



**Consolidated Financial Statements
and Self-Liquidity Report**

June 30, 2024

SENTARA HEALTH AND SUBSIDIARIES

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Management's Discussion and Analysis

Sentara Health ("Sentara") is a nonstock, nonprofit, 501(c)(3) tax-exempt Virginia corporation formed to coordinate, promote, and plan for the provision of health services, medical education, and the economic development of Virginia, North Carolina, and Florida. Sentara operates a total of 12 hospitals, numerous diagnostic and rehabilitative programs, physician offices and clinics, neighborhood medical centers, home health services and three managed care organizations.

The following discussion and analysis provides information that Sentara management believes is relevant to an assessment and understanding of Sentara's results of operations and financial position.

Six Month Period Ended June 30, 2024

For the six month period ended June 30, 2024, net operating income was \$177.7 million, or 2.7% of total operating revenues versus \$290.1 million, or 4.6%, for the same period in 2023.

Total operating revenues for Sentara increased by \$244.4 million, or 3.8%, to \$6.6 billion for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. This increase in operating revenues was primarily driven by an increase in net patient service revenue, partially offset by a decrease in premium and capitation revenue noted below.

Net patient service revenue increased by \$295.3 million, or 11.8%, for the six months ended June 30, 2024, as compared to the same period in the prior year. The increase is driven by increased admissions, surgeries, outpatient imaging volumes, and emergency department visits of 7.0%, 1.5%, 5.0%, and 6.7%, respectively.

The Health Plans experienced a decrease in premium and capitation revenue of \$71.4 million, or 1.9%, and a decrease in medical claims and capitation expense of \$10.6 million, or 0.3%, for the six months ended June 30, 2024, as compared to the same period in 2023. The decrease to premium and capitation revenue and corresponding decrease in medical claims and capitation expense are driven by a decrease of 120,000 members in Medicaid due to the redetermination process, which was partially offset by an increase in commercial membership of 36,000.

Total operating expenses increased by \$356.8 million, or 5.9%, to \$6.4 billion for the six months ended June 30, 2024, as compared to the same period in 2023. The increase is primarily the result of increases in salaries and benefits, other operating expenses, and depreciation and amortization.

SENTARA HEALTH AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands)

Assets	(Unaudited) June 30, 2024	(Audited) December 31, 2023
Current assets:		
Cash and cash equivalents	\$ 1,602,190	1,560,391
Receivables, net	1,593,527	1,604,545
Investments and assets whose use is limited	302,702	300,757
Inventories	109,453	105,285
Prepaid expenses and other current assets	193,687	177,959
Total current assets	3,801,559	3,748,937
Investments and assets whose use is limited	6,597,400	6,411,351
Property, plant, and equipment, net	2,514,689	2,416,038
Land held for future use, at cost	39,514	42,211
Retirement assets	99,161	69,260
Other assets, net	415,507	416,554
Total assets	\$ 13,467,830	13,104,351
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 295,254	259,113
Employee compensation and benefits	305,827	338,748
Medical claims accrued and payable	404,199	491,971
Current installments of long-term debt	15,794	15,791
Long-term debt subject to current remarketing provisions	225,330	225,330
Estimated third-party payor settlements	12,030	8,259
Other current liabilities	522,328	649,626
Total current liabilities	1,780,762	1,988,838
Long-term debt, excluding current installments	1,418,951	1,420,112
Other long-term liabilities	355,859	372,333
Total liabilities	3,555,572	3,781,283
Net assets:		
Without donor restrictions	9,738,473	9,137,485
With donor restrictions	122,489	130,914
Total net assets attributable to Sentara Health	9,860,962	9,268,399
Without donor restrictions - noncontrolling interest	51,296	54,669
Total net assets	9,912,258	9,323,068
Total liabilities and net assets	\$ 13,467,830	13,104,351

SENTARA HEALTH AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	<u>2024</u>	<u>2023</u>
Operating revenues, gains, and other support:		
Net patient service revenue	\$ 2,803,517	2,508,191
Premium and capitation revenue	3,640,815	3,712,246
Other operating revenue	133,067	121,054
Net assets released from restrictions for operations	15,899	7,430
Total operating revenues, gains, and other support	<u>6,593,298</u>	<u>6,348,921</u>
Operating costs and expenses:		
Salaries, wages and benefits	1,778,800	1,599,694
Medical claims	2,723,813	2,792,139
Other operating	1,769,608	1,536,464
Interest	22,186	23,087
Depreciation and amortization	121,173	107,409
Total operating costs and expenses	<u>6,415,580</u>	<u>6,058,793</u>
Net operating income	177,718	290,128
Nonoperating gains, net	<u>431,771</u>	<u>391,290</u>
Excess of revenues over expenses before noncontrolling interest	609,489	681,418
Noncontrolling interest	<u>(8,981)</u>	<u>(8,239)</u>
Excess of revenues over expenses attributable to Sentara Health	<u>\$ 600,508</u>	<u>673,179</u>

SENTARA HEALTH AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	2024	2023
Cash flows from operating activities:		
Increase in net assets	\$ 589,190	703,802
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Distribution to noncontrolling interest	12,354	—
Depreciation and amortization	121,173	107,409
Net realized and unrealized gains on investments	(307,107)	(365,398)
(Gain) loss on disposal of property, plant, and equipment	(762)	27
Amortization of bond premium, net	(599)	(658)
Change in market value of derivative instruments	(10,487)	10,748
Equity in (earnings) losses of limited investment companies	(32,106)	11,302
Equity in earnings of joint ventures	(8,767)	(6,709)
Donor restricted contributions for capital and operational support	(9,328)	(6,616)
Changes in operating assets and liabilities:		
Receivables, net	11,018	409,309
Inventories	(4,168)	16,454
Prepaid expenses and other current assets	(15,728)	(41,210)
Retirement assets	(29,901)	—
Accounts payable and accrued expenses	36,141	(49,867)
Employee compensation and benefits	(32,921)	(4,363)
Medical claims accrued and payable	(87,772)	(44,108)
Retirement obligations	—	(21,499)
Other liabilities	(129,514)	(95,078)
Net cash provided by operating activities	<u>100,716</u>	<u>623,545</u>
Cash flows from investing activities:		
Capital expenditures	(218,364)	(143,402)
Sales (purchases) of investments, net	151,219	(46,298)
Acquisition of AvMed Inc.	—	(225,000)
Proceeds from the disposal of property, plant, and equipment	1,999	23
Net changes in other assets	9,814	(12,527)
Net cash used in investing activities	<u>(55,332)</u>	<u>(427,204)</u>
Cash flows from financing activities:		
Donor restricted contributions for capital and operational support	9,328	6,616
Distribution of noncontrolling interest	(12,354)	—
Payments on finance lease obligations	(559)	(466)
Net cash (used in) provided by financing activities	<u>(3,585)</u>	<u>6,150</u>
Net increase in cash and cash equivalents	41,799	202,491
Cash and cash equivalents at beginning of year	<u>1,560,391</u>	<u>1,565,134</u>
Cash and cash equivalents at end of year	<u>\$ 1,602,190</u>	<u>1,767,625</u>

Sentara Health and Subsidiaries

Self-Liquidity Report

As of June 30, 2024

(In thousands)

(Unaudited)

ASSETS *

DAILY LIQUIDITY - includes investments which can be liquidated on a same day basis; does not include securities held by third party LP or LLCs

Checking and deposit accounts	\$ 912,189
<i>Subtotal</i>	<u>912,189</u>

WEEKLY LIQUIDITY - does not include securities held by third party LP or LLCs

Fixed Income: Publicly Traded Fixed Income Securities rated at least Aa3	282,505
Fixed Income: Publicly Traded Fixed Income Securities rated below Aa3	62,819
Fixed Income: Bond Funds	4,113,425
Equities: Equity Funds	759,050
Other - Alternative Funds	-
<i>Subtotal</i>	<u>5,217,799</u>

LONGER TERM LIQUIDITY

Funds, vehicles, investments that allow withdrawals with one month notice or longer	950,172
<i>Subtotal</i>	<u>950,172</u>

TOTAL LIQUIDITY	<u><u>\$ 7,080,160</u></u>
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* Note: Excludes health plans, insurance captive, and restricted funds.