCS plans were frozen effective June 30, 2013, and December 31, 2011, respectively.

On December 31, 2022, the LGH and PHCS plans were merged into the UPHS plan with no changes to existing benefits and coverages. The pension expense for the merged plan was then remeasured as of the merger date, resulting in additional expense of \$7,025,000 for the year ended June 30, 2023, due to higher interest cost and a lower expected return on plan assets for the combined plan. Plan assets for LGH and PHCS of \$613,825,000 and \$121,857,000, respectively, were transferred to centralized UPHS plan.

Additionally, UPHS provides a retirement bonus based on unused sick time and healthcare benefits (Other Postretirement Employee Benefits or OPEB); while LGH provides only life insurance for retirees prior to January 1, 2012. Only a limited number of employees may become eligible for such benefits if they reach retirement age while working for some UPHS entities. These and similar benefits for active and certain retired employees are provided through insurance contracts.

UPHS uses a measurement date of June 30 for their pension and postretirement liability.

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
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**12. Pension and Postretirement Benefit Costs (continued)**

**Change in Plan Assets/ Obligation and Funded Status**

The funded status of the plans is measured as the difference between the plan assets at fair value and the Pension Benefit Obligation ("PBO") or accumulated postretirement benefit obligation (APBO) for Other Postretirement Benefits. The resulting net liability is recorded in Pension and post-retirement benefit liability on the Combined Balance Sheets. The following shows changes in the benefit obligation, plan assets and funded status (in thousands):

	June 30					
	Pension Benefits		Other Postretirement Benefits		Total	
	2024	2023	2024	2023	2024	2023
<b>Change in Benefit Obligation</b>						
Benefit obligation at end of prior year	\$ 2,920,635	\$ 3,150,802	\$ 105,743	\$ 119,249	\$ 3,026,378	\$ 3,270,051
Service costs	42,294	49,444	1,921	2,184	44,215	51,628
Interest costs	155,518	149,557	5,601	5,414	161,119	154,971
Retiree drug subsidy	-	-	(30)	(137)	(30)	(137)
Plan participants' contributions	-	-	884	791	884	791
Net actuarial (gain)/loss	8,490	(315,079)	6,144	(12,051)	14,634	(327,130)
Benefits paid	(123,447)	(114,089)	(10,683)	(9,707)	(134,130)	(123,796)
Benefit obligation at end of year	<u>\$ 3,003,490</u>	<u>\$ 2,920,635</u>	<u>\$ 109,580</u>	<u>\$ 105,743</u>	<u>\$ 3,113,070</u>	<u>\$ 3,026,378</u>
<b>Change in Plan Assets</b>						
Fair value of plan assets at beginning of year	\$ 2,881,250	\$ 2,985,879	\$ -	\$ -	\$ 2,881,250	\$ 2,985,879
Actual return on assets	(37,844)	(7,493)	-	-	(37,844)	(7,493)
Company contributions	16,916	16,953	9,829	9,053	26,745	26,006
Retiree drug subsidy	-	-	(30)	(137)	(30)	(137)
Plan participants' contributions	-	-	884	791	884	791
Benefits paid	(123,447)	(114,089)	(10,683)	(9,707)	(134,130)	(123,796)
Fair value of plan assets at end of year	<u>\$ 2,736,875</u>	<u>\$ 2,881,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,736,875</u>	<u>\$ 2,881,250</u>
<b>Funded Status</b>						
Projected benefit obligation/accumulated postretirement benefit obligation	\$ (3,003,490)	\$ (2,920,635)	\$ (109,580)	\$ (105,743)	\$ (3,113,070)	\$ (3,026,378)
Plan assets at fair value	<u>2,736,875</u>	<u>2,881,250</u>	<u>-</u>	<u>-</u>	<u>2,736,875</u>	<u>2,881,250</u>
Funded status at end of year	<u>\$ (266,615)</u>	<u>\$ (39,385)</u>	<u>\$ (109,580)</u>	<u>\$ (105,743)</u>	<u>\$ (376,195)</u>	<u>\$ (145,128)</u>
Other retirement programs					(141,451)	(118,999)
Total accrued retirement benefits					(517,646)	(264,127)
Less: Current portion included in Accrued expenses					9,275	8,958
Pension and post retirement benefit liability					<u>\$ (508,371)</u>	<u>\$ (255,169)</u>

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
**June 30, 2024 and 2023**

**12. Pension and Postretirement Benefit Costs (continued)**

The Accumulated Benefit Obligation for the Pension Benefits was \$2,803,544,000 and \$2,742,093,000 at June 30, 2024 and 2023, respectively.

For the year ended June 30, 2024, the net actuarial loss in the Pension and OPEB Benefit Obligation was primarily attributable to increases in demographic changes and per capita and trend assumptions offset by increases in the discount rate, while for the year ended June 30, 2023, the net actuarial gain in the Pension and OPEB Benefit Obligation was primarily attributable to an increase in the discount rate and decreases in demographic changes and per capita and trend assumptions.

For the year ended June 30, 2023, the net actuarial gain in the Benefit Obligation for the Pension Benefits was primarily attributable to an increase in the discount rate and demographic changes.

**Net Periodic Benefit Cost**

The components of the net periodic benefit cost for pension benefits and other postretirement benefits are as follows (in thousands):

	June 30					
	Pension Benefits		Other Postretirement Benefits		Total	
	2024	2023	2024	2023	2024	2023
Service cost	\$ 42,294	\$ 49,444	\$ 1,921	\$ 2,184	\$ 44,215	\$ 51,628
Interest cost	155,518	149,557	5,601	5,414	161,119	154,971
Expected return on plan assets	(180,896)	(174,230)	-	-	(180,896)	(174,230)
Amortization of						
Net prior service costs	-	-	(325)	(325)	(325)	(325)
Net losses	-	-	(1,536)	(868)	(1,536)	(868)
Net periodic benefit cost	\$ 16,916	\$ 24,771	\$ 5,661	\$ 6,405	\$ 22,577	\$ 31,176

**Net Assets Without Donor Restriction**

UPHS recorded the following year-end valuation adjustments to its Pension and Other Postretirement Benefit Plans in the Pension and other postretirement plans adjustments in the Combined Statements of Operations (in thousands):

	June 30					
	Pension Benefits		Other Postretirement Benefits		Total	
	2024	2023	2024	2023	2024	2023
<b>Net assets without donor restriction</b>						
Net actuarial loss	\$ (181,641)	\$ 45,590	\$ 23,911	\$ 31,590	\$ (157,730)	\$ 77,180
Net prior service costs	-	-	997	1,322	997	1,322
Accumulated net assets without donor restriction	(181,641)	45,590	24,908	32,912	(156,733)	78,502
Adjustment to net assets without donor restriction	\$ 227,231	\$ (133,356)	\$ 8,004	\$ (10,858)	\$ 235,235	\$ (144,214)

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
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**12. Pension and Postretirement Benefit Costs (continued)**

**Actuarial Assumptions**

The expected long-term rate of return on plan assets is management's best estimate of the average investment return expected to be received on the assets invested in the plan over the benefit period. The expected long-term rate of return on plan assets has been established by considering historical and future expected returns of the asset classes invested in by the pension trust, and the allocation strategy currently in place among those classes.

	<b>Pension Benefits</b>		<b>Other Postretirement Benefits</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Weighted-average assumptions used to determine benefit obligation at year end</b>				
Discount rate	5.57 %	5.46 %	5.62 %	5.53 %
Rate of compensation increase	3.20	3.22	3.20	3.22
Cash balance interest credit rate				
<b>Weighted-average assumptions for net periodic benefit cost</b>				
Discount rate	5.46 %	4.71/5.39	5.53 %	4.72 %
Expected long-term return on plan assets	6.50	6.90/6.75	N/A	N/A
Rate of compensation increase	3.22	3.20	3.22	3.20
Cash balance interest credit rate	N/A	4.00/6.00	N/A	N/A
<b>Assumed health care trend rates</b>				
Health care cost trend rate assumed for next fiscal year (pre-65/post-65)			6.11%/5.72%	5.36%/5.37%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			4.00%	4.00%
Ultimate trend rate is reached in fiscal year			2049	2047
Medicare Part B trend rate assumed for next fiscal year			4.95%	4.95%
Ultimate trend rate			4.00%	4.00%
Ultimate trend rate is reached in fiscal year			2049	2047
<b>Assumed prescription drug trend rates at June 30</b>				
Health care cost trend rate assumed for next fiscal year			6.60%	5.83%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			4.00%	4.00%
Ultimate trend rate is reached in fiscal year			2049	2047

**Expected Contributions**

UPHS expects to contribute \$33,994,000 and \$9,275,000 for pension benefits and other postretirement benefits, respectively, during the fiscal year ending June 30, 2025.

**University of Pennsylvania Health System**  
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**12. Pension and Postretirement Benefit Costs (continued)**

**Expected Benefit Payments (in thousands):**

	<b>Pension Benefits</b>	<b>Other Post Retirement Benefit Before Medicare Part D Subsidy</b>	<b>Medicare Part D Subsidy</b>
June 30, 2025	150,875	9,314	(39)
June 30, 2026	158,728	9,441	(43)
June 30, 2027	166,494	9,458	(47)
June 30, 2028	174,484	9,518	(50)
June 30, 2029	182,589	9,540	(52)
June 30, 2029 to June 30, 2034	1,010,454	46,306	(274)

**Plan Assets**

The principal investment objectives for the pension plans are: to ensure the availability of funds to pay pension benefits as they become due under a broad range of future economic scenarios; to maximize long-term investment returns with an acceptable level of risk based on the pension obligations; and to invest the pension trust in a diversified manner.

UPHS uses the University Office of Investments to manage the day-to-day activities of the investments of the pension. The investments are made in accordance with policies set out by the Investment Board which has been appointed by the Trustees. The pension benefit investments are similar in nature to those investments discussed in Note 2 – Significant Accounting Policies. However, the actual allocations to specific investments within each asset class may vary due to certain restrictions imposed by investment managers and ERISA regulations.

**University of Pennsylvania Health System**  
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**12. Pension and Postretirement Benefit Costs (continued)**

A summary of plan assets, measured at fair value, as of June 30, 2024 and 2023 is as follows (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments at NAV</u>	<u>2024</u>
<b>Assets</b>					
Short-term investments	\$ 68,077	\$ -	\$ -	\$ -	\$ 68,077
Global Equities	2,431			201,616	204,047
Debt investments					
US Treasuries and Agencies	1,277,222	-	-	-	1,277,222
Corporate bonds	-	26,866	-	-	26,866
Absolute return	-	-	-	468,860	468,860
Real assets	729	-	-	146,070	146,799
Private equity	-	-	-	545,004	545,004
	<u>\$ 1,348,459</u>	<u>\$ 26,866</u>	<u>\$ -</u>	<u>\$ 1,361,550</u>	<u>\$ 2,736,875</u>
<b>Liabilities</b>					
Derivative instruments					
Options	-	-	-	-	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments at NAV</u>	<u>2023</u>
<b>Assets</b>					
Short-term investments	\$ 107,503	\$ -	\$ -	\$ -	\$ 107,503
Global Equities	30,419	-	-	325,058	355,477
Debt investments					
US Treasuries	1,138,772	-	-	-	1,138,772
Corporate bonds	-	23	-	-	23
Absolute return	-	-	-	596,572	596,572
Real assets	16,784	-	-	171,690	188,474
Private equity	-	-	-	507,400	507,400
	<u>\$ 1,293,478</u>	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ 1,600,720</u>	<u>\$ 2,894,221</u>
<b>Liabilities</b>					
Derivative instruments					
Options	\$ -	\$ 12,972	\$ -	\$ -	\$ 12,972
	<u>\$ -</u>	<u>\$ 12,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,972</u>

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
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**12. Pension and Postretirement Benefit Costs (continued)**

The plan has unfunded commitments to limited partnerships totaling \$204,993,000 as of June 30, 2024, which are expected to be called over the next several years. The plan's unfunded commitments was \$269,263,000 as of June 30, 2023.

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of June 30, 2024 and 2023 there were no transfers between Level 1 and 2.

**Allocation of Plan Assets:**

	<b>Pension Benefits</b>		
	<b>Target</b>	<b>2024</b>	<b>2023</b>
Short-term investments	0.0 %	2.5%	3.3%
Global Equities	7.0 %	7.5%	12.4%
Debt investments			
US Treasuries	55.0 %	46.7%	39.5%
Corporate bonds	0.0 %	1.0%	0.0%
Absolute return	13.0 %	17.1%	20.7%
Real assets	6.0 %	5.4%	6.5%
Private equity	19.0 %	19.8%	17.6%
	<u>100.0 %</u>	<u>100.0%</u>	<u>100.0%</u>

**13. Net Patient Revenue by Payer**

	<b>2024</b>	<b>2023</b>
Medicare (including Managed Medicare)	35 %	34 %
Medicaid (including Managed Medicaid)	12	12
Managed care	34	33
Blue cross	15	16
Commercial	3	4
Self pay	1	1
	<u>100 %</u>	<u>100 %</u>

**University of Pennsylvania Health System**  
**Notes to Combined Financial Statements**  
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**14. Concentrations of Credit Risk**

UPHS grants credit without collateral to its patients, most of whom are local residents and are insured under third party payer agreements. The mix of receivables from patients and third party payers at June 30, 2024 and 2023, respectively, is as follows:

	<b>2024</b>	<b>2023</b>
Medicare	14 %	14 %
Medicaid	3	3
Managed care (including Managed Medicare and Medicaid)	53	53
Blue cross	11	13
Commercial	13	12
Self pay	6	5
	<u>100 %</u>	<u>100 %</u>

**15. Lease Commitments**

UPHS leases real estate and equipment under operating leases expiring through April 2107. Under the adopted accounting standard for leases, a lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the Combined Balance Sheets, lessees are required to record Right-of-Use assets, representing the right to use the underlying assets for the lease term, and Lease Liabilities, representing the obligation to make lease payments arising from the lease based on the present value of lease payments over the lease term. UPHS has made the following elections: (1) to adopt a package of practical expedients relating to reassessment, (2) to exclude leases with a term of less than one year, and (3) to use an incremental borrowing rate for discounting leases, as applicable. Right-of-Use assets recorded in Other assets were \$307,704,000 and \$301,126,000 and Lease Liabilities recorded in Accrued expenses and other liabilities were \$311,987,000 and \$304,297,000, as of June 30, 2024 and 2023, respectively. At June 30, 2024, The weighted average remaining lease term was 9.5 and 9.4 years and the weighted average discount rate was 2.1% and 2.2% as of June 30, 2024 and 2023, respectively. Rental expense is included in Supplies and other expenses on the Combined Statements of Activities. Rental expense totaled \$96,877,000 and \$100,884,000, while amortization of Right-of-use asset was \$50,958,000 and \$43,800,000 for the year ended June 30, 2024 and 2023, respectively.

A summary of future minimum payments under operating leases at June 30, 2024, is as follows (in thousands):

2025	\$ 54,397
2026	46,414
2027	41,061
2028	36,478
2029	33,252
Thereafter	<u>173,355</u>
Total lease payments	384,957
Less: Imputed interest	<u>(72,970)</u>
Total future lease payments	<u>\$ 311,987</u>



# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### **16. Medical Professional Liability Claims**

UPHS is insured for medical professional liability claims through the combination of the Medical Care Availability and Reduction of Error Fund (Mcare - formally the Medical Professional Liability Catastrophe Loss Fund of the Commonwealth of Pennsylvania - CAT Fund), various commercial insurance companies, and risk retention programs.

Mcare levies health care provider surcharges, as a percentage of the Pennsylvania Joint Underwriters Association (JUA) rates for basic coverage, to pay claims and pay administrative expenses of the Mcare participants. These surcharges are recognized as expenses in the period incurred. In March 2002, the Pennsylvania General Assembly approved reforming the Commonwealth's medical malpractice insurance system. Mcare operates on a pay-as-you-go basis and no provision has been made for any future Mcare assessments in the accompanying combined financial statements, as UPHS' portion of the unfunded Mcare liability cannot be estimated.

UPHS retains insurance for primary and excess coverage, in addition to the self-insured amounts. The coverage provided by the captive is done through its purchase of commercial insurance. The excess professional liability coverage is provided on a claim-made basis.

UPHS funded RRG/Captive and Lancaster General Insurance Company, Ltd. (LGI), for purposes of administering its risk retention program and covering its primary layer exposures. The assets and respective liabilities of risk retentions groups are included in the accompanying combined financial statements. Effective June 30, 2023, Lancaster General Insurance Company was merged into Risk Retention Group (Captive).

UPHS accrues for estimated retained risks arising from both asserted and unasserted medical professional liability claims. UPHS has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of these claims. The estimate of the gross liability and corresponding receivable for unasserted claims arising from unreported incidents is based on analysis of historical claims data by an independent actuary, which is recorded utilizing a 2.25% discount rate at June 30, 2024 and June 30, 2023. Total liability under this program is approximately \$891,479,000 and \$866,118,000 with a corresponding receivable of \$204,156,000 and \$200,145,000 at June 30, 2024 and 2023, respectively.

#### **17. Charity, Uncompensated and Under-Compensated Care**

UPHS accepts patients in serious need of professional medical care, independent of their financial status. This definition includes those patients suffering from a medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in (1) placing the health of the individual (or, with respect to a pregnant woman, the health of the woman or her unborn child) in serious jeopardy, or (2) serious impairment to bodily functions. Accordingly, UPHS provides services to patients, who meet certain criteria under its charity care policy, without charge or at amounts less than UPHS' established rates. Because UPHS does not pursue collections, such amounts have been excluded from net patient service revenue. UPHS estimated \$47,171,000 and \$37,665,000 of costs were incurred during 2024 and 2023, respectively, from providing services to charity patients. The estimated costs of providing charity services are based on data derived from a combination of the UPHS' cost accounting system and the ratio of costs to charges. UPHS also provides care to patients who do not have health insurance or meet the

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

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#### 17. Charity, Uncompensated and Under-Compensated Care (continued)

criteria to qualify for its charity care policy. UPHS pursues collection of these amounts, however certain amounts are deemed to be uncollectible. Implicit price concessions, which reduce net patient service revenue was \$166,927,000 and \$168,068,000 for years ending June 30, 2024 and 2023, respectively.

Additionally, the costs of providing services to eligible welfare recipients, who participate in the Pennsylvania Medical Assistance and local Managed Medicaid programs exceeded reimbursement by \$394,399,000 and \$381,243,000 in 2024 and 2023, respectively. In addition to providing direct patient charity care and in furtherance of its exempt purpose to benefit the community, UPHS operates emergency rooms open to the public 24-hours per day, 7 days per week; maintains research facilities for the study of disease and injuries; provides facilities for teaching and training various medical personnel; facilitates the advancement of medical and surgical education; and provides various community services such as screenings for the detection of breast, colorectal and skin cancer, cancer support groups, a toll free number for cancer information, free immunization shots, training programs for the City Fire and Police Departments, health education classes, speeches, and regularly provides health related information to television and radio news programs and to reporters at newspapers and magazines.

#### 18. Contingencies and Commitments

UPHS is subject to litigation and regulatory investigations that arise in the ordinary course of its business. UPHS is involved in a legal matter whereby a jury awarded \$182,738,000 to a plaintiff in a medical malpractice case against UPHS. UPHS is appealing the verdict. To cover claims arising out of its operations, UPHS maintains various levels of insurance coverage with deductibles that UPHS believes to be sufficient. UPHS cannot assure that professional liability insurance will cover all claims or continue to be available at reasonable costs for UPHS to maintain adequate levels of insurance. In the opinion of management, the outcome of such claims and litigation will not materially affect our combined financial position, results of operations and cash flows.

At June 30, 2024, construction contract commitments are estimated to total \$134,171,000.

UPHS maintains various unused letters of credit with expirations at various dates through fiscal year 2025 totaling \$9,313,000 and \$13,413,000 at June 30, 2024 and 2023, respectively, to cover balances due on construction projects and reinsurance agreements.

# University of Pennsylvania Health System

## Notes to Combined Financial Statements

### June 30, 2024 and 2023

#### 19. Liquidity and Availability

As of June 30, 2024 and 2023, respectively, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and capital construction costs not financed with debt, are as follows (in thousands):

	2024	2023
Financial assets:		
Cash and cash equivalents	\$1,133,979	\$875,232
Current receivables	1,412,189	1,227,495
Pledge payment available for operations	700	1,715
Designated investments and Investments	2,099,424	1,970,093
Total financial assets available within one year	<u>\$4,646,292</u>	<u>\$4,074,535</u>
Liquidity resources		
Bank lines of credit	<u>96,303</u>	<u>95,029</u>
Total financial assets and liquidity resources available within one year	<u>\$4,742,595</u>	<u>\$4,169,564</u>

To manage liquidity, UPHS maintains a line of credit that is drawn upon as needed during the year to manage cash flows. Management has the discretion to utilize the full amount of designated investments, in Assets whose use is limited, for general expenditures.

#### 20. Investment Returns

A summary of the investment return, which is net of external and direct internal investment expenses, for the years ended June 30, 2024 and 2023 is presented below (in thousands).

	2024	2023
Interest and dividends	\$88,175	\$ 51,063
Net realized changes on investments	173,113	82,208
Changes in unrealized gain/(loss) on investments, other than debt	<u>55,539</u>	<u>(40,001)</u>
Investment income/(loss), net	316,827	93,270
Changes in unrealized gain/(loss) on debt investments	3,193	545
Net realized and unrealized gain/(loss) on restricted funds	<u>18,844</u>	<u>8,597</u>
Total investment return, net	<u>\$ 338,864</u>	<u>\$ 102,412</u>

#### 21. Subsequent Events

UPHS has evaluated subsequent events through September 26, 2024, which is the date the combined financial statements were issued.

##### Definitive Agreement with Doylestown Health

On August 14, 2024, the University of Pennsylvania Health System (the "Health System") announced that The Trustees of the University of Pennsylvania (the "University") had signed a definitive affiliation agreement (the "Affiliation Agreement") with Doylestown Health Foundation (the "Foundation"), Doylestown Hospital (the "Hospital"), and VIA Affiliates d/b/a Doylestown Health Physicians ("DH Physicians" and, together with the Foundation and the Hospital, "Doylestown Health"), pursuant to which Doylestown Health is expected to become a clinical component of Penn Medicine through a member substitution in which the University will become the sole member of the

# **University of Pennsylvania Health System**

## **Notes to Combined Financial Statements**

**June 30, 2024 and 2023**

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Hospital, and the Hospital will become the sole member of the Foundation and DH Physicians. The agreement does not require the payment by the Health System of any financial consideration or other financial undertakings prior to closing. Consummation of the affiliation remains subject to various regulatory approvals, and, accordingly, there is no assurance as to whether or when the transaction will finally occur. Should the affiliation be consummated, the Health System agrees to assume ultimate financial responsibility for the outstanding debt and pension obligations of Doylestown Health. Each of the Foundation, the Hospital, and DH Physicians is a Pennsylvania nonprofit corporation and organization described under Section 501(c)(3) of the Internal Revenue Code, as amended.

## Supplementary Combining Information

**University of Pennsylvania Health System**  
**Combining Balance Sheet**  
**June 30, 2024 (thousands of dollars)**

	CPUP	CCA	HUP	PPMC	TCHS	PAH - UPHS	LGH	PHCS	Wissahickon Hospice/ Homecare	Corporate	RRG/ Captive	Eliminations	Total
<b>Assets</b>													
<b>Current</b>													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,926	\$ 1,450	\$ 5,788	\$ 1,038,815	\$ -	\$ -	\$ 1,133,979
Due from (to) UPHS central treasury	451,336	49,363	1,197,095	(19,959)	(141,437)	35,278	26,029	(16,311)	121,809	(1,703,203)	-	-	0
Patient receivables, net	80,984	28,796	457,648	121,554	63,199	103,321	243,937	69,155	54,633	28	-	-	1,223,255
Third party payer receivables	-	-	34,809	1,224	265	1,100	-	-	-	-	-	-	37,398
Other current assets	22,996	3,572	162,617	52,769	16,293	30,630	103,672	19,463	16,151	66,010	-	-	494,173
Total current assets	555,316	81,731	1,852,169	155,588	(61,680)	170,329	461,564	73,757	198,381	(598,350)	-	-	2,888,805
<b>Assets whose use is limited</b>													
Held by trustee	141,451	-	2,766	-	-	-	2,176	6,489	-	41,275	-	-	194,157
RRG/Captive	-	-	-	-	-	-	-	-	-	0	198,270	-	198,270
Designated	41,000	-	801,742	-	-	103,875	1,604,096	287,571	90	1,304,800	-	-	4,143,174
Donor-restricted investments	-	-	172,953	196,238	57,996	357,141	42,481	54,246	1,247	739	-	-	883,041
	182,451	-	977,461	196,238	57,996	461,016	1,648,753	348,306	1,337	1,346,814	198,270	-	5,418,642
Investments	-	-	-	-	(4)	141	-	169	45	148,862	-	-	149,213
Property and equipment, net	18,199	39,344	2,759,629	441,347	432,579	211,443	843,369	352,334	8,473	841,129	-	-	5,947,846
Other assets	55,646	38,026	46,228	132,370	44,669	1,627	57,552	46,521	14,615	327,640	-	-	764,894
Total assets	\$ 811,612	\$ 159,101	\$ 5,635,487	\$ 925,543	\$ 473,560	\$ 844,556	\$ 3,011,238	\$ 821,087	\$ 222,851	\$ 2,066,095	\$ 198,270	\$ -	\$ 15,169,400
<b>Liabilities and Net Assets</b>													
<b>Current</b>													
Accounts payable	\$ 15	\$ -	\$ 40	\$ 8	\$ 15,948	\$ 1,426	\$ 12,490	\$ 18,234	\$ 102	\$ 356,625	\$ -	\$ -	\$ 404,888
Accrued expenses	156,558	66,737	206,315	47,691	30,925	40,360	102,695	41,136	28,240	382,244	2,107	-	1,105,008
Current portion of long-term debt	-	-	36,076	8,018	188	4,103	8,971	6,764	-	-	-	-	64,120
Due to the University of Pennsylvania	2,111	-	-	-	-	-	-	-	-	7,016	-	-	9,127
Third party payer settlements	-	-	8,814	894	1,381	4,664	3,107	2,341	-	-	-	-	21,201
Total current liabilities	158,684	66,737	251,245	56,611	48,442	50,553	127,263	68,475	28,342	745,885	2,107	-	1,604,344
Long-term debt, net of current portion	-	-	1,155,819	69,463	359,494	79,066	317,929	239,752	-	166,384	-	-	2,387,907
Due to the University of Pennsylvania	-	-	-	-	-	-	-	-	-	30,000	-	-	30,000
Third party payer settlements, net of current portion	-	-	-	-	-	-	-	-	33,984	7,260	-	-	41,244
Other liabilities	54,109	32,962	41,929	73,456	29,299	1,219	27,917	24,400	14,107	703,588	260,969	-	1,263,955
Pension and postretirement benefit liability	141,451	-	-	-	-	-	778	-	-	366,142	-	-	508,371
Total liabilities	354,244	99,699	1,448,993	199,530	437,235	130,838	473,887	332,627	76,433	2,019,259	263,076	-	5,835,821
<b>Net assets</b>													
Net assets without donor restriction	457,354	58,781	4,008,605	530,160	(21,667)	356,577	2,495,443	433,890	143,239	46,276	(64,806)	-	8,443,852
Net assets with donor restrictions	14	621	177,889	195,853	57,992	357,141	41,908	54,570	3,179	560	0	-	889,727
Total net assets	\$457,368	\$59,402	\$4,186,494	\$726,013	\$36,325	\$713,718	\$2,537,351	\$488,460	\$146,418	\$46,836	(\$64,806)	\$0	\$9,333,579
Total liabilities and net assets	\$ 811,612	\$ 159,101	\$ 5,635,487	\$ 925,543	\$ 473,560	\$ 844,556	\$ 3,011,238	\$ 821,087	\$ 222,851	\$ 2,066,095	\$ 198,270	\$ -	\$ 15,169,400

The supplemental information has been prepared in a manner consistent with generally accepted accounting principles and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental combining information is presented only for purposes of additional analysis and not as a presentation of the combined financial position and results of the individual entities.

**University of Pennsylvania Health System**  
**Combining Balance Sheet**  
**June 30, 2023 (thousands of dollars)**

	CPUP	CCA	HUP	PPMC	TCHS	PAH - UPHS	LGH	PHCS	Wissahickon Hospice/ Homecare	Corporate	RRG/ Captive	Eliminations	Total
<b>Assets</b>													
<b>Current</b>													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,378	\$ 11,028	\$ 72,767	\$ 672,059	\$ -	\$ -	\$ 875,232
Due from (to) UPHS central treasury	405,007	32,052	1,092,301	(27,504)	(100,002)	35,511	-	-	31,623	(1,468,988)	-	-	-
Patient receivables, net	76,060	27,174	387,730	100,799	54,527	80,052	197,662	65,104	38,950	-	-	-	1,028,058
Third party payer receivables	-	-	37,013	1,392	49	1,471	-	-	-	-	-	-	39,925
Assets held for sale	-	-	-	-	-	-	43,369	-	-	-	-	-	43,369
Other current assets	23,303	3,264	131,559	57,661	19,061	39,419	51,304	18,986	16,044	65,688	100,000	(100,000)	426,289
Total current assets	504,370	62,490	1,648,603	132,348	(26,365)	156,453	411,713	95,118	159,384	(731,241)	100,000	(100,000)	2,412,873
<b>Assets whose use is limited</b>													
Held by trustee	118,999	-	2,735	-	-	-	5,475	6,163	-	34,956	-	-	168,328
RRG/Captive	-	-	-	-	-	-	(132)	-	-	-	201,459	-	201,327
Designated	41,000	-	750,386	-	-	97,221	1,494,986	269,552	-	1,218,594	-	-	3,871,739
Donor-restricted investments	-	-	170,381	190,421	54,871	341,002	51,930	39,668	1,129	1,268	-	-	850,670
	159,999	-	923,502	190,421	54,871	438,223	1,552,259	315,383	1,129	1,254,818	201,459	-	5,092,064
Investments	-	-	-	-	-	141	-	165	74	125,013	-	-	125,393
Property and equipment, net	15,839	40,447	2,853,898	425,479	434,659	218,616	891,904	353,560	5,577	675,064	-	-	5,915,043
Other assets	59,723	25,167	51,666	139,688	47,663	1,613	64,712	46,868	6,334	340,827	-	-	784,261
Total assets	\$ 739,931	\$ 128,104	\$ 5,477,669	\$ 887,936	\$ 510,828	\$ 815,046	\$ 2,920,588	\$ 811,094	\$ 172,498	\$ 1,664,481	\$ 301,459	\$ (100,000)	\$ 14,329,634
<b>Liabilities and Net Assets</b>													
<b>Current</b>													
Accounts payable	\$ 49	\$ 190	\$ 22	\$ 9	\$ 8,194	\$ 389	\$ 45,805	\$ 13,347	\$ 347	\$ 222,805	\$ -	\$ -	\$ 291,157
Accrued expenses	145,172	49,991	186,176	59,343	26,124	32,460	100,949	41,098	24,156	383,595	2,107	(100,000)	951,171
Current portion of long-term debt	-	-	33,413	6,891	188	5,157	14,536	6,459	118	-	-	-	66,762
Current portion of notes payable	-	-	-	-	-	-	-	-	-	-	-	-	0
Due to the University of Pennsylvania	-	-	-	-	-	-	-	-	-	1,198	-	-	1,198
Liabilities associated with assets held for sale	-	-	-	-	-	-	19,046	-	-	-	-	-	19,046
Third party payer settlements	-	-	14,780	4,183	1,824	1,346	5,585	-	-	-	-	-	27,718
Total current liabilities	145,221	50,181	234,391	70,426	36,330	39,352	185,921	60,904	24,621	607,598	2,107	(100,000)	1,357,052
Long-term debt, net of current portion	-	-	1,197,707	78,556	359,380	83,809	328,867	247,933	-	168,333	-	-	2,464,585
Due to the University of Pennsylvania	-	-	-	-	-	-	-	-	-	35,000	-	-	35,000
Third party payer settlements, net of current portion	(5)	-	-	-	-	5,291	-	1,094	5,446	10,958	-	-	22,784
Other liabilities	58,118	20,378	50,435	78,530	39,597	1,346	29,209	25,695	5,989	655,024	273,710	-	1,238,031
Pension and postretirement benefit liability	118,999	-	-	-	-	-	851	-	-	135,319	-	-	255,169
Total liabilities	322,333	70,559	1,482,533	227,512	435,307	129,798	544,848	335,626	36,056	1,612,232	275,817	(100,000)	5,372,621
<b>Net assets</b>													
Net assets without donor restriction	417,569	56,948	3,817,494	470,387	20,650	344,246	2,324,137	433,273	133,469	51,160	25,642	-	8,094,975
Net assets with donor restrictions	29	597	177,642	190,037	54,871	341,002	51,603	42,195	2,973	1,089	-	-	862,038
Total net assets	\$417,598	\$57,545	\$3,995,136	\$660,424	\$75,521	\$685,248	\$2,375,740	\$475,468	\$136,442	\$52,249	\$25,642	\$0	\$8,957,013
Total liabilities and net assets	\$ 739,931	\$ 128,104	\$ 5,477,669	\$ 887,936	\$ 510,828	\$ 815,046	\$ 2,920,588	\$ 811,094	\$ 172,498	\$ 1,664,481	\$ 301,459	\$ (100,000)	\$ 14,329,634

The supplemental information has been prepared in a manner consistent with generally accepted accounting principles and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental combining information is presented only for purposes of additional analysis and not as a presentation of the combined financial position and results of the individual entities.

**University of Pennsylvania Health System**  
**Combining Statement of Operations**  
**Year Ended June 30, 2024 (thousands of dollars)**

	CPUP	CCA	HUP	PPMC	TCCHS	PAH - UPHS	LGH	PHCS	Wissahickon Hospice/ Homecare	Corporate	RRG/ Captive	Eliminations	Total
<b>Revenues</b>													
Net patient service revenue	\$ 754,551	\$ 395,514	\$ 3,479,684	\$ 1,027,889	\$ 501,140	\$ 780,496	\$ 1,624,381	\$ 576,888	\$ 335,250	\$ 271	\$ -	\$ -	\$ 9,476,064
Other revenue and support	142,109	35,984	692,475	263,915	23,804	79,496	218,068	13,144	20,767	70,793	48,424	(185,963)	1,423,016
Total revenues	896,660	431,498	4,172,159	1,291,804	524,944	859,992	1,842,449	590,032	356,017	71,064	48,424	(185,963)	10,899,080
<b>Expenses</b>													
Salaries and wages	885,768	293,773	1,051,243	360,026	206,465	293,105	733,575	219,417	149,314	348,927	-	-	4,541,613
Employee benefits	173,430	63,837	315,219	103,917	55,434	84,617	186,859	57,179	40,614	92,021	-	-	1,173,127
Supplies and other expenses	113,989	120,660	1,598,483	528,324	203,291	305,011	619,063	191,353	140,391	389,195	816	(4,606)	4,205,970
Corporate services/inter-entity support	(369,473)	(62,719)	792,291	198,456	68,343	145,607	141,045	99,964	19,499	(900,080)	-	(132,933)	0
Depreciation and amortization	4,382	3,431	163,113	34,371	27,321	26,598	71,542	31,193	1,528	53,074	-	-	416,553
Malpractice	41,951	10,565	21,304	7,389	1,965	6,970	14,003	1,574	36	90,031	47,608	(48,424)	194,972
Interest	-	-	56,664	3,210	4,923	2,741	12,681	9,379	-	(1,241)	-	-	88,357
Total expenses	850,047	429,547	3,998,317	1,235,693	567,742	864,649	1,778,768	610,059	351,382	71,927	48,424	(185,963)	10,620,592
Excess (deficit) of revenue over expenses from operations	46,613	1,951	173,842	56,111	(42,798)	(4,657)	63,681	(20,027)	4,635	(863)	-	-	278,488
<b>Non-operating gains (loss)</b>													
Investment Income, net	26,456	(60)	120,996	(497)	(2,944)	13,266	105,040	20,101	5,174	19,743	9,552	-	316,827
Other non-operating (loss)/income, net	195	(58)	12,620	4,159	(453)	4,196	(9,654)	516	124	(3,088)	-	-	8,557
Excess (deficit) of revenue over expenses	73,264	1,833	307,458	59,773	(46,195)	12,805	159,067	590	9,933	15,792	9,552	-	603,872
Change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	3,193	-	-	3,193
Transfers to PSOM and University, net	(42,913)	-	(120,277)	-	-	(670)	-	-	(163)	120,681	-	-	(43,342)
Transfers to the other Health System entities	9,434	-	(5)	-	-	-	-	-	-	90,571	(100,000)	-	-
Transfers from other external entities	-	-	-	-	(311)	-	12,165	-	-	-	-	-	11,854
Net assets released from restrictions for capital	-	-	3,935	-	4,189	196	188	27	-	-	-	-	8,535
Pension and other postretirement plan adjustments	-	-	-	-	-	-	(114)	-	-	(235,121)	-	-	(235,235)
Increase/(decrease) in net assets without donor restriction	\$ 39,785	\$ 1,833	\$ 191,111	\$ 59,773	\$ (42,317)	\$ 12,331	\$ 171,306	\$ 617	\$ 9,770	\$ (4,884)	\$ (90,448)	\$ -	\$ 348,877

The supplemental information has been prepared in a manner consistent with generally accepted accounting principles and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental combining information is presented only for purposes of additional analysis and not as a presentation of the combined financial position and results of the individual entities.



**University of Pennsylvania Health System**  
**Combining Statement of Operations**  
**Year Ended June 30, 2023 (thousands of dollars)**

	CPUP	CCA	HUP	PPMC	TCCHS	PAH - UPHS	LGH	PHCS	Wissahickon Hospice/ Homecare	Corporate	RRG/ Captive	Eliminations	Total
<b>Revenues</b>													
Net patient service revenue	\$ 685,396	\$ 318,984	\$ 3,187,784	\$ 923,296	\$ 473,604	\$ 740,217	\$ 1,514,239	\$ 573,256	\$ 310,590	\$ 77	\$ -	\$ -	\$ 8,727,443
Other revenue and support	135,962	41,582	596,444	228,048	20,249	71,163	173,646	19,934	22,139	59,815	46,562	(168,290)	1,247,254
Total revenues	821,358	360,566	3,784,228	1,151,344	493,853	811,380	1,687,885	593,190	332,729	59,892	46,562	(168,290)	9,974,697
<b>Expenses</b>													
Salaries and wages	813,921	217,509	970,537	334,772	193,991	281,437	730,809	260,421	138,983	321,303	-	-	4,263,683
Employee benefits	149,639	47,155	282,336	94,337	49,103	78,159	188,711	60,267	36,534	78,775	-	-	1,065,016
Supplies and other expenses	92,857	105,033	1,413,382	454,147	186,139	283,571	600,569	191,679	127,471	337,022	780	1,135	3,793,785
Corporate services/inter-entity support	(333,973)	(21,895)	703,758	175,935	54,299	124,165	94,523	51,728	13,462	(739,139)	-	(122,863)	-
Depreciation and amortization	3,914	3,240	164,399	33,438	26,086	27,178	72,177	31,058	1,329	51,702	-	-	414,521
Malpractice	41,390	7,672	21,093	7,267	1,520	6,901	10,301	1,832	52	5	45,782	(46,562)	97,253
Interest	-	-	55,441	2,821	4,733	2,825	7,180	9,451	-	(902)	-	-	81,549
Perelman School of Medicine (PSOM) support	-	-	12,058	3,632	-	-	-	-	-	5,027	-	-	20,717
Total expenses	767,748	358,714	3,623,004	1,106,349	515,871	804,236	1,704,270	606,436	317,831	53,793	46,562	(168,290)	9,736,524
Excess (deficit) of revenue over expenses from operations	53,610	1,852	161,224	44,995	(22,018)	7,144	(16,385)	(13,246)	14,898	6,099	-	-	238,173
<b>Nonoperating gains (loss)</b>													
Investment Income, net	14,844	184	41,658	(223)	(374)	5,117	32,496	3,097	2,149	(13,352)	7,674	-	93,270
Other non-operating (loss)/income, net	0	(20)	15,915	5,125	(209)	5,381	(24,944)	(745)	(965)	6	-	-	(456)
Excess (deficit) of revenue over expenses	68,454	2,016	218,797	49,897	(22,601)	17,642	(8,833)	(10,894)	16,082	(7,247)	7,674	-	330,987
Change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	545	-	-	545
Transfers to PSOM and University, net	(28,953)	-	(95,497)	-	-	(703)	-	-	(164)	(36,603)	-	-	(161,920)
Transfers to the other Health System entities	14,098	100	395	-	-	-	121,327	9,655	8,359	(153,934)	-	-	-
Net assets released from restrictions for capital	-	(100)	17,720	-	1,634	449	77	43	-	-	-	-	19,823
Pension and other postretirement plan adjustments	-	-	-	-	-	-	(66)	-	-	144,280	-	-	144,214
Increase/(decrease) in net assets without donor restriction	\$ 53,599	\$ 2,016	\$ 141,415	\$ 49,897	\$ (20,967)	\$ 17,388	\$ 112,505	\$ (1,196)	\$ 24,277	\$ (52,959)	\$ 7,674	\$ -	\$ 333,649

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