

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

CentraState Healthcare System, Inc.
Years Ended December 31, 2025 and 2024
With Report of Independent Auditors



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CentraState Healthcare System, Inc.

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2025 and 2024

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Report of Independent Auditors

The Board of Trustees
CentraState Healthcare System, Inc.

Opinion

We have audited the consolidated financial statements of CentraState Healthcare System, Inc. (the System), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the System at December 31, 2025 and 2024, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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



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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2025, and the consolidating statements of operations and changes in net assets for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

April 7, 2026

CentraState Healthcare System, Inc.

Consolidated Balance Sheets
(In Thousands)

	December 31	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 17,462	\$ 22,798
Short-term investments (Note 4)	128,209	139,164
Assets limited as to use that are required for current liabilities (Note 4)	971	860
Patient accounts receivable, net	38,930	38,580
Due from affiliates (Note 11)	216	1,099
Other current assets	9,959	9,646
Total current assets	195,747	212,147
Assets limited as to use – noncurrent (Note 4)	18,637	18,751
Property, plant, and equipment, net (Note 6)	258,024	243,726
Operating lease assets (Note 8)	10,218	7,958
Noncurrent assets (Note 5)	7,185	8,850
Total assets	<u>\$ 489,811</u>	<u>\$ 491,432</u>
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt and finance lease obligations (Note 7)	\$ 32	\$ 308
Accounts payable and accrued expenses	47,259	49,652
Operating lease liability – current (Note 8)	2,533	1,719
Other current liabilities	55	75
Total current liabilities	49,879	51,754
Long-term debt and finance lease obligations, excluding current maturities (Note 7)	116,488	116,254
Professional liability insurance and other noncurrent liabilities (Note 9)	4,865	6,328
Estimated third-party payor settlements (Note 3)	9,671	10,975
Due to affiliates (Note 11)	3,244	16,672
Operating lease liability – noncurrent (Note 8)	7,685	6,239
Total liabilities	191,832	208,222
Commitments and contingencies (Note 13)		
Net assets:		
Net assets without donor restrictions	277,364	261,792
Net assets with donor restrictions	20,615	21,418
Total net assets	297,979	283,210
	<u>\$ 489,811</u>	<u>\$ 491,432</u>

See accompanying notes.

CentraState Healthcare System, Inc.

Consolidated Statements of Operations
(In Thousands)

	Year Ended December 31	
	2025	2024
Revenue:		
Net patient service revenue (Note 3)	\$ 412,176	\$ 398,034
Other revenue (Note 14)	26,447	38,806
Total revenue	438,623	436,840
Expenses:		
Salaries and wages	164,979	171,083
Employee benefits	47,522	42,731
Professional fees	19,527	14,855
Supplies and other expenses	192,831	199,396
Depreciation and amortization	20,623	21,570
Interest expense	4,220	4,217
Total expenses	449,702	453,852
Loss from operations	(11,079)	(17,012)
Investment return (Note 4)	13,144	2,428
Gain on sale of Center for Aging, Inc. (Note 1)	—	21,287
Net change in unrealized gains and losses on investments (Note 4)	5,510	6,521
Excess of revenue over expenses	7,575	13,224
Net assets released from restrictions for capital purposes	2,802	3,787
Grant receipts for purchase of fixed assets	—	862
Net assets transfer from Atlantic Health System (Note 11)	5,195	9,377
Change in net assets without donor restrictions	\$ 15,572	\$ 27,250

See accompanying notes.

CentraState Healthcare System, Inc.

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at January 1, 2024	\$ 234,542	\$ 23,262	\$ 257,804
Change in net assets without donor restrictions	27,250	—	27,250
Contributions, investment return and other	—	3,231	3,231
Net assets released from restrictions for operations	—	(1,288)	(1,288)
Net assets released from restrictions for capital purposes	—	(3,787)	(3,787)
Increase (decrease) in net assets	27,250	(1,844)	25,406
Net assets at December 31, 2024	261,792	21,418	283,210
Change in net assets without donor restrictions	15,572	—	15,572
Contributions, investment return and other	—	2,793	2,793
Net assets released from restrictions for operations	—	(794)	(794)
Net assets released from restrictions for capital purposes	—	(2,802)	(2,802)
Increase (decrease) in net assets	15,572	(803)	14,769
Net assets at December 31, 2025	<u>\$ 277,364</u>	<u>\$ 20,615</u>	<u>\$ 297,979</u>

See accompanying notes.

CentraState Healthcare System, Inc.

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31	
	2025	2024
Operating activities		
Increase in net assets	\$ 14,769	\$ 25,406
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	20,623	21,570
Loss on disposal of fixed assets	23	—
Cash received under nonrefundable advance fee plans, net of refunds	—	981
Amortization of advance fees	—	(2,429)
Net realized gains and losses on investments, income in equity of joint ventures and change in unrealized gains and losses on investments	(10,853)	(3,358)
Net assets released, grant receipts and transfers for capital purposes	(7,997)	(14,026)
Gain on sale of Center for Aging, Inc., net of transaction costs	—	(20,680)
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(350)	(874)
Other assets	1,207	597
Accounts payable and accrued expenses	(2,393)	(7,571)
Due to and from affiliates, net	(12,545)	7,457
Professional liability insurance and other liabilities	(1,483)	18
Estimated third-party payor settlements	(1,304)	(8,928)
Net cash used in operating activities	(303)	(1,837)
Investing activities		
Acquisitions of property, plant, and equipment, net	(34,944)	(36,002)
Short-term investments redeemed, net	20,296	15,178
Assets limited as to use redeemed, net	3	947
Proceeds from sale of Center for Aging, Inc., net of cash and investments transferred in sale	—	2,159
Distributions from investment in joint ventures, net	1,657	1,259
Net cash used in investing activities	(12,988)	(16,459)
Financing activities		
Proceeds from issuance of long-term debt and line of credit advances	—	20,575
Payments of long-term debt and finance lease obligations	(42)	(19,721)
Net assets released, grant receipts and transfers for capital purposes	7,997	14,026
Cash received under refundable advance fee plans, net of refunds	—	1,104
Net cash provided by financing activities	7,955	15,984
Net decrease in cash and cash equivalents	(5,336)	(2,312)
Cash and cash equivalents at beginning of year	22,798	25,110
Cash and cash equivalents at end of year	\$ 17,462	\$ 22,798

See accompanying notes.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (In Thousands)

December 31, 2025

1. Organization and Summary of Significant Accounting Policies

CentraState Healthcare System, Inc. (CSHS), located in Freehold, New Jersey, is a not-for-profit holding corporation. Atlantic Health System (Atlantic Health) and CentraState Holding Company, Inc. (CHC) hold membership interests in CSHS of 51% and 49%, respectively. As an affiliated member of Atlantic Health, CSHS and Atlantic Health share clinical expertise and best practices and coordinate patient care through a common technology platform.

The accompanying consolidated financial statements include the accounts of CSHS and its wholly owned or wholly controlled subsidiary corporations and not-for-profit entities. As of December 31, 2025, CSHS is the sole member of the following not-for-profit corporations: CentraState Medical Center, Inc. (the Medical Center); CentraState Healthcare Affiliates, Inc. d/b/a The Manor (The Manor); CentraState Assisted Living, Inc. d/b/a Monmouth Crossing (Monmouth Crossing); CentraState Healthcare Foundation, Inc. (the Foundation); and Center for Aging, Inc. d/b/a Applewood (Applewood). CSHS is the sole stockholder of CentraState Healthcare Services, Inc. (Healthcare Services), a for-profit corporation. Healthcare Services owns all the membership interests of CentraState Medical Arts Building LLC (MAB), a limited liability company. CentraState Medical Associates, P.C. (Medical Associates), CentraState Specialists, P.C., and CentraState Cardiology, P.C., for-profit companies, are controlled subsidiaries of the Medical Center.

The reporting entity resulting from the consolidation of CSHS and its wholly owned or wholly controlled subsidiary corporations and not-for-profit entities is referred to herein as the “System.” All significant intercompany balances and transactions have been eliminated in consolidation. Although these entities have been consolidated for financial statement presentation, there may be limitations on the use of an entity’s funds by another member of the group resulting from the charitable nature of some of the entities or other factors.

Summary information related to the entities follows:

- The Medical Center is an acute care hospital whose mission is to provide the highest quality patient care for the central New Jersey community it serves. The Medical Center has 276 licensed beds.
- The Manor provides skilled nursing services for 123 elderly residential units including sub-acute, rehabilitation and I.V. therapy.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

- Through July 2, 2024, Applewood operated a continuing care retirement community.
- Monmouth Crossing is an assisted living facility for the elderly consisting of 76 units with 16 units for memory care.
- The Foundation was established for the purpose of soliciting and investing funds for the benefit of the Medical Center and other not-for-profit entities of the System.
- Healthcare Services was established to provide various health care and related services to the community.
- MAB was organized to construct, develop, equip, and operate a medical arts building which offers state of the art ambulatory clinical programs.
- Medical Associates was established for the purpose of aligning physician practices with the System. Medical Associates became inactive in 2024.
- CentraState Specialists P.C. was formed for the purpose of providing specialized medical services to the community.
- CentraState Cardiology P.C. (Cardiology) was formed for the purpose of providing a medical practice in the specialty of cardiology that includes physician services and diagnostic testing. The System transferred the business activities of Cardiology to Atlantic Medical Group, an affiliate of Atlantic Health, on January 28, 2025.
- CentraState Captive Insurance Company Ltd., SPC (the Cayman Captive), a captive insurance company domiciled in the Cayman Islands which was a wholly owned subsidiary of the Medical Center, was dissolved on January 20, 2025 as described further in this Note.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Sale of Center for Aging, Inc.

On July 2, 2024 (the Sale Date), after approval from the New Jersey Department of Community Affairs, the System completed the sale of certain assets, liabilities and operations of Applewood to an unrelated third party. As a result of the transaction, the System recognized a gain of \$21,287 in the accompanying 2024 consolidated statement of operations. The System is awaiting approval from the Office of the Attorney General of the State of New Jersey to transfer Applewood's net assets with donor restrictions to the acquiring entity.

COVID-19 and FEMA Funding

The Medical Center has applied for reimbursement for qualifying expenses in relation to the COVID-19 pandemic under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. During 2025 and 2024, the Medical Center recognized \$1,419 and \$1,112 for FEMA reimbursement within other operating revenue, respectively. Additional costs have been submitted to FEMA and are pending final approval for reimbursement.

Significant Accounting Policies

A summary of significant accounting policies follows:

Use of Estimates

The preparation of financial statements in accordance 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, such as the valuation of accounts receivable for services to patients, and liabilities, such as estimated settlements with third-party payors, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The System considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents, except for amounts reported within short-term investments and assets limited as to use as such holdings are within investment portfolios. The System does not hold any money market funds with significant liquidity restrictions that would require the funds to be excluded from cash equivalents. The System does not have any restricted cash and cash equivalents at December 31, 2025 and 2024.

Investments and Investment Return

Investments in marketable securities are reported in the consolidated balance sheets at fair value based on quoted market prices. Investments that are readily marketable and which are not reported as assets limited as to use are considered short-term investments and are classified as current assets in the accompanying consolidated balance sheets. All investments in marketable securities are classified as trading securities. Investments in joint ventures, which have been entered into by Healthcare Services and the Medical Center, are accounted for using the equity method.

All investment transactions are recorded on the dates such trades take place. The realized gain or loss resulting from these transactions is the difference between the proceeds received and the average historical cost of the assets sold. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Investment return and net change in unrealized gains and losses on investments is included in the excess of revenue over expenses unless restricted by donor or law.

Assets Limited as to Use

Assets limited as to use include investments that are internally designated by the Board of Trustees, held for a retirement plan, and restricted by donors. Donor restricted assets limited as to use include assets held under split-interest agreements, such as charitable gift annuity agreements, under which the Foundation pays the designated beneficiaries a predetermined annual annuity amount.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Supplies

Supplies are reported in other current assets in the accompanying consolidated balance sheets and are stated at the lower of cost or net realizable value. Supplies are used in the provision of patient care and are not held for sale.

Pledges Receivable

Through the fundraising activities of the Foundation, the System is the recipient of pledges which are recorded at the time the unconditional promise to give is made, at estimated net realizable value. The net realizable value of outstanding pledges of approximately \$226 and \$322 at December 31, 2025 and 2024, respectively, is reported within other current assets in the accompanying consolidated balance sheets. The amount of the allowance for uncollectible pledges is based on management's assessment of historical and expected collections and other collection indicators. Additions to the allowance for uncollectible pledges result from the provision for uncollectible pledges. Pledges written off as uncollectible are deducted from the allowance for uncollectible pledges. Pledges are discounted to net present value based on the scheduled payment terms of each pledge using a discount rate of 2.0% for each of the years ended December 31, 2025 and 2024.

Property, Plant, and Equipment

Property, plant, and equipment purchased are stated at cost, except for donated equipment which is recorded at fair value at the date of the gift. Property, plant, and equipment existing at the time of the initial affiliation with Atlantic Health were recorded at fair value as of that date based upon an independent valuation. The System provides for depreciation on a straight-line basis over the estimated useful lives of such assets or the lease term, whichever is shorter. Amortization of equipment obtained through finance lease obligations is included in depreciation and amortization expense. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Professional Liability Insurance

Prior to December 31, 2023, the System was insured for professional liability insurance through the Cayman Captive. Effective December 31, 2023, as part of the affiliation with Atlantic Health, the assets and liabilities of the Cayman Captive were novated to AHS Insurance Company, Ltd. (AHSIC). Subsequent to the novation, claims insured through AHSIC are reported as a liability by the System with a corresponding reinsurance receivable on the accompanying consolidated balance sheets (see Note 9). The Cayman Captive was dissolved in January 2025 upon conclusion of the above novation process.

Classification of Net Assets

The System separately accounts for and reports net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are not externally restricted for identified purposes by donors. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the System and an outside party other than a donor. Net assets with donor restrictions are those whose use is limited by the donor. When a temporary donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported as net assets released from restriction.

On a stand-alone financial reporting basis, the Medical Center, Applewood, Monmouth Crossing and The Manor recognize the balance and changes in their accumulated interest in the net assets of the Foundation. Amounts reported on a stand-alone basis are eliminated in consolidation.

Net assets with donor restrictions that are perpetual in nature represent assets held in perpetuity by the Foundation on behalf of the Medical Center and Applewood, the proceeds of which are available to support Medical Center and Applewood programs and services. The System follows the requirements of the New Jersey Uniform Prudent Management of Institutional Funds Act (NJ UPMIFA) as they relate to its permanently restricted contributions and net assets. The System's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to the endowment funds.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

The System recognizes governmental grants where commensurate value is not exchanged as contributions when conditions and restrictions are satisfied and reports such amounts within other revenue (see Note 14).

Functional Expenses

The System provides general health care and other services. Expenses related to providing these services are as follows:

	Hospital Patient Care	Post-Acute and Continuing Care	Ambulatory Physician Practices	Research	Foundation and Fundraising	Management and Administrative	Total
Year ended December 31, 2025							
Salaries and wages	\$ 149,403	\$ 10,784	\$ –	\$ 205	\$ 1,057	\$ 3,530	\$ 164,979
Employee benefits	42,205	3,976	–	57	296	988	47,522
Professional fees	19,527	–	–	–	–	–	19,527
Supplies and other expenses	182,459	5,604	1,633	18	1,372	1,745	192,831
Depreciation and amortization	19,505	649	–	–	–	469	20,623
Interest expense	3,837	83	–	–	–	300	4,220
Total	\$ 416,936	\$ 21,096	\$ 1,633	\$ 280	\$ 2,725	\$ 7,032	\$ 449,702

	Hospital Patient Care	Post-Acute and Continuing Care	Ambulatory Physician Practices	Research	Foundation and Fundraising	Management and Administrative	Total
Year ended December 31, 2024							
Salaries and wages	\$ 148,262	\$ 17,559	\$ –	\$ 240	\$ 1,065	\$ 3,957	\$ 171,083
Employee benefits	35,721	5,537	–	67	298	1,108	42,731
Professional fees	14,855	–	–	–	–	–	14,855
Supplies and other expenses	175,953	12,237	7,357	28	1,338	2,483	199,396
Depreciation and amortization	18,254	2,687	–	–	43	586	21,570
Interest expense	3,508	452	–	–	–	257	4,217
Total	\$ 396,553	\$ 38,472	\$ 7,357	\$ 335	\$ 2,744	\$ 8,391	\$ 453,852

The accompanying consolidated financial statements report expense categories that are attributable to more than one health care service or support function. Costs not directly attributable to a function are allocated on a functional basis using internal records and estimates.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Performance Indicator

The accompanying consolidated statements of operations include excess of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator include net assets released from restrictions and grant receipts for capital purposes and permanent transfers of assets from related entities.

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported within loss from operations. Peripheral or incidental transactions are excluded from loss from operations.

Income Taxes

The entities comprising the System, with the exception of Healthcare Services, MAB, Medical Associates, CentraState Specialists, P.C., and CentraState Cardiology, P.C., are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The not-for-profit organizations are also exempt from state and local income taxes.

Healthcare Services, Medical Associates, CentraState Specialists, P.C. and CentraState Cardiology, P.C. are for-profit entities; however, income tax expense and income taxes paid in 2025 and 2024 were not significant. MAB is a single member limited liability company that is not recognized as a separate entity for tax purposes. For income tax purposes, the activities of MAB are treated as a division within its parent, Healthcare Services. Prior to its dissolution, the Cayman Captive was generally not subject to income taxes under the Cayman Islands tax concessions laws.

The System accounts for deferred tax assets and liabilities based on the differences between the financial reporting and tax basis of assets and liabilities using enacted tax rates and laws that will be in effect when differences are expected to reverse.

As of and for the years ended December 31, 2025 and 2024, the System has made reasonable estimates of the provision for income taxes and deferred tax balances based on accounting guidance included in Accounting Standards Codification 740, *Income Taxes*. The System will continue to refine its calculations in future periods as additional regulations and guidance are issued by the Internal Revenue Service (IRS).

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In September 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2025-06, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. The amendments in this ASU both clarify and modernize the guidance for accounting for costs related to internal-use software. The new guidance removes all reference to “project stages” within Subtopic 350-40 and requires entities to begin capitalizing software costs based on new criteria, including the probability that the project will be completed and that the software will be used for the intended function. The ASU also includes expanded disclosure requirements for capitalized software costs. The guidance is effective for all entities for fiscal years beginning after December 15, 2027, and interim periods within those fiscal years; early adoption is permitted. Entities may apply the guidance using a prospective, retrospective or modified transition approach. The System is currently evaluating the impact of this ASU on its consolidated financial statements.

Presentation of Investment Return on the Statement of Operations

During 2025, the System revised the presentation of certain components of investment return (interest and dividends, net realized gains and losses, and net gain in equity of joint venture investments) and the gain on sale of Center for Aging, Inc. in its consolidated statements of operations so that such amounts are excluded from the (loss) income from operations intermediate measure of operations, rather than being included within total revenue as in previous periods. This change aligns the System’s presentation with that of its affiliated Atlantic Health entities, and management believes is a more appropriate reflection of the System’s operating results. Prior year amounts have been reclassified to conform to the current year presentation. This change in presentation did not affect total net assets or the excess of revenue over expenses as of and for the year ended December 31, 2024.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Charity Care

The System provides care to patients who meet certain criteria defined by the New Jersey Department of Health (DOH) without charge or at amounts less than established rates. The System's records identify and monitor the level of charity care it provides and include the amount of charges foregone for services and supplies furnished. The current DOH charity care guidelines require participation and cooperation of the patient in order to be identified as a charity care account. Management believes that the present charity care guidelines understate the System's reported charity care amounts because of the difficulties involved with obtaining patient cooperation. The cost of charity care includes the direct and indirect cost of providing charity care services. The cost is estimated by utilizing a ratio of cost to standard charges applied to the standard uncompensated charges associated with providing charity care. The cost of charity care provided during the years ended December 31, 2025 and 2024 was approximately \$5,287 and \$5,196, respectively. The System receives partial reimbursement for the charity care it provides (see Note 3).

3. Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include provisions for variable consideration (reductions to revenue) in determining a transaction price.

The System uses a portfolio approach as a practical expedient to account for categories of patient contracts as collective groups rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on historical collection trends and other analyses, the System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The System's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the System's standard charges.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Net Patient Service Revenue (continued)

The System determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the System's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the System determines the transaction price associated with services rendered on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the System's historical collection experience for applicable patient portfolios.

Generally, the System bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the System's outpatient, ambulatory or long-term care centers. The System measures the performance obligation from admission into the System or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

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

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Net Patient Service Revenue (continued)

Changes in the System's estimates of implicit price concessions, discounts, contractual adjustments or other changes to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay based on current or future estimated credit losses (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2025 and 2024 was not significant.

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

Net patient service revenue disaggregated by payor are as follows:

	Year Ended December 31	
	2025	2024
Medicare	\$ 163,541	\$ 160,870
Medicaid	25,021	38,174
Commercial insurance ⁽¹⁾	196,114	178,311
Self-pay patients	7,641	8,489
Other third-party payors	19,859	12,190
	<u>\$ 412,176</u>	<u>\$ 398,034</u>

⁽¹⁾ Amounts are inclusive of Medicare and Medicaid program activity administered by managed care organizations.

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the third-party payors amounts or self-pay category above.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Net Patient Service Revenue (continued)

Net patient service revenue, disaggregated by lines of service, is as follows:

	Year Ended December 31	
	2025	2024
Hospital	\$ 400,609	\$ 381,351
Post-acute	11,180	12,032
Physician practices	387	4,651
	<u>\$ 412,176</u>	<u>\$ 398,034</u>

Patient accounts receivable, net is comprised of the following components:

	December 31	
	2025	2024
Patient receivables	\$ 36,825	\$ 35,884
Contract assets	2,105	2,696
	<u>\$ 38,930</u>	<u>\$ 38,580</u>

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

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Net Patient Service Revenue (continued)

Third-Party Payment Programs

The System has agreements with third-party payors that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: The System is paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data. Medicare cost reports of the System have been audited and settled for years through 2021 at December 31, 2025.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. The System is reimbursed for outpatient services at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Medicaid cost reports of the System for years through 2022 have been audited and settled.

Other third-party payors: The System also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

Medicare and Medicaid cost reports, which serve as the basis for final settlement with these programs, have been audited by the applicable fiscal intermediary and settled through the years noted above, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlements.

Settlements with third-party payors for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the System's historical settlement activity (for example, cost

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Net Patient Service Revenue (continued)

report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the years ended December 31, 2025 and 2024, the net effect of the System's revisions to prior year Medicare and Medicaid settlement estimates resulted in a net increase in net patient service revenue of approximately \$62 and \$8,785, respectively.

The System has appealed certain items in audited cost reports. The outcome of these appeals is uncertain and, therefore, potential revenue associated with these appeals is not included within the accompanying consolidated statements of operations.

There has been enacted legislation and various other proposals at the federal and state levels that could, among other things, significantly reduce payment and enrollment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or potential revisions to legislation that has been or will be enacted by the federal and state governments, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the System.

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. The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material adverse effect on its financial statements. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Net Patient Service Revenue (continued)

Commencing July 1, 2023, the System receives additional Medicaid funding under the New Jersey County Option Hospital Fee Program. This program is administered through the New Jersey Department of Human Services-Division of Medical Assistance and Health Services (DMAHS). The program requires that participating hospitals pay quarterly assessed fees based on estimated non-Medicare discharge data within the county, and such payments are then pooled with federal Medicaid matching funds and redistributed to the participating hospitals as State Directed Payments. The State Directed Payments are subject to annual settlement based on actual Medicaid utilization data and other factors. The program resulted in fees paid by the System of \$3,431 and \$7,040 in 2025 and 2024, respectively (included in supplies and other expenses). The System recognized \$6,254 and \$13,110 in net patient service revenue for this program in 2025 and 2024, respectively. Amounts for fees and revenue related to the period July 1, 2025 through December 31, 2025 have not been recorded in the accompanying consolidated financial statements as the State Directed Payments program for state fiscal year 2026 is currently pending federal approval.

The New Jersey Health Care Subsidy Fund and other state programs have been established for various purposes including the distribution of charity care payments to hospitals statewide. Commencing July 1, 2024, DMAHS redirected the Charity Care Subsidy towards a new Medicaid Outpatient Hospital Supplemental State-Directed Payment Program. Under this program, hospitals receive quarterly payments through Medicaid managed care organizations. The following subsidy and other amounts have been included in net patient service revenue:

	Year Ended December 31	
	2025	2024
Charity care	\$ 9	\$ 363
Medicaid State-Directed Payment Program	839	473
Special subsidy	2,144	1,853
Medicaid GME	329	359
	<u>\$ 3,321</u>	<u>\$ 3,048</u>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Investments and Assets Limited as to Use

Short-Term Investments

Short-term investments consist of the following:

	December 31	
	2025	2024
United States government obligations	\$ 12,608	\$ 12,315
Corporate bonds	16,540	14,055
Mutual funds	98,880	112,442
	128,028	138,812
Interest receivable	181	352
	\$ 128,209	\$ 139,164

Assets Limited as to Use

Assets limited as to use consist of the following:

	December 31	
	2025	2024
Cash and cash equivalents	\$ 6,979	\$ 6,980
United States government obligations	377	414
Corporate bonds	1,072	772
Mutual funds	11,180	11,445
Total assets limited as to use	19,608	19,611
Less current portion	971	860
Assets limited as to use – noncurrent	\$ 18,637	\$ 18,751

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Investments and Assets Limited as to Use (continued)

Assets limited as to use are maintained for the following purposes:

	December 31	
	2025	2024
As directed by the Board of Trustees	\$ 5,028	\$ 4,856
Supplemental executive retirement plan	1,089	1,130
By donor restrictions	13,491	13,625
	<u>\$ 19,608</u>	<u>\$ 19,611</u>

Investment return consists of the following:

	Year Ended December 31	
	2025	2024
Interest and dividends	\$ 7,801	\$ 5,591
Net realized gains and losses	3,831	(4,258)
Net gain in equity of joint venture investments	1,512	1,095
	<u>13,144</u>	<u>2,428</u>
Net change in unrealized gains and losses on investments	5,510	6,521
Total investment return – without donor restrictions	<u>\$ 18,654</u>	<u>\$ 8,949</u>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

5. Noncurrent Assets

Noncurrent assets consist of the following:

	December 31	
	2025	2024
Investments in joint ventures	\$ 2,647	\$ 2,792
Professional liabilities insurance recoveries receivable	2,800	4,288
Other noncurrent assets	1,738	1,770
	<u>\$ 7,185</u>	<u>\$ 8,850</u>

Included in investments in joint ventures under which Healthcare Services holds 50% ownership interests are the following companies: CentraState Fitness & Wellness Center LLC (F&W) and Freehold Venture Associates, LLC. F&W leases space from the Medical Center. The remaining term of the lease with the Medical Center is four years, with the option to renew for three terms of ten years each (annual rental payments of approximately \$500 per year). Distributions received from these joint ventures for 2025 and 2024 totaled approximately \$1,657 and \$1,259, respectively. There were no equity contributions made by the System during the years ended December 31, 2025 and 2024.

6. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	December 31	
	2025	2024
Land	\$ 23,752	\$ 24,369
Land improvements	8,623	7,477
Buildings and fixtures	155,289	122,881
Equipment	98,846	86,007
	<u>286,510</u>	<u>240,734</u>
Less accumulated depreciation and amortization	72,844	54,812
Add construction in progress (estimated cost to complete approximately \$26,879)	44,358	57,804
	<u>\$ 258,024</u>	<u>\$ 243,726</u>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Long-Term Debt and Finance Lease Obligations

Long-term debt and finance lease obligations consist of the following:

	December 31	
	2025	2024
Secured loan with AHS Hospital Corp. ^(a)	\$ 83,816	\$ 83,816
Engineered Solutions Program Loan ^(b)	2,662	2,662
Line of credit with AHS Hospital Corp. ^(c)	30,000	30,000
Finance lease obligations with rates of 6.5%, collateralized by leased equipment and facilities maturing through 2027	42	84
	116,520	116,562
Less:		
Current maturities	32	308
Long-term debt and finance lease obligations, excluding current maturities	\$ 116,488	\$ 116,254

^(a) On August 17, 2022, the Medical Center, Applewood, and MAB, entered into a secured loan agreement with AHS Hospital Corp. (AHS HC), an affiliate of Atlantic Health, for approximately \$103,497. The loan with AHS HC matures on May 31, 2037, with an annual interest rate of 3.21% due monthly. The Medical Center, Applewood (prior to the sale), and MAB formed an obligated debtor group for the purpose of the AHS HC loan and related compliance with the loan's requirements. The loan is collateralized by a pledge and security interest in all gross receipts of the Medical Center, Applewood (prior to the Sale Date) and MAB. Applewood's previously outstanding balance on the loan, \$19,681, was paid in full on the Sale Date using proceeds from the transaction.

^(b) In 2022, the Medical Center and subsequently in 2023 Applewood, The Manor, and Monmouth Crossing participated in the Engineered Solutions Program through a utility company. The program consists of grant funding, which is not subject to repayment, combined with a loan to be repaid over 60 months upon the completion of the related energy conservation project. In connection with the sale of Applewood in 2024, Applewood's portion of the related loan (\$456) was transferred to the purchaser.

^(c) On September 1, 2023, the Medical Center entered in a \$30,000 line of credit with AHS HC. Interest on the line is calculated using a 5% annual interest rate. The line of credit matures on August 31, 2028.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Long-Term Debt and Finance Lease Obligations (continued)

Principal payments on long-term debt and finance lease obligations for the next five years and thereafter are as follows:

	Long-Term Debt	Obligations Under Finance Leases	Total
2026	\$ —	\$ 32	\$ 32
2027	533	10	543
2028	30,533	—	30,533
2029	532	—	532
2030	532	—	532
Thereafter	84,348	—	84,348
	<u>\$ 116,478</u>	<u>\$ 42</u>	<u>\$ 116,520</u>

At December 31, 2025 and 2024, the entities comprising the System were in compliance with the financial covenants of their respective loan agreements.

Interest paid under all borrowings for years ended December 31, 2025 and 2024 aggregated approximately \$4,191 and \$4,249, respectively.

8. Leases

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

For leases with initial terms greater than a year, the System records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The System's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Leases (continued)

Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the System is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the System has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The System does not account for non-lease components together with the related lease components when determining the right-of-use assets and liabilities, except for medical equipment.

The System does not record leases with an initial term of less than a year as right-of-use assets and liabilities.

The following schedules summarize information related to the lease assets and liabilities as of and for the years ended December 31:

	Year Ended December 31	
	2025	2024
Lease cost:		
Finance lease cost:		
Amortization of right-of-use asset	\$ 38	\$ 39
Interest on lease liabilities	1	1
Operating lease cost	2,847	2,215
Total lease cost	<u>\$ 2,886</u>	<u>\$ 2,255</u>
Right-of-use assets and liabilities:		
Right-of-use assets – finance leases	\$ 24	\$ 62
Lease liability – finance leases	42	84
Right-of-use assets – operating leases	10,218	7,958
Lease liability – operating leases	10,218	7,958

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Leases (continued)

	Year Ended December 31	
	2025	2024
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 1	\$ 1
Operating cash flows from operating leases	2,775	2,225
Financing cash flows from finance leases	42	40
Right-of-use assets obtained in exchange for new finance lease liabilities	—	—
Right-of-use assets obtained in exchange for new operating lease liabilities	3,551	4,638
Changes in right-of-use assets and liabilities resulting from lease modifications – operating leases	1,139	(4,442)
Weighted-average remaining lease term – finance leases	12 months	24 months
Weighted-average remaining lease term – operating leases	7.8 years	6.6 years
Weighted-average discount rate – finance leases	6.5%	6.5%
Weighted-average discount rate – operating leases	4.60%	4.32%

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

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Leases (continued)

The following table reconciles the undiscounted lease payments to the lease liabilities recorded on the accompanying consolidated balance sheet at December 31, 2025:

	Finance Leases	Operating Leases
2026	\$ 34	\$ 2,988
2027	11	2,231
2028	—	867
2029	—	896
2030	—	907
Thereafter	—	4,332
Total lease payments	45	12,221
Less imputed interest	3	2,003
Total lease obligation	42	10,218
Less current portion	32	2,533
Long-term portion	\$ 10	\$ 7,685

9. Professional Liability Insurance and Other Noncurrent Liabilities

Effective January 1, 2024, the System has similar coverage levels through AHSIC as its prior professional and general liability program and unlimited tail liability coverage; the System is not obligated for claims incurred but not reported. Claims insured through AHSIC totaled approximately \$2,800 and \$4,288 at December 31, 2025 and 2024, respectively. For the years ended 2025 and 2024, the System paid \$2,160 and \$1,394 in insurance premiums to AHSIC, respectively.

As of January 1, 2012, the System is self-insured for workers' compensation claims through a large deductible, paid loss retro program with a commercial carrier. Prior to January 1, 2012, workers' compensation claims were commercially insured on a fixed cost basis.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Professional Liability Insurance and Other Noncurrent Liabilities (continued)

Professional liability insurance and other noncurrent liabilities consist of the following:

	December 31	
	2025	2024
Insurance claims liability	\$ 2,800	\$ 4,288
Workers' compensation	985	910
Other	1,080	1,130
	<u>\$ 4,865</u>	<u>\$ 6,328</u>

10. Employee Retirement Plans

The System sponsors a defined contribution retirement plan (the 401(a) Plan) covering all eligible employees. Employees are eligible to participate in the 401(a) Plan following the completion of one year of service, as defined in the 401(a) Plan document, and the attainment of age 21. The System contributes a percentage of eligible salaries on an annual basis (5% for 2025 and 2024), net of forfeitures. Eligible salaries exclude certain items such as overtime. Additionally, the System sponsors another defined contribution plan (the 403(b) Plan) which included only employee contributions prior to 2004. Beginning in 2004, the System contributes amounts to the 403(b) Plan based on a match of employee contributions. Expense under both retirement plans aggregated approximately \$7,400 and \$6,500 for the years ended December 31, 2025 and 2024, respectively.

The System also sponsors a defined contribution supplemental executive retirement plan (SERP) for certain employees and a 457(b) eligible deferred compensation plan available to all executives. Total expense under the SERP plan was approximately \$191 and \$251 for the years ended December 31, 2025 and 2024, respectively.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Related-Party Transactions

The entities comprising the System provide various inter-entity services to their affiliated entities and the CSHS parent company. The services consist of certain financial planning, telecommunications, and human resource services. Charges for such services are based on the approximate cost to provide the services and are allocated between the entities based on an agreed-upon method which reflects the approximate level of usage by each entity. Such inter-entity charges and all intercompany balances between the entities comprising the System eliminate in consolidation.

Refer to Notes 7 and 9 for disclosures regarding long-term debt with AHSHC and the insurance program with AHSIC. Additionally, Atlantic Health provides certain services to the System for information systems, printing services, legal services, bio-medical services, human resource services, laboratory services, insurance, and risk management services. Charges for such services are based on the approximate cost to provide the services and totaled approximately \$7,630 and \$6,418 for the years ended December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, the net balance due to Atlantic Health totaled \$3,028 and \$15,573, respectively. During 2025 and 2024, Atlantic Health transferred \$5,195 and \$9,377, respectively, to the System for certain capital costs related to strategic initiatives resulting from the affiliation.

12. Concentrations of Credit Risk

At December 31, 2025 and 2024, the System has its cash, including amounts classified within short-term investments, assets limited as to use and other noncurrent assets, deposited in several financial institutions. Investments in money market funds are not guaranteed by the United States government. Cash held in certain interest-bearing accounts is not fully insured. Exposure to any individual financial institution does not exceed 70% of the System's total cash balance. Management considers the credit risk related to these deposits to be minimal.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

12. Concentrations of Credit Risk (continued)

The System's health care providing entities grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. Concentrations of gross accounts receivable from patients and third-party payors were as follows:

	December 31	
	2025	2024
Medicare	47%	46%
Medicaid	9	9
Managed care – insurance companies	33	33
Other third-party payors	5	4
Patients	6	8
	100%	100%

13. Commitments and Contingencies

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

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

14. Other Revenue

Other revenue consists of the following:

	Year Ended December 31	
	2025	2024
Residential services revenue, including amortization income of approximately \$2,429 in 2024 (none in 2025)	\$ 6,268	\$ 19,224
Rental income	4,723	4,664
FEMA Disaster Relief Fund	1,419	1,112
Grants and community health programs	1,002	791
Net assets released from restrictions for operations	794	1,288
Food services	1,887	1,815
Vendor rebates	7,776	5,395
Other	2,578	4,517
	<u>\$ 26,447</u>	<u>\$ 38,806</u>

Residential services revenue is reported within other revenue at amounts that reflect the consideration the System expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include provisions for variable consideration. Performance obligations are determined based on the nature of the services provided. Resident services revenue including amortization of advance fees (prior to the Sale Date) are recognized as performance obligations are satisfied.

15. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the System measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the System's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

15. Fair Value Measurements (continued)

The System follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 – Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the System uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

15. Fair Value Measurements (continued)

Financial assets carried at fair value are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
December 31, 2025				
Cash and cash equivalents – held for investments	\$ 6,979	\$ –	\$ –	\$ 6,979
United States government obligations	12,985	–	–	12,985
Corporate bonds	17,152	460	–	17,612
Mutual funds:				
Fixed income	44,160	16,617	–	60,777
Equities – small cap	4,659	–	–	4,659
Equities – large cap	24,867	–	–	24,867
International equity	14,637	5,120	–	19,757
	<u>\$ 125,439</u>	<u>\$ 22,197</u>	<u>\$ –</u>	<u>\$ 147,636</u>
December 31, 2024				
Cash and cash equivalents – held for investments	\$ 6,980	\$ –	\$ –	\$ 6,980
United States government obligations	12,729	–	–	12,729
Corporate bonds	14,050	777	–	14,827
Mutual funds:				
Fixed income	30,340	23,547	–	53,887
Equities – small cap	3,243	–	–	3,243
Equities – large cap	26,672	–	–	26,672
International equity	40,085	–	–	40,085
	<u>\$ 134,099</u>	<u>\$ 24,324</u>	<u>\$ –</u>	<u>\$ 158,423</u>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

15. Fair Value Measurements (continued)

Fair value for Level 1 is based upon quoted prices in active markets. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. While the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. A financial instrument's categorization within the three levels of the valuation hierarchy is not indicative of the investment risk associated with the underlying assets.

The carrying values of cash, patient receivables, accounts payable and accrued expenses, other current assets and liabilities are reasonable estimates for fair value due to the short-term nature of these financial instruments.

16. Liquidity and Available Resources

The table below represents financial assets available for general expenditures within one year:

	December 31	
	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	\$ 17,462	\$ 22,798
Short-term investments	128,209	139,164
Assets limited as to use	19,608	19,611
Patient accounts receivable, net	38,930	38,580
Current portion of pledges receivable, net	226	322
Total financial assets	<u>204,435</u>	<u>220,475</u>
Less amounts not available to be used within one year:		
Assets limited as to use	<u>18,637</u>	<u>18,751</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 185,798</u></u>	<u><u>\$ 201,724</u></u>

CentraState Healthcare System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

16. Liquidity and Available Resources (continued)

The System has assets limited as to use for internal and external designations as described in Notes 1 and 4. The majority of assets limited as to use is not available for general expenditure within the next year.

As part of the System's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. Occasionally, the Board of Trustees designates a portion of any operating surplus to an operating reserve, which was \$5,028 and \$4,856 as of December 31, 2025 and 2024, respectively. This fund established by the Board of Trustees may be drawn upon, if necessary, to meet unexpected liquidity needs.

As of December 31, 2025 and 2024, the System was in compliance with financial covenants of outstanding long-term debt; see Note 7.

17. Events Subsequent to December 31, 2025

Subsequent events have been evaluated through April 7, 2026 which is the date the accompanying consolidated financial statements were available to be issued. No subsequent events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

Supplementary Information

CentraState Healthcare System, Inc.

Consolidating Balance Sheet

December 31, 2025
(With Comparative Consolidated Amounts at December 31, 2024)
(In Thousands)

	CentraState Healthcare System, Inc.	CentraState Medical Center, Inc.	Center for Aging, Inc.	CentraState Healthcare Affiliates, Inc.	CentraState Assisted Living, Inc.	CentraState Healthcare Foundation, Inc.	CentraState Healthcare Services, Inc.	CentraState Medical Associates, P.C.	CentraState Specialists, P.C.	CentraState Cardiology, P.C.	Eliminations	CentraState Healthcare System, Inc. Consolidated Total	
												2025	2024
Assets													
Current assets:													
Cash and cash equivalents	\$ 37	\$ 9,331	\$ 618	\$ 704	\$ 974	\$ 3,426	\$ 2,051	\$ 28	\$ 81	\$ 212	\$ –	\$ 17,462	\$ 22,798
Short-term investments	–	122,564	–	5,645	–	–	–	–	–	–	–	128,209	139,164
Assets limited as to use that are required for current liabilities	–	–	–	–	–	971	–	–	–	–	–	971	860
Patient accounts receivable, net	–	37,711	–	1,158	61	–	–	–	–	–	–	38,930	38,580
Due from affiliates	–	18,586	785	–	–	–	59	399	688	–	(20,301)	216	1,099
Other current assets	–	9,077	–	139	11	406	324	–	2	–	–	9,959	9,646
Total current assets	37	197,269	1,403	7,646	1,046	4,803	2,434	427	771	212	(20,301)	195,747	212,147
Assets limited as to use – noncurrent	–	6,117	–	–	–	12,520	–	–	–	–	–	18,637	18,751
Due from affiliates – noncurrent	–	5,322	–	–	–	–	3,429	–	–	–	(8,751)	–	–
Interest in CentraState Healthcare Foundation, Inc.	–	19,477	979	145	14	–	–	–	–	–	(20,615)	–	–
Property, plant, and equipment, net	–	245,661	–	844	5,992	–	5,527	–	–	–	–	258,024	243,726
Operating lease assets	–	10,020	–	–	–	–	198	–	–	–	–	10,218	7,958
Noncurrent assets	–	4,203	–	–	–	645	2,337	–	–	–	–	7,185	8,850
Total assets	\$ 37	\$ 488,069	\$ 2,382	\$ 8,635	\$ 7,052	\$ 17,968	\$ 13,925	\$ 427	\$ 771	\$ 212	\$ (49,667)	\$ 489,811	\$ 491,432

CentraState Healthcare System, Inc.

Consolidating Balance Sheet (continued)

December 31, 2025
(With Comparative Consolidated Amounts at December 31, 2024)
(In Thousands)

	CentraState Healthcare System, Inc.	CentraState Medical Center, Inc.	Center for Aging, Inc.	CentraState Healthcare Affiliates, Inc.	CentraState Assisted Living, Inc.	CentraState Healthcare Foundation, Inc.	CentraState Healthcare Services, Inc.	CentraState Medical Associates, P.C.	CentraState Specialists, P.C.	CentraState Cardiology, P.C.	Eliminations	CentraState Healthcare System, Inc. Consolidated Total														
												2025	2024													
Liabilities and net assets																										
Current liabilities:																										
Current maturities of long-term debt and finance lease obligations	\$	–	\$	32	\$	–	\$	–	\$	–	\$	–	\$	32	\$	308										
Accounts payable and accrued expenses	–	44,802	381	780	867	86	173	–	3	167	–	47,259	49,652													
Due to affiliates – current	–	1,397	–	8,514	6,928	451	2,589	–	–	422	(20,301)	–	–													
Operating lease liability – current	–	2,335	–	–	–	–	198	–	–	–	–	2,533	1,719													
Other current liabilities	–	–	–	12	–	43	–	–	–	–	–	55	75													
Total current liabilities	–	48,566	381	9,306	7,795	580	2,960	–	3	589	(20,301)	49,879	51,754													
Long-term debt and finance lease obligations, excluding current maturities																										
	–	112,318	–	43	98	–	4,029	–	–	–	–	116,488	116,254													
Professional liability insurance and other noncurrent liabilities	–	4,865	–	–	–	–	–	–	–	–	–	4,865	6,328													
Estimated third-party payor settlements	–	9,671	–	–	–	–	–	–	–	–	–	9,671	10,975													
Due to affiliates	–	6,673	–	–	4,005	–	1,317	–	–	–	(8,751)	3,244	16,672													
Operating lease liability – noncurrent	–	7,685	–	–	–	–	–	–	–	–	–	7,685	6,239													
Total liabilities	–	189,778	381	9,349	11,898	580	8,306	–	3	589	(29,052)	191,832	208,222													
Net assets:																										
Net assets (deficiency) without donor restrictions	37	278,814	1,022	(859)	(4,860)	(3,227)	5,619	427	768	(377)	–	277,364	261,792													
Net assets with donor restrictions	–	19,477	979	145	14	20,615	–	–	–	–	(20,615)	20,615	21,418													
Total net assets (deficiency)	37	298,291	2,001	(714)	(4,846)	17,388	5,619	427	768	(377)	(20,615)	297,979	283,210													
	\$	37	\$	488,069	\$	2,382	\$	8,635	\$	7,052	\$	17,968	\$	13,925	\$	427	\$	771	\$	212	\$	(49,667)	\$	489,811	\$	491,432

CentraState Healthcare System, Inc.

Consolidating Statement of Operations

Year Ended December 31, 2025
(With Comparative Consolidated Amounts for the Year Ended December 31, 2024)
(In Thousands)

	CentraState Medical Center, Inc.	Center for Aging, Inc.	CentraState Healthcare Affiliates, Inc.	CentraState Assisted Living, Inc.	CentraState Healthcare Foundation, Inc.	CentraState Healthcare Services, Inc.	CentraState Medical Associates, P.C.	CentraState Specialists, P.C.	CentraState Cardiology, P.C.	Eliminations	CentraState Healthcare System, Inc. Consolidated Total	
											2025	2024
Revenue:												
Net patient service revenue	\$ 400,609	\$ –	\$ 11,180	\$ –	\$ –	\$ –	\$ –	\$ 34	\$ 353	\$ –	\$ 412,176	\$ 398,034
Other revenue	17,711	354	290	7,008	306	1,924	125	–	–	(1,271)	26,447	38,806
Total revenue	418,320	354	11,470	7,008	306	1,924	125	34	353	(1,271)	438,623	436,840
Expenses:												
Salaries and wages	154,195	–	6,810	3,974	–	–	–	–	–	–	164,979	171,083
Employee benefits	43,546	64	2,342	1,570	–	–	–	–	–	–	47,522	42,731
Professional fees	19,527	–	–	–	–	–	–	–	–	–	19,527	14,855
Supplies and other expenses	183,748	321	3,782	1,501	1,372	1,745	–	198	1,435	(1,271)	192,831	199,396
Depreciation and amortization	19,505	–	198	451	–	469	–	–	–	–	20,623	21,570
Interest expense	4,065	–	–	83	–	300	–	–	–	(228)	4,220	4,217
Total expenses	424,586	385	13,132	7,579	1,372	2,514	–	198	1,435	(1,499)	449,702	453,852
(Loss) income from operations	(6,266)	(31)	(1,662)	(571)	(1,066)	(590)	125	(164)	(1,082)	228	(11,079)	(17,012)
Investment return	9,631	4	281	22	2,083	1,351	–	–	–	(228)	13,144	2,428
Gain on sale of Center for Aging, Inc	–	–	–	–	–	–	–	–	–	–	–	21,287
Net change in unrealized gains and losses on investments	5,153	–	357	–	–	–	–	–	–	–	5,510	6,521
Excess (deficiency) of revenue over expenses	8,518	(27)	(1,024)	(549)	1,017	761	125	(164)	(1,082)	–	7,575	13,224
Net assets released from restrictions for capital purposes	2,802	–	–	–	–	–	–	–	–	–	2,802	3,787
Grant receipts for purchase of fixed assets	–	–	–	–	–	–	–	–	–	–	–	862
Net asset transfers – other	(405)	–	–	–	(325)	–	–	(1,830)	2,560	–	–	–
Net assets transfer from Atlantic Health System	5,195	–	–	–	–	–	–	–	–	–	5,195	9,377
Change in net assets without donor restrictions	\$ 16,110	\$ (27)	\$ (1,024)	\$ (549)	\$ 692	\$ 761	\$ 125	\$ (1,994)	\$ 1,478	\$ –	\$ 15,572	\$ 27,250

CentraState Healthcare System, Inc.

Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2025
(With Comparative Consolidated Amounts for the Year Ended December 31, 2024)
(In Thousands)

	CentraState Healthcare System, Inc.	CentraState Medical Center, Inc.	Center for Aging, Inc.	CentraState Healthcare Affiliates, Inc.	CentraState Assisted Living, Inc.	CentraState Healthcare Foundation, Inc.	CentraState Healthcare Services, Inc.	CS Medical Associates, P.C.	CentraState Specialists, P.C.	CentraState Cardiology, P.C.	Eliminations	CentraState Healthcare System, Inc. Consolidated Total	
												2025	2024
Net Assets Without Donor Restrictions													
Net assets as of beginning of year	\$ 37	\$ 262,704	\$ 1,049	\$ 165	\$ (4,311)	\$ (3,919)	\$ 4,858	\$ 302	\$ 2,762	\$ (1,855)	\$ –	\$ 261,792	\$ 234,542
Change in net assets without donor restrictions	–	16,110	(27)	(1,024)	(549)	692	761	125	(1,994)	1,478	–	15,572	27,250
Net assets as of end of year	\$ 37	\$ 278,814	\$ 1,022	\$ (859)	\$ (4,860)	\$ (3,227)	\$ 5,619	\$ 427	\$ 768	\$ (377)	\$ –	\$ 277,364	\$ 261,792
Net Assets With Donor Restrictions													
Net assets as of beginning of year	\$ –	\$ 20,150	\$ 1,110	\$ 139	\$ 19	\$ 21,418	\$ –	\$ –	\$ –	\$ –	\$ (21,418)	\$ 21,418	\$ 23,262
Change in beneficial interest in CentraState Healthcare Foundation, Inc.	–	(673)	(131)	6	(5)	–	–	–	–	–	803	–	–
Contributions, investment return and other	–	–	–	–	–	2,793	–	–	–	–	–	2,793	3,231
Net assets released from restrictions for operations	–	–	–	–	–	(794)	–	–	–	–	–	(794)	(1,288)
Net assets released from restrictions for capital purposes	–	–	–	–	–	(2,802)	–	–	–	–	–	(2,802)	(3,787)
Change in net assets with donor restrictions	–	(673)	(131)	6	(5)	(803)	–	–	–	–	803	(803)	(1,844)
Net assets as of end of year	\$ –	\$ 19,477	\$ 979	\$ 145	\$ 14	\$ 20,615	\$ –	\$ –	\$ –	\$ –	\$ (20,615)	\$ 20,615	\$ 21,418

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