

# **The Valley Hospital**

Consolidated Financial Statements  
and Supplementary Information

December 31, 2025 and 2024

# The Valley Hospital

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December 31, 2025 and 2024

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## Independent Auditors' Report

To the Board of Trustees of  
The Valley Hospital

### Report on the Audit of the Consolidated Financial Statements

#### ***Opinion***

We have audited the consolidated financial statements of The Valley Hospital and affiliated companies (collectively, the Organization), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the reports of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of 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.

We did not audit the financial statements of The Valley Medical Group, for which The Valley Hospital is the sole member, which statements reflect total assets constituting 8% and 9%, respectively, of consolidated total assets at December 31, 2025 and 2024, and total revenues constituting 18%, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Valley Medical Group, is based solely on the report of the other auditors.

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

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included in the consolidating balance sheet as of December 31, 2025 and consolidating statement of operations and changes in net assets for the year then ended is presented for purposes of additional analysis rather than to present the financial position, results of operations and changes in net assets of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Baker Tilly US, LLP*

Iselin, New Jersey  
April 16, 2026

## The Valley Hospital

Consolidated Balance Sheets  
December 31, 2025 and 2024  
(In Thousands)

	<u>2025</u>	<u>2024</u>		<u>2025</u>	<u>2024</u>
<b>Assets</b>			<b>Liabilities and Net Assets</b>		
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents	\$ 11,612	\$ 16,086	Accounts payable	\$ 64,973	\$ 69,486
Assets whose use is limited, current	5,852	6,152	Accrued salaries and related benefits	68,781	77,491
Accounts receivable	163,923	157,201	Current portion of long-term debt	11,880	11,880
Prepaid expenses	6,489	9,468	Current portion of finance lease obligation	2,159	778
Supplies and other current assets	<u>47,566</u>	<u>35,799</u>	Current portion of operating lease liability	7,196	7,901
			Other accrued expenses	75,118	74,005
Total current assets	<u>235,442</u>	<u>224,706</u>	Accrued bond interest payable	<u>5,855</u>	<u>6,152</u>
			Total current liabilities	235,962	247,693
<b>Assets Whose Use is Limited</b>			<b>Operating Lease Liability, Noncurrent Portion</b>		
Board designated	1,015,921	865,408		145,235	147,643
Donor-restricted investments	<u>6,893</u>	<u>6,797</u>	<b>Long-Term Debt, Noncurrent Portion</b>		
	<u>1,022,814</u>	<u>872,205</u>		291,495	306,352
<b>Property and Equipment, Net</b>			<b>Finance Lease, Noncurrent Portion</b>		
	1,276,327	1,274,662		74,356	56,831
<b>Finance Lease Right-of-Use Asset</b>			<b>Estimated Professional Liability</b>		
	61,410	44,445		35,567	35,049
<b>Operating Lease Right-of-Use Asset</b>			<b>Amounts Due to Third-Party Payors and Other Liabilities</b>		
	146,857	150,980		<u>84,310</u>	<u>79,999</u>
<b>Other Assets</b>			Total liabilities		
	93,930	85,668		<u>866,925</u>	<u>873,567</u>
<b>Assets Held by Related Organization</b>			<b>Net Assets</b>		
	30,208	33,543	Without donor restrictions	1,990,569	1,803,898
			With donor restrictions	<u>9,494</u>	<u>8,744</u>
			Total net assets	<u>2,000,063</u>	<u>1,812,642</u>
Total assets	<u>\$ 2,866,988</u>	<u>\$ 2,686,209</u>	Total liabilities and net assets	<u>\$ 2,866,988</u>	<u>\$ 2,686,209</u>

See notes to consolidated financial statements

## The Valley Hospital

### Consolidated Statements of Operations and Changes in Net Assets

Years Ended December 31, 2025 and 2024

(In Thousands)

	<u>2025</u>	<u>2024</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Net patient service revenues	\$ 1,451,610	\$ 1,286,148
Grant revenues and COVID-19 funding	7,848	12,573
Other revenues	80,041	60,986
	<u>1,539,499</u>	<u>1,359,707</u>
<b>Expenses</b>		
Salaries and wages	636,251	574,135
Employee benefits	110,774	101,065
Medical fees	1,108	1,050
Other expenses	617,299	516,861
Interest expense	12,289	10,227
Depreciation	85,901	89,882
	<u>1,463,622</u>	<u>1,293,220</u>
Total operating revenues		
Operating income before other items and special projects	75,877	66,487
<b>Other Items and Special Projects</b>	<u>(28,093)</u>	<u>(32,153)</u>
Operating income	<u>\$ 47,784</u>	<u>\$ 34,334</u>

See notes to consolidated financial statements

## The Valley Hospital

### Consolidated Statements of Operations and Changes in Net Assets

Years Ended December 31, 2025 and 2024

(In Thousands)

	<u>2025</u>	<u>2024</u>
<b>Other Income</b>		
Income from operations	\$ 47,784	\$ 34,334
Investment income	29,721	24,609
Change in unrealized gains on investments	<u>72,909</u>	<u>44,720</u>
Revenues in excess of expenses	150,414	103,663
<b>Other Changes in Net Assets Without Donor Restrictions</b>		
Net changes in assets held by related organization and net assets transfers to/from affiliated entities	<u>36,257</u>	<u>26,606</u>
Increase in net assets without donor restrictions	186,671	130,269
<b>Changes in Net Assets With Donor Restrictions</b>		
Increase (decrease) in assets with donor restrictions	<u>750</u>	<u>(636)</u>
Increase in net assets	187,421	129,633
<b>Net Assets, Beginning</b>	<u>1,812,642</u>	<u>1,683,009</u>
<b>Net Assets, Ending</b>	<u>\$ 2,000,063</u>	<u>\$ 1,812,642</u>

See notes to consolidated financial statements

# The Valley Hospital

Consolidated Statements of Cash Flows  
Years Ended December 31, 2025 and 2024  
(In Thousands)

	<u>2025</u>	<u>2024</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 187,421	\$ 129,633
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	94,086	96,559
Finance lease right-to-use asset amortization, net	2,719	2,482
Operating lease right-to-use asset amortization	4,123	2,427
Amortization of bond premium, bond discount and deferred financing costs	(2,750)	(2,905)
Change in assets held by related organization	3,335	(4,595)
Net realized (gains) on investments	(6,532)	(2,406)
Change in unrealized (gains) on investments	(72,909)	(44,720)
Transfers to/from affiliated entities	(39,592)	(22,011)
Changes in assets and liabilities:		
Accounts receivable	(6,722)	(31,088)
Prepaid expenses, supplies and other current assets	(8,788)	(10,566)
Other assets	(8,262)	(3,886)
Accounts payable and other current liabilities	(12,407)	(10,211)
Operating lease liabilities	(3,113)	(784)
Estimated professional liability	518	(1,396)
Amounts due to third-party payors and other liabilities	4,311	(8,942)
Net cash provided by operating activities	<u>135,438</u>	<u>87,591</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment, including capitalized interest	(95,751)	(175,589)
Purchases of assets whose use is limited	(159,458)	(331,526)
Sales of assets whose use is limited	88,290	415,609
Net cash used in investing activities	<u>(166,919)</u>	<u>(91,506)</u>
<b>Cash Flows From Financing Activities</b>		
Transfers to/from affiliated entities	39,592	22,011
Principal payments on long-term debt	(12,107)	(12,125)
Principal payments on capital lease obligation	(778)	(643)
Net cash provided by financing activities	<u>26,707</u>	<u>9,243</u>
(Decrease) Increase in cash, cash equivalents and restricted cash and cash equivalents	(4,774)	5,328
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning</b>	<u>22,238</u>	<u>16,910</u>
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending</b>	<u>\$ 17,464</u>	<u>\$ 22,238</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 15,334</u>	<u>\$ 15,967</u>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
Right-of-use assets obtained in exchange for lease obligations	<u>\$ 18,906</u>	<u>\$ 56,569</u>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Balance Sheets</b>		
Cash and cash equivalents, operations	\$ 11,612	\$ 16,086
Assets whose use is limited, current	5,852	6,152
	<u>\$ 17,464</u>	<u>\$ 22,238</u>

See notes to consolidated financial statements

# The Valley Hospital

Notes to Consolidated Financial Statements  
December 31, 2025 and 2024

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## 1. Organization and Summary of Significant Accounting Policies

### Organization

The Valley Hospital, Inc. (the Hospital) is a 370-bed, not-for-profit acute care hospital located in Paramus, New Jersey and is a subsidiary corporation of Valley Health System, Inc. (the System). The Hospital is a newly constructed facility which opened on April 15, 2024. This new facility replaces the old facility in Ridgewood, which will remain open and be repurposed.

The Hospital is the sole member of Valley Physician Services, Inc. (VPS). On January 1, 2017, VPS assigned its New Jersey physician contracts to Valley Physician Services, PC. Effective with the assignment of these contracts, VPS became a management services corporation providing service to both captive professional corporations: Valley Physician Services, P.C. and Valley Physician Services, NY, P.C.

All of VPS, Valley Physician Services, P.C. and Valley Physician Services NY, PC, operate under the name Valley Medical Group (VMG). All VMG operations are reflected in the 2025 and 2024 consolidated financial statements.

Other related corporations are Valley Home Care, Inc., The Valley Hospital Foundation, Inc. (the Foundation), VHS Insurance Company, LTD., ColigoCare, LLC (a clinically integrated network) and several limited liability corporations created for real estate acquisitions.

### Principles of Consolidation

As of December 31, 2025 and 2024 and for the years then ended, the consolidated financial statements include the accounts of the Hospital and VMG and the other companies created for real estate acquisitions (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting 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.

### Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents, except for amounts reported within limited use assets. Cash and cash equivalents and restricted cash and cash equivalents include cash and money market funds. Restricted cash has been restricted by debt agreements for a specific purpose.

The Organization has balances in these financial institutions that exceed federal depository insurance limits. Management does not believe the credit risk related to these deposits to be significant.

# The Valley Hospital

## Notes to Consolidated Financial Statements

December 31, 2025 and 2024

### Investments

All investments are classified as trading securities. Investments included in limited use assets in the accompanying consolidated balance sheets consist of cash and cash equivalents, equity securities, pooled equity funds, U.S. government obligations and government secured obligations, corporate bonds.

Investment income or loss (including realized gains and losses on investments, interest and dividends) and changes in unrealized gains and losses on investments are included in revenues in excess of expenses unless the income or loss is restricted by donor or law.

Investment income on deferred compensation investments and on other limited use assets is reported as other income in the consolidated statements of operations and changes in net assets. Deferred compensation assets are included in other assets on the consolidated balance sheets.

### Assets Whose Use is Limited

Assets whose use is limited primarily include assets held by trustee under indenture agreements; designated assets set aside by the Board of Trustees (Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes; and donor-restricted assets.

### Accounts Receivable

Accounts receivable are recorded at net realizable value at the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the Organization's policies and/or implicit price concessions provided to uninsured or underinsured patients and do not bear interest. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenues in the period of the change. Accounts are written off through the provision for credit loss when the Organization has exhausted all collection efforts and determines accounts are impaired based on changes in patient credit worthiness. The opening balance of patient accounts receivable was \$126,113,000 at December 31, 2023.

### Supplies

Supplies are carried at the lower of cost (first-in, first-out method) or net realizable value. Supplies totaling approximately \$14.0 million and \$17.5 million are included in supplies and other current assets in the consolidated balance sheets at December 31, 2025 and 2024, respectively.

### Property and Equipment

Property and equipment are recorded at cost. Annual provisions for depreciation of property and equipment are computed using the straight-line method. Additions are depreciated beginning with the month that the asset is placed in service.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no such impairment losses recorded in 2025 or 2024.

The Organization capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing.

## Assets Held by Related Organizations

Accounting standards generally accepted in the United States of America establish guidelines for transactions in which an entity, the donor, makes a contribution by transferring assets to a not-for-profit organization or charitable trust, the recipient organization, that accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on those assets, or both, to another entity, the beneficiary, that is specified by the donor. The Organization recognizes its interest in the net assets of the Foundation and recognizes periodic changes in such interest in its consolidated statements of changes in net assets, as appropriate.

## Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

## Deferred Compensation

Certain Organization employees participate in deferred compensation plans. In connection with these plans, the Organization deposits amounts with trustees on behalf of the participating employees. The assets are restricted for payments under the plans, but may revert to the Organization in the event of a bankruptcy filing. At December 31, 2025 and 2024, amounts on deposit with trustees were equal to liabilities under the plans and aggregated \$11.4 million and \$10.1 million, respectively. Investments consist of mutual funds and are reported at fair value based upon quoted market price. Amounts on deposit are recorded in other assets and liability amounts are included in amounts due to third-party payors and other liabilities in the accompanying consolidated balance sheets.

The investments held by the trustees are classified as trading securities. For the years ended December 31, 2025 and 2024, the Organization recorded investment gains (losses) related to deferred compensation assets of \$2.0 million and \$1.6 million, respectively, as other revenues. Changes to the deferred compensation liability are recorded in employee benefits expense.

The Organization has a deferred compensation plan for certain executives which invests in life insurance policies for these executives. At December 31, 2025 and 2024, there is an insurance asset of \$25.6 million and \$24.8 million, respectively, which is included in other assets. Related benefit liabilities and expense of \$6.7 million and \$7.3 million in 2025 and 2024, respectively, are included in amounts due to third-party payors and other liabilities in the consolidated balance sheets and employee benefits expenses in the consolidated statements of operations and changes in net assets.

## Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the terms of the related debt using the effective interest method. Deferred financing costs are reported as a direct reduction of long-term debt.

# The Valley Hospital

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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## Classification of Net Assets

The Organization separately accounts for and reports net assets with donor restrictions and net assets without donor restrictions. Net assets with donor restrictions are those whose use is restricted by the donor for a specified period of time or purpose or to be maintained by the Organization in perpetuity. The Organization recognizes its accumulated interest in the net assets of the Valley Hospital Foundation, Inc. (Foundation) as assets held by a related organization in the accompanying consolidated balance sheets. Changes in the Organization's interest in the net assets of the Foundation are reported in the accompanying consolidated statements of operations and changes in net assets. The net assets held by the Foundation on behalf of the Organization are for the benefit for the Organization for health care services and capital expenditures.

## Self-Insured Health Benefits

The Organization maintains limited self-insured medical, dental and workers' compensation coverage for its employees. Claims under the plan are accrued as the incidents that give rise to them occur and an estimate of unpaid claims is included in other accrued expenses.

## Medical Malpractice Insurance

The Organization participates in the VHS Insurance Company, LTD. (VHSIC) malpractice program. The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Organization records the actuarially determined liabilities for incurred but not reported professional and general liabilities. Anticipated insurance recoveries or claims receivable from VHSIC associated with reported claims are reported separately in the Organization's consolidated balance sheets at net realizable value in other assets.

## Revenue Recognition

Net patient service revenues are recognized at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including commercial and governmental programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenues are recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenues for performance obligations satisfied over time is recognized based on actual services incurred in relation to total expected (or actual) payments. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Organization receiving inpatient acute care services. The Organization measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenues for performance obligations satisfied at a point in time are recognized when services are provided and the Organization does not believe it is required to provide additional services to the patient.

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

# The Valley Hospital

## Notes to Consolidated Financial Statements

December 31, 2025 and 2024

The Organization determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy and/or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

### Other Expenses

The major categories included in other expenses are drugs, surgical supplies, cardiac cath supplies, other medical supplies, professional fees, contracted services, rent, repairs and maintenance.

### Measure of Operations

The consolidated statements of operations and changes in net assets reflect all operating revenues and expenses that are an integral part of the Organization's healthcare services and supporting activities and net assets released from donor restrictions to support operating expenditures. Changes in revenues in excess of expenses that are excluded from operating income, consistent with industry practice, include investment income (including realized and unrealized gains and losses on investments, interest, dividends and investment expense).

### Revenues in Excess of Expenses

The consolidated statements of operations and changes in net assets include the determination of revenues in excess of expenses. Changes in net assets without donor restrictions which are excluded from the determination of revenues in excess of expenses, consistent with industry practice, include permanent transfers of assets to and from subsidiaries for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

### Income Taxes

As of December 31, 2025 and 2024 and for the years then ended, the Hospital and VMG are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

The Organization accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. There were no tax uncertainties that met the recognition threshold in 2025 or 2024.

### Subsequent Events

The Organization has evaluated the impact of subsequent events through April 16, 2026, representing the date at which the consolidated financial statements were issued.

# The Valley Hospital

Notes to Consolidated Financial Statements  
December 31, 2025 and 2024

## 2. Liquidity and Availability

The Organization's financial assets available within one year of the consolidated balance sheets date for general expenditure such as operating expenses are as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 11,612	\$ 16,086
Accounts receivable	163,923	157,201
Board designated investments	<u>1,015,921</u>	<u>865,408</u>
Total financial assets	<u>\$ 1,191,456</u>	<u>\$ 1,038,695</u>

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

## 3. Charity Care

The Organization provides care to patients who meet certain criteria defined by the New Jersey Department of Health (DOH) without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges for charity care rendered were approximately \$27.1 million and \$23.5 million for the years ended December 31, 2025 and 2024, respectively. Total charity care costs were approximately \$7.2 million and \$6.1 million for the years ended December 31, 2025 and 2024, respectively.

Additionally, the Organization sponsors other charitable programs, which provide substantial benefit to the broader community. Such programs include services to the needy and elderly population that require special support, various clinical outreach programs, as well as health promotion and education for the general community welfare. Health care and other services are also provided to those covered by Medicaid and Medicare for which the Organization is not reimbursed at its full cost.

The Organization did not receive any revenue through the State of New Jersey Charity Care Subsidy Fund for the year ended December 31, 2025. The amount received totaled \$0.3 million for the year ended December 31, 2024.

## 4. Grant Revenues and COVID-19 Funding

Grant revenues and COVID-19 funding consist of amounts received from federal funding sources related to the COVID-19 pandemic and other State and Federal grants. The Organization accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) ASC 958-605 guidance for conditional contributions and accordingly, revenues are recognized when barriers are substantially met, which occurs when the Organization complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature. The Organization measures the amounts recognized in accordance with FASB ASC 606 for variable consideration, including constraints of variable consideration, and accordingly, revenue is measured at amounts for which it is probable that there will not be a significant reversal in a future period.

# The Valley Hospital

## Notes to Consolidated Financial Statements

December 31, 2025 and 2024

In 2024, the Federal Emergency Management Agency (FEMA) obligated \$2.9 million for COVID-19 emergency protective measures. The Organization accounted for such grants in accordance with Accounting Standards Update 2018-08 and considered to be conditional until the barriers of certain of the projects are overcome. During the year ended December 31, 2024 grant amounts of \$2.9 million were recognized as eligible costs were incurred and included in COVID-19 funding grant revenues in the accompanying consolidated statements of operations and changes in net assets. There were no FEMA awards obligated for the year ended December 31, 2025.

In addition, the Organization received \$9.7 million and \$7.8 million in other State and Federal grant revenues for the years ended December 31, 2025 and 2024, respectively.

### 5. Net Patient Service Revenues

The composition of the Organization's net patient care service revenues by payor for the years ended December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Medicare	\$ 366,956	\$ 333,766
Horizon	291,719	260,666
United/Oxford	198,661	172,638
Self-pay/charity	13,999	7,885
Other	580,275	511,193
Total	<u>\$ 1,451,610</u>	<u>\$ 1,286,148</u>

The composition of patient care service revenues based on the Organization's lines of business for years ended December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Hospital	\$ 1,231,944	\$ 1,092,511
Physicians practice	219,666	193,637
Total	<u>\$ 1,451,610</u>	<u>\$ 1,286,148</u>

The Organization 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 Organization 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 Organization have been audited and settled for years through 2021 at December 31, 2025. The Organization has filed appeals for 2010-2021 with the Provider Reimbursement Review Board. No accruals have been recorded for these appeals.

**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 Organization 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 Organization for years through 2022 have been audited and settled.

**Other Third-Party Payors** - The Organization also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

## The Valley Hospital

### Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

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 Organization 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 consolidated financial statements. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Revenues received under third-party arrangements are subject to audit and retroactive adjustments. There were no favorable transaction price adjustments related to successful settlements and favorable changes to estimated third-party payor settlement estimates in 2025 or 2024.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured or underinsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustment, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenues in the period of the change. For the years ended December 31, 2025 and 2024, the impact of changes in the estimates of discounts and contractual adjustments for performance obligations satisfied in prior years was insignificant to the consolidated financial statements.

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

# The Valley Hospital

Notes to Consolidated Financial Statements  
December 31, 2025 and 2024

## 6. Assets Whose Use is Limited

The components of assets whose use is limited are set forth in the following table (in thousands):

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 20,517	\$ 42,150
Equity securities	60,887	48,659
Pooled equity funds	282,565	247,247
U.S. government obligations and mortgage backed securities	389,342	319,025
Corporate bonds	158,796	133,385
Loomis Sayles mutual fund	112,312	84,365
	<u>1,024,419</u>	<u>874,831</u>
Accrued interest receivable	4,247	3,526
Total	1,028,666	878,357
Less assets whose use is limited, current	<u>5,852</u>	<u>6,152</u>
Assets whose use is limited, noncurrent portion	<u>\$ 1,022,814</u>	<u>\$ 872,205</u>

Unrealized gains and losses represent the change in the difference between cost and fair value of the limited use assets. For the years ended December 31, 2025 and 2024, the change in net unrealized gains was approximately \$72.9 million and \$44.7 million, respectively.

Investment income consists of the following (in thousands):

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 23,189	\$ 22,203
Realized gains on sales of securities	6,532	2,406
Total investment income	<u>\$ 29,721</u>	<u>\$ 24,609</u>

## 7. Property and Equipment

A summary of property and equipment as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Land	\$ 91,936	\$ 92,686
Land improvements	20,849	20,679
Building	1,477,160	1,450,147
Equipment and furnishings	716,532	686,089
	<u>2,306,477</u>	<u>2,249,601</u>
Less accumulated depreciation	<u>1,095,263</u>	<u>1,013,674</u>
	1,211,214	1,235,927
Construction in progress	<u>65,113</u>	<u>38,735</u>
Property and equipment, net	<u>\$ 1,276,327</u>	<u>\$ 1,274,662</u>

# The Valley Hospital

## Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Depreciation expense for the years ended December 31, 2025 and 2024 totaled \$94.1 million and \$96.6 million, respectively. Included in these amounts are \$8.2 million and \$6.7 million in 2025 and 2024, respectively, which are included in other items and special projects (see Note 12).

At December 31, 2025, the Organization had commitments outstanding of approximately \$9.9 million related to construction of The New Valley Hospital.

### 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes (in thousands):

	<u>2025</u>	<u>2024</u>
Health care services	\$ 1,696	\$ 1,609
VMG services	2,601	1,947
Health education	768	759
Endowment funds	<u>4,429</u>	<u>4,429</u>
Total	<u>\$ 9,494</u>	<u>\$ 8,744</u>

Endowment funds have been restricted by donors to be maintained in perpetuity and are held by the Organization. The Organization follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as they relate to its donor-restricted contributions and net assets, effective upon the State of New Jersey's enactment of the legislation in March 2009.

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulations to the permanent endowment are used in accordance with the direction of the applicable donor gift. The remaining portion of the donor-restricted endowment fund that is classified as net assets with donor restrictions in perpetuity until the amounts are appropriated for expenditure in accordance with a manner consistent with the standard of prudence proscribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the investment and spending policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the endowment funds while seeking to maintain the purchasing power of the funds. To satisfy long-term return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization employs a long-term equity oriented strategy of investing in both traditional and alternative asset classes.

# The Valley Hospital

Notes to Consolidated Financial Statements  
December 31, 2025 and 2024

## 9. Related-Party Transactions

The Organization has amounts due from related parties as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Valley Health System, Inc.	\$ 12,537	\$ 7,494
Valley Hospital Foundation, Inc.	1,589	837
Total	<u>\$ 14,126</u>	<u>\$ 8,331</u>

These amounts are reported within supplies and other current assets and primarily represent services provided and expenses paid on behalf of affiliates and are noninterest bearing.

The Organization had net asset transfers (to) and from related parties as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Contributions from Foundation	\$ 6,983	\$ 10,148
Change in assets held by related organization	(3,988)	5,252
Transfer from Hospital to VMG	(118,414)	(102,186)
VMG net transfers	117,919	101,842
Transfer from Valley Health System	5,712	11,550
Acquisition companies net transfer	(1,950)	-
Contributions from VHC	29,995	-
Total	<u>\$ 36,257</u>	<u>\$ 26,606</u>

These amounts are recorded as net changes in assets held by related organization and net transfers to/from affiliated entities on the consolidated statements of operations and changes in net assets. For the years ended December 31, 2025 and 2024, the Organization reported approximately \$7.0 million and \$10.1 million, respectively, of contributions received from the Foundation, which include both equipment reimbursements and other funds without donor restrictions. The Hospital and VMG reported \$30.2 million and \$33.5 million at December 31, 2025 and 2024, respectively, for its accumulated interest in Net Assets of the Foundation as assets held by related organization in the accompanying consolidated balance sheets. Changes in the Organization's interest in the net assets were \$(4.0) million and \$5.3 million for the years ended December 31, 2025 and 2024, respectively.

For the years ended December 31, 2025 and 2024, total costs, consisting of salaries and operating expenses of the Valley Health System, of \$126.5 million and \$117.7 million, respectively, were charged to individual entities based upon pre-determined allocation methods. These amounts are included in operating expenses on the consolidating statements of operations and changes in net assets.

## 10. Pension Plans

### 401(k) Retirement Savings Plan

In April 2004, the Organization introduced a 401(k) Retirement Savings Plan. All employees of the Organization who have attained the age of 21, completed one year of service and have at least 1,000 hours of service are eligible to participate. Employees may contribute 1% to 25% of their salary on a pretax basis, not to exceed the Internal Revenue Service limitation of \$23,500 in 2025 and \$23,000 in 2024. All employee pretax contributions are 100% vested. Prior to January 1, 2010, the Organization contributed 2% of the employee's base compensation and it matched up to 2% of the employee's contribution.

# The Valley Hospital

## Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Effective January 1, 2010, the Organization introduced a new formula under the 401(k) plan to determine the basic contribution percentage that will be provided to each employee in the Organization. Using a points scale system, every employee will be credited with one point for each full year of credited service (a calendar year with 1,000 hours of service), as well as one point for each full year of employee's age. Basic contributions range from 1% to 6% based on points. Additionally, the Organization will match 100% of the first 3.5% employee contribution on top of the basic contribution.

Effective January 1, 2019, changes have been made to the basic and matching contributions. The basic contribution will now include only years of service and will range between 1.5% and 4%. Additionally, the Organization will match 100% of the first 1% employee contribution and 50% of the next 5% employee contribution on top of the basic contribution. The Organization contributed \$21.1 million and \$20.0 million to the 401(k) Retirement Savings Plan in 2025 and 2024, respectively.

### 11. Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The concentrations of gross accounts receivable from patients and third-party payors were as follows:

	<u>2025</u>	<u>2024</u>
Blue Cross	30 %	29 %
Medicare and Medicaid, including Managed Care	20	26
Commercial	7	6
United/Oxford	15	16
Managed care	21	18
Self-pay	7	5
	<u>100 %</u>	<u>100 %</u>

### 12. Other Items and Special Projects

The components of other items and special projects are included in operating income, as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Offsite properties	\$ (10,820)	\$ (7,455)
Strategic initiatives and other nonrecurring items	(17,273)	(24,698)
Total	<u>\$ (28,093)</u>	<u>\$ (32,153)</u>

### 13. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the Organization 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 Organization'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.

# The Valley Hospital

## Notes to Consolidated Financial Statements

December 31, 2025 and 2024

The Organization 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 Organization 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. Financial instruments (included in cash and cash equivalents, limited use assets and deferred compensation assets carried at fair value as of December 31, 2025 and 2024 are classified in the tables below in one of the three categories described above (in thousands):

	<b>2025</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Equity securities	\$ 60,887	\$ -	\$ -	\$ 60,887
Fixed income:				
Mortgage-backed securities	-	113,455	-	113,455
U.S. Treasuries	275,887	-	-	275,887
Corporate bonds	-	158,796	-	158,796
Loomis Sayles Mutual Fund	112,312	-	-	112,312
Equity mutual funds:				
Deferred Comp Mutual Funds	11,396	-	-	11,396
Pooled equity funds:				
MSCI ACWI EX-US				
Non-Lendable Fund	-	60,841	-	60,841
Equity Index Non-Lendable				
Fund	-	167,511	-	167,511
Russell 2000 Index Fund	-	54,213	-	54,213
	<u>\$ 460,482</u>	<u>\$ 554,816</u>	<u>\$ -</u>	<u>1,015,298</u>
Total assets in the fair value hierarchy				1,015,298
Cash and cash equivalents				<u>20,517</u>
Assets at fair value				<u>\$ 1,035,815</u>

The table above includes \$11,396 of deferred compensation mutual funds as of December 31, 2025 which are recorded to other assets on the consolidated balances sheets. The table above does not include \$4,247 of accrued investment income which is included in assets whose use is limited on the consolidated balance sheet.

# The Valley Hospital

Notes to Consolidated Financial Statements  
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	2024			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 48,659	\$ -	\$ -	\$ 48,659
Fixed income:				
Mortgage-backed securities	-	101,138	-	101,138
U.S. Treasuries	217,887	-	-	217,887
Corporate bonds	-	133,385	-	133,385
Loomis Sayles Mutual Fund	84,365	-	-	84,365
Equity mutual funds:				
Deferred Comp Mutual Funds	10,118	-	-	10,118
Pooled equity funds:				
MSCI ACWI EX-US				
Non-Lendable Fund	-	152,074	-	152,074
Equity Index Non-Lendable				
Fund	-	46,010	-	46,010
Russell 2000 Index Fund	-	49,163	-	49,163
	<u>\$ 361,029</u>	<u>\$ 481,770</u>	<u>\$ -</u>	<u>842,799</u>
Total assets in the fair value hierarchy				
Cash and cash equivalents				<u>42,150</u>
Assets at fair value				<u>\$ 884,949</u>

The table above includes \$10,118 of deferred compensation mutual funds as of December 31, 2024 which are recorded to other assets on the consolidated balances sheets. The table above does not include \$3,526 of accrued investment income which is included in assets whose use is limited on the consolidated balance sheet

## Financial Instruments

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2025 and 2024.

Equity securities: Valued at closing price reported on the active market on which the individual securities are traded.

Fixed income and equity mutual funds, U.S. government obligations, bonds and commercial mortgage-backed securities: Valued based on quoted market prices, estimated quoted market prices of similar securities 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.

The pooled equity funds are valued based on the underlying investments which are determined to have readily determinable fair value. The following represents the funds' objectives, restrictions and unfunded commitments:

Blackrock Equity Index Non-Lendable Fund: The fund's objective is to seek results that correspond to the price and yield performance of the S&P 500 Index. The Organization is required to provide notice for redemption of this fund by the 15th day of the month prior to redemption. There were no unfunded commitments related to this fund at December 31, 2025 and 2024.

# The Valley Hospital

## Notes to Consolidated Financial Statements

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Blackrock MSCI ACWI EX-US Non-Lendable Fund: The fund's objective is to seek investment results that correspond generally to the price and yield performance of the MSCI ACWI ex-U.S. Net Dividend Return Index. The Organization is required to provide notice for redemption of this fund by the 15th day of the month prior to redemption. There were no unfunded commitments related to this fund at December 31, 2025 and 2024.

Blackrock Russell 2000 Index Fund: The fund's objective is to seek investment results that correspond generally to the price and yield performance of the Russell 2000 Index. The Organization is required to provide notice for redemption of this fund by the 15th day of the month prior to redemption. There were no unfunded commitments related to this fund at December 31, 2025 and 2024.

### 14. Contingencies

Various investigations, lawsuits and claims arising in the normal course of operations are pending or on appeal against the Organization. While the ultimate effect of such actions cannot be determined at this time, it is the opinion of management that the liabilities which may arise from such actions would not materially affect the consolidated financial position or results of operations of the Organization.

### 15. Professional Insurance

Through March 20, 2003, the Organization had malpractice insurance coverage on a claims made basis under a retrospectively rated policy based primarily on experience of a group of health care providers. Premiums were accrued based on the ultimate cost of the Organization's claims experience to date. Losses from unasserted claims and incidents that may have occurred, but have not been identified under the incident reporting system are included in other accrued expenses in the amount of approximately \$1 million at December 31, 2025 and 2024 based principally on estimates that incorporate the Organization's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors.

Valley Health System., including The Valley Hospital Inc., Valley Physician Services, PC., operating as Valley Medical Group, Valley Home Care, Inc. and all other affiliates and subsidiaries, insure their Malpractice and general liability under a policy of insurance from VHS Insurance Company, Ltd. VHS Insurance Company, Ltd. is an insurance company in the Cayman Islands and is 100% owned by Valley Health System. Under this policy of insurance, each entity, as applicable, has a Captive retention of \$10.0 million per claim not to exceed \$20.0 million in the aggregate, and \$2.0 million combined single limit for any one claim not to exceed \$20.0 million in the aggregate, and \$2.0 million combined single limit for any one claim event or General Liability injury.

The actuarially determined undiscounted professional and general liabilities aggregated approximately \$35.6 million and \$35.0 million at December 31, 2025 and 2024, respectively (includes approximately \$10.1 million and \$9.6 million at December 31, 2025 and 2024, respectively, for estimated incurred but not reported costs) and are reported as estimated professional liability in the Organization's consolidated balance sheets. At December 31, 2025 and 2024, approximately \$56.4 million and \$50.2 million, respectively, of assets held by the captive for insurance claims, are included in other assets in the accompanying consolidated balance sheets.,

The Organization maintains excess liability coverage with several qualified commercial carriers of up to \$40 million loss per incident once in excess of primary coverage.

# The Valley Hospital

Notes to Consolidated Financial Statements  
December 31, 2025 and 2024

## 16. Other Revenues

The Organization's other revenues consist of the following (in thousands):

	2025	2024
Patient Education	\$ 263	\$ 336
Valley Health Pharmacy	35,409	22,104
Food services	3,770	3,218
Purchase discounts and rebates	16,979	14,477
Investment income	2,802	2,419
Wellness Center Memberships	4,334	3,602
Acquisition companies rent	4,227	4,133
ColigoCare shared savings	706	4,400
Other	11,551	6,297
Total	<u>\$ 80,041</u>	<u>\$ 60,986</u>

## 17. Right-of-Use Assets and Lease Liabilities

The Organization enters into finance and operating leases for buildings, office space and equipment. As of January 1, 2019, the Organization adopted the provisions of ASC 842. Accordingly, all agreements with terms for more than one year were capitalized, where a right-of-use asset was identified. In connection with the adoption of ASC 842 on January 1, 2019, certain practical expedients available under ASC 842-10-65-1 were elected that provide certain concessions to ease the burden of transition, such as the treatment of indirect lease costs, and service contracts which may contain embedded leases. In addition, certain expedients not related to the transition were elected, such as the election to capitalize lease and nonlease components of an agreement as a single component for purposes of simplicity, with the exception of those related to equipment and machinery. Generally, amounts capitalized represent the present value of minimum lease payments over the term, and the duration is equivalent to the base agreement, however, management used certain assumptions when determining the value and duration of leases. These assumptions include, but are not limited to, the probability of renewing a lease term, certain future events impacting lease payments, as well as fair value not explicit in an agreement. Most of our leases do not include variable payments but contain scheduled escalations. The leases expire at various dates through 2047.

### Operating Right-of-Use Assets and Operating Lease Liabilities

In the calculation of the right-of-use asset and lease liability, the Organization assumed lease renewals of one to three terms where it was probable that the Organization would continue to utilize the facility. Lease expense is recognized on a straight-line basis over the lease term and is included in other expenses on the consolidated statements of operations and changes in net assets. Lease expense was approximately \$14.0 million and \$13.6 million for the years ended December 31, 2025 and 2024, respectively. The Organization had a current lease liability of approximately \$7.2 million and \$7.9 million at December 31, 2025 and 2024, respectively, and a noncurrent lease liability of approximately \$145.2 million and \$147.6 million at December 31, 2025 and 2024, respectively. The future lease payments are discounted using the practical expedient for not-for-profit entities, which is the risk-free interest rate. The interest rate used in calculating the lease liability ranges from 2.50% to 3.83% depending on the length of the lease term. Additional information with respect to the Organization's operating leases as of December 31, 2025 and 2024 is presented below.

	Weighted Average Discount Rate	
	2025	2024
Hospital	2.50 %	1.82 %
VMG	3.83	3.65

## The Valley Hospital

Notes to Consolidated Financial Statements  
December 31, 2025 and 2024

	Weighted Average Remaining Lease Term in Years	
	2025	2024
Hospital	4.50	4.05
VMG	18.10	18.20

The following table presents information about the amount and timing of cash flows arising from operating leases as of December 31, 2025 (in thousands):

2026	\$	12,622
2027		12,595
2028		11,977
2029		11,398
2030		11,569
Thereafter		<u>155,063</u>
Total lease payments		215,224
Less interest		<u>(62,793)</u>
Present value of lease liabilities	\$	<u><u>152,431</u></u>

### Finance Lease Right-of-Use Asset and Finance Lease Obligation

On October 12, 2016, the Organization entered into leasing arrangement by which the lessor will construct a fitness and wellness center with medical office space and ancillary service facilities which was made available for use by the Organization upon substantial completion of construction of the leased premises. The lease commencement date, the date the leased premises is made available for use to the Organization, was February 1, 2018. The lease is payable in monthly installments over a period of 25 years from the lease commencement date with a purchase option of \$1 at the end of the term.

On March 14, 2023, the Organization entered leasing arrangement by which the lessor will construct medical office space, diagnostic labs and rehabilitation facilities which will be made available for use by the Organization upon substantial completion of construction of the leased premises. The lease commencement date, the date the leased premises is made available for use to the Organization, was October 13, 2025. The lease is payable in monthly installments over a period of 21 years from the lease commencement date with three extensions after the end of the initial 21 years.

# The Valley Hospital

## Notes to Consolidated Financial Statements

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The leases were recorded as a finance lease with a long-term lease asset and lease liability in the amount of approximately \$76.5 million and is amortized over the term of the lease. The following is a schedule by years of future minimum lease payments under the finance lease as of December 31, 2025 (in thousands):

2026	\$	5,361
2027		5,473
2028		5,588
2029		5,706
2030		5,717
Thereafter		<u>93,793</u>
Total minimum lease payments		121,638
Less amount representing interest at 6%		<u>(45,123)</u>
Present value of net minimum lease payments		<u>\$ 76,515</u>

### 18. Long-Term Debt

In December 2019, the Hospital completed a financing (Series 2019) with the New Jersey Health Care Facilities Financing Authority (NJHCFFA) for \$356,410,000 of publicly issued tax-exempt bonds. These funds, together with investment earnings and other available funds, were used to finance the costs of planning, development, acquisition, construction, equipping, expansion, furnishing and renovation of a new 370 bed, approximately 875,000 square foot acute care hospital and medical center facility located in Paramus, New Jersey, including a 1,500 space parking garage attached thereto, and all infrastructure improvements, relocations and modifications.

The Series 2019 funds are structured with fixed-rate serial bonds maturing from 2020 to 2039 and fixed-rate term bonds maturing in 2044 and 2049.

Yields on the Series 2019 serial bonds range from 1.12% for the 2020 maturity to 2.56% for the 2039 maturity. Yields for the fixed-rate term bonds are as follows: for the term bond maturing in 2044, a yield to call of 2.71% and for the term bond maturing in 2049, a yield to call of 3.15%.

The overall interest cost for the bond issue is 2.93%. During 2024, \$2.5 million of interest costs incurred with the new hospital were capitalized and included within construction in progress in the consolidated financial statements. There was no interest capitalized during 2025.

A summary of long-term debt is as follows as of December 31, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Hospital revenue bonds financed with the NJHCFFA, Series 2019	\$ 279,240	\$ 291,345
Net original issue premium	46,027	46,027
Less current portion	(11,880)	(11,880)
Less unamortized underwriter discount	(1,074)	(1,168)
Less accumulated amortization of bond premium	(20,237)	(17,350)
Less unamortized bond issuance costs	<u>(581)</u>	<u>(622)</u>
Long-term debt	<u>\$ 291,495</u>	<u>\$ 306,352</u>

# The Valley Hospital

Notes to Consolidated Financial Statements  
December 31, 2025 and 2024

Principal payments for the next five years under the NJHCFFA obligations are as follows (in thousands):

2026	\$	11,880
2027		11,880
2028		11,880
2029		11,880
2030		11,880
Aggregate thereafter		<u>219,840</u>
	<u>\$</u>	<u>279,240</u>

The 2019 Bonds loan agreements require the Hospital to comply with financial covenants.

Starting in 2023, the Hospital began an initiative to Repurchase Valley Hospital Bonds back from the Bond Holders. In total, the Hospital purchased back a total Par Value of \$5.9 million in Bonds, for a total proceeds of \$4.5 million as of December 31, 2025.

## 19. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries, benefits, medical fees and other expenses are allocated based upon estimates of time and effort. Depreciation and interest are allocated based upon square footage. Amounts shown are in thousands:

	<b>2025</b>		
	<u>Total</u>	<u>Program</u>	<u>Administrative</u>
Salaries and wages	\$ 636,251	\$ 554,721	\$ 81,530
Employee benefits	110,774	94,121	16,653
Medical fees	1,108	1,108	-
Other expenses	617,299	482,394	134,905
Depreciation	85,901	53,465	32,436
Interest	12,289	12,289	-
Total	<u>\$ 1,463,622</u>	<u>\$ 1,198,098</u>	<u>\$ 265,524</u>
		<b>2024</b>	
	<u>Total</u>	<u>Program</u>	<u>Administrative</u>
Salaries and wages	\$ 574,135	\$ 494,310	\$ 79,825
Employee benefits	101,065	85,349	15,716
Medical fees	1,050	1,050	-
Other expenses	516,861	413,751	103,110
Depreciation	89,882	68,000	21,882
Interest	10,227	10,227	-
Total	<u>\$ 1,293,220</u>	<u>\$ 1,072,687</u>	<u>\$ 220,533</u>

## The Valley Hospital

Consolidating Balance Sheet

December 31, 2025

(In Thousands)

	<u>Valley Hospital</u>	<u>Valley Medical Group</u>	<u>Real Estate Acquisition Companies</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 10,112	\$ 833	\$ 667	\$ -	\$ 11,612
Assets whose use is limited, current	5,852	-	-	-	5,852
Accounts receivable	144,935	18,988	-	-	163,923
Prepaid expenses	6,083	406	-	-	6,489
Supplies and other current assets	46,808	758	-	-	47,566
	<u>213,790</u>	<u>20,985</u>	<u>667</u>	<u>-</u>	<u>235,442</u>
<b>Assets Whose Use is Limited</b>					
Board designated	1,015,921	-	-	-	1,015,921
Donor-restricted investments	6,893	-	-	-	6,893
	<u>1,022,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,022,814</u>
<b>Property and Equipment, Net</b>	1,194,944	58,955	22,428	-	1,276,327
<b>Finance Lease Right-of-Use Asset</b>	61,410	-	-	-	61,410
<b>Operating Lease Right-of-Use Assets</b>	903	145,954	-	-	146,857
<b>Other Assets</b>	93,565	79	286	-	93,930
<b>Assets Held by Related Organization</b>	27,607	2,601	-	-	30,208
Total assets	<u>\$ 2,615,033</u>	<u>\$ 228,574</u>	<u>\$ 23,381</u>	<u>\$ -</u>	<u>\$ 2,866,988</u>

## The Valley Hospital

Consolidating Balance Sheet

December 31, 2025

(In Thousands)

	<u>Valley Hospital</u>	<u>Valley Medical Group</u>	<u>Real Estate Acquisition Companies</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 62,465	\$ 2,508	\$ -	\$ -	\$ 64,973
Accrued salaries and related benefits	61,348	7,433	-	-	68,781
Current portion of long-term debt	11,880	-	-	-	11,880
Current portion of finance lease obligation	2,159	-	-	-	2,159
Current portion of operating lease liability	205	6,991	-	-	7,196
Other accrued expenses	37,402	37,850	(134)	-	75,118
Accrued bond interest payable	5,855	-	-	-	5,855
	<u>181,314</u>	<u>54,782</u>	<u>(134)</u>	<u>-</u>	<u>235,962</u>
Total current liabilities					
Operating Lease Noncurrent Portion	699	144,536	-	-	145,235
Long-Term Debt, Noncurrent Portion	291,495	-	-	-	291,495
Finance Lease, Noncurrent Portion	74,356	-	-	-	74,356
Estimated Professional Liability	35,567	-	-	-	35,567
Amounts Due to Third-Party Payors and Other Liabilities	74,259	10,051	-	-	84,310
	<u>657,690</u>	<u>209,369</u>	<u>(134)</u>	<u>-</u>	<u>866,925</u>
Total liabilities					
<b>Net Assets</b>					
Without donor restrictions	1,950,450	16,604	23,515	-	1,990,569
With donor restrictions	6,893	2,601	-	-	9,494
	<u>1,957,343</u>	<u>19,205</u>	<u>23,515</u>	<u>-</u>	<u>2,000,063</u>
Total net assets					
Total liabilities and net assets	<u>\$ 2,615,033</u>	<u>\$ 228,574</u>	<u>\$ 23,381</u>	<u>\$ -</u>	<u>\$ 2,866,988</u>

## The Valley Hospital

Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2025

(In Thousands)

	Valley Hospital	Valley Medical Group	Real Estate Acquisition Companies	Eliminations	Consolidated
<b>Changes in Net Assets Without Donor Restrictions</b>					
Net patient service revenues	\$ 1,231,944	\$ 219,666	\$ -	\$ -	\$ 1,451,610
Grant revenues and COVID-19 funding	7,848	-	-	-	7,848
Other revenues	68,870	61,675	4,227	(54,731)	80,041
Total operating revenues	<u>1,308,662</u>	<u>281,341</u>	<u>4,227</u>	<u>(54,731)</u>	<u>1,539,499</u>
<b>Expenses</b>					
Salaries and wages	390,106	246,145	-	-	636,251
Employee benefits	75,987	34,787	-	-	110,774
Medical fees	55,839	-	-	(54,731)	1,108
Other expenses	497,953	116,226	3,120	-	617,299
Interest expense	12,289	-	-	-	12,289
Depreciation	78,334	7,567	-	-	85,901
Total operating expenses	<u>1,110,508</u>	<u>404,725</u>	<u>3,120</u>	<u>(54,731)</u>	<u>1,463,622</u>
Operating income (loss) before other items and special projects	198,154	(123,384)	1,107	-	75,877
<b>Other Items and Special Projects</b>	<u>(26,774)</u>	<u>-</u>	<u>(1,319)</u>	<u>-</u>	<u>(28,093)</u>
Operating income (loss)	171,380	(123,384)	(212)	-	47,784
<b>Other Income (Loss)</b>					
Nonoperating gains and losses	29,721	-	-	-	29,721
Change in unrealized gains on investments	72,909	-	-	-	72,909
Revenues in excess of (less than) expenses	<u>274,010</u>	<u>(123,384)</u>	<u>(212)</u>	<u>-</u>	<u>150,414</u>
<b>Other Changes in Net Assets Without Donor Restrictions</b>					
Net changes in assets held by related organization and net assets transfers to/from affiliated entities	<u>(79,712)</u>	<u>117,919</u>	<u>(1,950)</u>	<u>-</u>	<u>36,257</u>
Total other changes in net assets without donor restrictions	<u>(79,712)</u>	<u>117,919</u>	<u>(1,950)</u>	<u>-</u>	<u>36,257</u>
Increase (decrease) in net assets without donor restrictions	<u>194,298</u>	<u>(5,465)</u>	<u>(2,162)</u>	<u>-</u>	<u>186,671</u>
<b>Changes in Net Assets With Donor Restrictions</b>					
Change in restricted assets held by related organization	-	1,390	-	-	1,390
Net assets released from restriction for operating purposes	96	(736)	-	-	(640)
Increase (decrease) in net assets with donor restrictions	<u>96</u>	<u>654</u>	<u>-</u>	<u>-</u>	<u>750</u>
Increase (decrease) in net assets	194,394	(4,811)	(2,162)	-	187,421
<b>Net Assets, Beginning</b>	<u>1,762,949</u>	<u>24,016</u>	<u>25,677</u>	<u>-</u>	<u>1,812,642</u>
<b>Net Assets, Ending</b>	<u>\$ 1,957,343</u>	<u>\$ 19,205</u>	<u>\$ 23,515</u>	<u>\$ -</u>	<u>\$ 2,000,063</u>