GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Financial Statements and
Consolidating Information

June 30, 2023 and 2022

(With Independent Auditors’ Report Thereon)

**GBMC HEALTHCARE, INC.
AND SUBSIDIARIES**

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KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors
GBMC HealthCare, Inc.:

Opinion

We have audited the consolidated financial statements of GBMC HealthCare, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of its operations, the changes in its net assets, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Company 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 U.S. generally accepted accounting principles, 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 Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are 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 Company'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 Company'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.

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 in Schedules 1-3 is presented for purposes of additional analysis 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Baltimore, Maryland
October 20, 2023

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2023 and 2022

(In thousands)

Assets		2023	2022
Current assets:			
Cash and cash equivalents	$	23,093	25,891
Short-term investments and limited or restricted use funds		84,197	133,261
Patient accounts receivable, net		70,687	65,229
Other receivables		23,542	27,105
Other current assets		13,520	15,669
Total current assets		215,039	267,155
Noncurrent assets:			
Investments and limited or restricted use funds		467,147	528,479
Property, plant, and equipment, net		352,583	288,923
Operating lease right-of-use assets		20,789	21,012
Pension asset		4,039	—
Other assets		56,476	54,750
Total noncurrent assets		901,034	893,164
Total assets	$	1,116,073	1,160,319
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	107,237	110,458
Current portion of insurance reserves		14,427	13,965
Advances from third-party payors		15,212	37,640
Current portion of operating lease liabilities		2,728	3,450
Current portion of long-term debt and finance lease liabilities		8,397	5,138
Other current liabilities		5,349	8,343
Total current liabilities		153,350	178,994
Noncurrent liabilities:			
Long-term debt		215,095	220,197
Finance lease liabilities		17,355	20,717
Operating lease liabilities		18,541	17,997
Insurance reserves		50,106	46,674
Pension liability		—	180
Other long-term liabilities		1,145	1,974
Total liabilities		455,592	486,733
Net assets:			
Controlling interest		518,975	542,914
Non-controlling interest		12,088	9,518
Total net assets without donor restrictions		531,063	552,432
Net assets with donor restrictions		129,418	121,154
Total net assets		660,481	673,586
Total liabilities and net assets	$	1,116,073	1,160,319

See accompanying notes to consolidated financial statements.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022
Patient service revenue, net	$ 625,442	630,459
Other operating revenue	43,824	28,152
Net assets released from restrictions	10,912	8,922
Total operating revenue	680,178	667,533
Operating expenses:		
Salaries, wages, and employee benefits	458,325	443,482
Expendable supplies	116,725	111,065
Purchased services and other	108,362	99,628
Depreciation and amortization	36,446	37,793
Interest	4,378	4,471
Total operating expenses	724,236	696,439
Total operating loss	(44,058)	(28,906)
Nonoperating gains (losses):		
Contributions	—	777
Fundraising expense	(3,079)	(3,593)
Investment gains (losses), net	23,931	(60,582)
Other components of net periodic pension cost	(177)	260
Loss on extinguishment	—	(96)
Other nonoperating income	18	—
Total nonoperating gains (losses)	20,693	(63,234)
Deficit of revenues over expenses	$ (23,365)	(92,140)

See accompanying notes to consolidated financial statements.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2023 and 2022

(In thousands)

		2023	2022
Deficit of revenues over expenses	$	(23,365)	(92,140)
Changes in net assets without donor restrictions:			
Pension related changes other than net periodic pension costs		3,475	2,764
Net assets released for purchase of fixed assets		2,773	6,182
Distribution to non-controlling interest		(4,250)	—
Government donated fixed assets		—	1,510
Other changes in net assets without donor restrictions		(2)	2
Decrease in net assets without donor restrictions		(21,369)	(81,682)
Changes in net assets with donor restrictions:			
Contributions		18,759	18,316
Investment gains (losses), net		3,190	(7,100)
Net assets released for operations		(10,912)	(8,922)
Net assets released for purchase of fixed assets		(2,773)	(6,182)
Increase (decrease) in net assets with donor restrictions		8,264	(3,888)
Decrease in net assets		(13,105)	(85,570)
Net assets, beginning of year		673,586	759,156
Net assets, end of year	$	660,481	673,586

See accompanying notes to consolidated financial statements.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	(13,105)	(85,570)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		36,446	37,793
Realized and unrealized (gains) losses on investments		(12,955)	83,761
Pension related changes other than net periodic pension costs		(3,475)	(2,764)
Restricted investment income		(1,912)	(1,927)
Restricted contributions		(18,759)	(18,316)
Distribution to non-controlling interest		4,250	—
Changes in assets and liabilities:			
(Increase) decrease in patient accounts receivable		(5,458)	958
Decrease in other receivables and other assets		2,996	8,345
(Decrease) increase in accounts payable and accrued expenses, and other liabilities		(14,460)	15,173
Decrease in advances from third-parties		(22,428)	(54,191)
Decrease in pension liability		(744)	(6,833)
Net cash used in operating activities		(49,604)	(23,571)
Cash flows from investing activities:			
Purchases of investments and limited or restricted use funds		—	(119,186)
Proceeds from sales of investments and limited or restricted use funds		138,439	74,705
Purchases of alternative investments		(7,982)	(11,364)
Proceeds from sales of alternative investments		3,659	6,214
Purchases of property and equipment		(88,974)	(56,586)
Net cash provided by (used in) investing activities		45,142	(106,217)
Cash flows from financing activities:			
Payment on long-term debt and finance lease liabilities		(5,205)	(18,886)
Proceeds from long-term debt		—	113,219
Proceeds from restricted contributions		19,972	22,892
Distributions to non-controlling interest		(4,250)	—
Net cash provided by financing activities		10,517	117,225
Increase (decrease) in cash		6,055	(12,563)
Cash and cash equivalents, beginning of year		50,446	63,009
Cash and cash equivalents, end of year	$	56,501	50,446
Supplemental cash flow disclosures for investing/financing activities:			
Cash paid during the year for interest	$	6,436	4,260
Capital additions accrued but not paid		15,654	4,522
Reconciliation of ending cash and cash equivalents to consolidated balance sheets:			
Restricted cash included in limited or restricted use funds	$	33,408	24,555
Cash and cash equivalents		23,093	25,891
Total cash and cash equivalents	$	56,501	50,446

See accompanying notes to consolidated financial statements.

(1) Organization and Consolidation

GBMC HealthCare, Inc. (the Company), is a not-for-profit holding company, which includes: Greater Baltimore Medical Center, Inc. (Medical Center), Greater Baltimore Health Alliance Physicians, LLC, GBMC Foundation, Inc., Gilchrist Hospice Care, Inc., Greater Baltimore Medical Center Land, Inc., and GBMC Agency, Inc.

The Medical Center is a wholly owned not-for-profit hospital, which provides in-patient, outpatient, emergency care, and physician services primarily for residents of the Baltimore metropolitan area. The Medical Center was formed by agreement dated September 1, 1965, by the Hospital for Women of Maryland of Baltimore City (Women's Hospital) and Presbyterian Eye, Ear and Throat Charity Hospital (Presbyterian Hospital). In addition, the Medical Center has ownership of Ruxton Insurance Company, Ltd., an insurance captive domiciled in Bermuda. Ruxton insures the risks for malpractice and general liability claims. The Medical Center includes a physician practice group doing business as GBMC Health Partners and GBMC Health Partners at Helping Up Mission, LLC, a wholly owned subsidiary, providing primary care services in Baltimore City. The Medical Center also includes GBMC Optical Center, LLC, which offers ophthalmology services and retail optical sales, and GBMC Hospital Based Services, LLC which provides anesthesia services to the Medical Center and other facilities in the service area. Both are wholly owned subsidiaries of the Medical Center.

Greater Baltimore Health Alliance Physicians, LLC (GBHA), is a wholly owned not-for-profit accountable care organization, which integrates community primary care with hospital and multi-specialty care in the Baltimore area.

GBMC Foundation, Inc. (Foundation) is a wholly owned not-for-profit organization, which coordinates fundraising efforts to benefit the Company and its subsidiaries.

Gilchrist Hospice Care, Inc. d/b/a Gilchrist Services, Inc. (Hospice) is a wholly owned not-for-profit organization, which provides inpatient and home hospice care in the greater Baltimore area. Hospice is the sole member of Joseph Richey House, Inc. (JRH) which provides inpatient hospice care in Baltimore City. In July 2019, geriatric, palliative, and hospice physicians group was transferred to Hospice from GBMC Health Partners. In December 2020, Gilchrist Baltimore Center Support Corporation (GBCSC), an independent entity, was established to support the new market tax credit transaction, to fund construction of Gilchrist Center Baltimore at Stadium Place, a new inpatient hospice facility in Baltimore city. Refer to footnote 2(i) for further information. In October 2021, inpatient hospice services previously provided by JRH were transferred to the new inpatient facility at Stadium Place. In October 2022, Gilchrist transferred the buildings owned by JRH to Sheppard Pratt Hospital in exchange for the assignment of outstanding debt of $615, and began to wind down JRH operations.

Greater Baltimore Medical Center Land, Inc. (Land) is a wholly owned not-for-profit organization, which operates Physicians Pavilion North, a medical building on the campus of the Medical Center.

GBMC Agency, Inc. (Agency) is a wholly owned for-profit organization, which has ownership interest in various medical services companies as follows:

- Greater Baltimore Diagnostic Imaging Partners, LLP (GBDIP), a diagnostic imaging company, which is 50% owned and consolidated in the financial statements of the Company.
- GBMC Pavilion West Medical Arts, LLC, which owns and operates the five upper floors of Physicians Pavilion West, a medical office building on the campus of the Medical Center.
- GBMC Pavilion Medical Arts, LLC, which owns and operates Physicians Pavilion East, a medical office building on the campus of the Medical Center.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying consolidated financial statements have been prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(b) Consolidation of Subsidiaries

The Company's consolidated financial statements include the subsidiaries in which the Company has 50% or more voting interests or when the Company is deemed to have control. Intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Limited or Restricted Use Funds

Limited or restricted use funds primarily include assets held by trustees under agreement. Such funds also include assets set aside for bond repayment, malpractice costs, capital replacement, and amounts restricted by donors. Independent third parties designate the assets held by trustees under agreement. The limited or restricted use funds are classified as current or noncurrent based upon the timing and nature of their intended use.

(e) Inventories

Inventories, consisting of medical supplies and drugs are stated at the lower of cost or market, with cost being determined primarily under the first-in, first-out method and are included in other current assets.

(Continued)

(f) Investments and Investment Income

Investments include amounts designated by the Board of Directors and management for specific purposes, insurance reserves, capital replacement, and other purposes. The Company's investment portfolio is considered a trading portfolio, with the exception of the alternative investments, and is classified as current or noncurrent assets based on management's intention as to use or required obligations. The investment portfolio includes managed cash funds, which are classified as investments and limited or restricted use funds on the consolidated balance sheets. Investments in marketable securities are measured at fair market value on the consolidated balance sheets. The fair value of the investments, with the exception of the alternative investments, is based on quoted market prices or dealer quotations. See note 4 for discussion of the measurement of fair value for investments.

Alternative investments are recorded at fair value using net asset value (NAV) as determined by the General Partner in the absence of readily ascertainable market values. Underlying securities of these alternative investments may include certain debt and equity securities that are not readily marketable. Because certain investments are not readily marketable, their fair value is subject to additional uncertainty, and therefore, values realized upon disposition may vary significantly from current reported values.

Investment income or loss (including realized gains and losses on investments, interest and dividends) on proceeds of borrowings that are held by a trustee, to the extent not capitalized, and investment income on assets deposited in the insurance captive investment is reported as other operating revenue. Investment income or loss (including unrealized and realized gains and losses on investments, interest and dividends) from all other net assets without donor restricted fund investments is included in nonoperating gains (losses) unless restricted by donor or law. Investment income on investments of donor restricted net assets is recorded as an increase in net assets with donor restrictions to the extent restricted by the donor or law.

Investment income is recorded on the accrual basis. Purchases and sales of investments are reflected on a trade-date basis. Realized gains and losses on sales of investments are based on historical cost.

(g) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at fair market value at date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. The cost and accumulated depreciation relating to property, plant and equipment sold or retired are removed from the respective accounts at the time of disposition and the resulting gain or loss is reflected in other operating revenue in the consolidated statements of operations. The estimated useful life by asset type are as follows:

Buildings	20 to 50 years
Fixed equipment	5 to 20 years
Major movable equipment	5 to 15 years
Software	3 to 7 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the deficit of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

In accordance with ASC 360, the Company tests long-lived assets for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Two consecutive years of operating losses substantiate a potential indicator that long-lived assets may be impaired. The Company analyzed the market value of long-lived assets as determined by property tax assessments, and determined long-lived assets were recoverable, for each entity.

(h) Leases

The Company determines if an arrangement contains a lease at inception of the contract. Right-of-use (ROU) assets represent the right to use the underlying assets for the lease term and the associated lease liabilities represent lease payments arising from the lease. Leases are classified as either operating or finance, with the classification determining whether the expense is recognized on a straight-line basis (for operating leases) or based on an effective interest method (for finance leases). These assets and liabilities are recognized at commencement date, when all the risks and benefits incidental to ownership have been conveyed, based on the present value of lease payments over the lease term. Lease term is equal to the noncancelable term plus any options to renew that the Company is reasonably certain to renew. The depreciable life of ROU assets are limited by the expected lease term, unless there is a transfer of title or purchase option that is reasonably certain to be exercised at the inception of the lease. A ROU asset and lease liability is not recognized for leases with an initial term of 12 months or less and the Company does not separate lease and non-lease components by class of underlying asset for certain asset classes. The Company recognizes lease payments associated with short-term lease as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as all other leases.

Finance lease ROU assets of $17,025 and $19,927 are included in property, plant, and equipment, net in the accompanying consolidated balance sheets as of June 30, 2023 and 2022, respectively. Finance lease liabilities of $3,452 and $3,813 are included in current portion of long-term debt and finance lease liabilities in the accompanying consolidated balance sheets as of June 30, 2023 and 2022, respectively.

(Continued)

(In thousands)

(i) Other Noncurrent Assets

Other noncurrent assets comprise the following at June 30:

		2023	2022
Pledge receivables, net	$	20,495	20,816
Reinsurance receivable		15,083	12,986
New markets tax credit note receivable		8,784	8,784
Goodwill		7,593	7,593
Other		4,521	4,571
	$	56,476	54,750

Goodwill is assessed annually for impairment at the reporting unit. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment tests as described by the Financial Accounting Standards Board (FASB) in Accounting Standards Codification (ASC), Topic 350, *Intangibles – Goodwill and Other*. The more likely than not threshold is defined as having a likelihood of more than 50%.

At June 30, 2023 and 2022, the Company assessed the goodwill for its reporting unit, GBDIP, for impairment. The Company determined that it was not more likely than not that the fair value of GBDIP was less than its carrying amount. Accordingly, the Company concluded that goodwill was not impaired as of June 30, 2023 and 2022 without having to perform the two-step impairment test.

New market tax credits (NMTC) are created by the federal government to help encourage investment in low-income communities. Investors receive a 39% federal tax credit earned over a seven-year period. In December 2020, Hospice entered into a NMTC transaction which provided a mechanism for Hospice to receive funding towards the construction of its new facility in Baltimore City, Stadium Place. Refer to footnote 7 for further information.

Within Other, deferred leasing costs include deferred leasing costs and prepaid land lease payments, which are amortized over the lease terms and expensed on a straight-line basis over the life of the related lease.

Also within Other, the Company accounts for its joint ventures using the equity method or at cost, as appropriate, and any income (loss) is included in other operating revenue in the consolidated statements of operations.

(j) Contributions

Unconditional promises to give cash and other assets to the Company are reported at their 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 net assets 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 of the 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 restrictions. 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.

Donor restricted net assets are those whose use by the Company has been limited by donors to a specific purpose, time period or in perpetuity.

(k) Insurance Reserves

The provision for estimated insurance reserves include estimates of the ultimate costs for reported medical malpractice, general, and health and workers' compensation claims and claims incurred but not reported.

(l) Patient Service Revenue, Net

The Company applies FASB ASC Topic 606, *Revenue from Contracts with Customers*, which provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Patient service revenue, net is recognized, over time, as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized at the estimated net realizable amounts from patients and third-party payors for services rendered.

The Company generates revenues, primarily by providing healthcare services to its patients. Revenues are recognized when control of the promised good or service is transferred to our patients, in an amount that reflects the consideration to which the Company expects to be entitled from patients, third-party payors (including government programs and insurers) and others, in exchange for those goods and services.

Performance obligations are determined based on the nature of the services provided. The majority of the Company's healthcare services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation satisfied over time as services are rendered. The Company also provides certain ancillary services which are not included in the bundle of services, and as such, are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

The Company's estimate of the transaction price includes estimates of price concessions for such items as contractual allowances, charity care, potential adjustments that may arise from payment and other reviews, and uncollectible amounts, which are determined using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Estimates for uncollectible amounts are based on the aging of accounts receivable, historical collection experience for similar payors and patients, current market conditions, and other relevant factors.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue, net in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2023 and 2022 was not significant to the consolidated financial statements.

Rates for the Medical Center's facility-based patient service charges are established in accordance with the regulations and rate methodologies of Maryland's rate-setting authority, the Health Services Cost Review Commission (HSCRC), an independent agency of the Maryland State government. The HSCRC's Global Budget Revenue (GBR) model is consistent with the Medical Center's mission of controlling utilization of acute-care services by managing a patient's total spectrum of medical care. GBR agreement allows the Medical Center to adjust unit rates, within certain limits, to achieve the overall revenue base for the Medical Center at year-end. Any overcharge or undercharge versus the GBR cap is prospectively added to the subsequent year's GBR cap. While the GBR cap does not adjust for changes in volume or service mix, the GBR cap is adjusted annually for inflation, and for changes in payor mix, market share and uncompensated care.

Hospice revenue is reimbursed by Centers for Medicare and Medicaid (CMS) based on the prospective payment system which is a predetermined fixed amount for a service based on the level of care provided for hospice services and a fee schedule for physician services. Other third-party payors are primarily reimbursed based on contractually agreed upon rates.

(m) Disaggregation of Revenue

The Company earns the majority of its revenues from contracts with customers. Revenues and adjustments not related to contracts with customers are included in other operating revenue.

(In thousands)

Operating revenues from contracts with customers by line of business are as follows for the years ended June 30:

		2023	2022
Hospital services	$	423,280	438,981
Physician services		127,859	117,230
Hospice services		57,425	59,012
Radiology services – GBDIP joint venture		16,878	15,236
Total revenues from contracts with customers		625,442	630,459
Other non-patient care revenue		54,736	37,074
Total operating revenues	$	680,178	667,533

(n) Deficit of Revenues over Expenses

The consolidated statements of operations include a performance indicator, deficit of revenues over expenses. Changes in net assets without donor restrictions that are excluded from deficit of revenues over expenses, consistent with industry practice, include pension changes other than net periodic pension costs, contributions and distributions to non-controlling investors, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

(o) Financial Assistance and Community Benefits

As part of the Company's mission, it provides medical care without discrimination, including the ability of a patient to pay for services. Under the Company's Financial Assistance Policy, patients who meet certain financial based criteria can qualify for free care on all or a portion of cost of service. Using the Company's ratio of cost to charges, the estimated total direct and indirect cost of providing financial assistance was approximately $4,234 and $2,917 during the years ended June 30, 2023 and 2022, respectively.

In addition to its Financial Assistance Policy, the Company has a long-standing commitment of supporting the community through the provision of outreach services designed to address identified health and social issues. Specifically, the Company provides a variety of screening and early detection tests, wellness activities, social support services and educational seminars. A majority of these services are provided at either nominal or no cost to community members.

(Continued)

(p) Rental Income

Base rental income is recognized as revenue on a straight-line basis over the life of the lease. The difference between the rent recognized and the rental income as stipulated in the lease agreement has been recognized as a receivable in the accompanying consolidated balance sheets from inception of the lease. Rental income is included in other operating revenue in the accompanying consolidated statements of operations.

(q) Income Taxes

The Company is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Company is subject to income tax on unrelated business income.

Income taxes are provided for earnings (loss) of those subsidiaries which are subject to federal and state income tax based on Agency's share of the subsidiaries' taxable income, whether or not distributed. Agency's share of these subsidiaries' net losses is deductible to the extent of Agency's tax basis in the subsidiaries.

The FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the consolidated financial statements as "more likely than not" that the position is sustainable, based on its technical merits. This standard also provides guidance on the measurement, classification and disclosure of tax return positions in the consolidated financial statements. The Company has adopted this guidance, and there were no amounts recorded in the consolidated financial statements as of and during the years ended June 30, 2023 and 2022 for uncertain tax positions.

GBMC Agency, Inc and Subsidiaries are taxable entities, which have tax operating loss carry forward available to offset future taxable income. Effective for tax years after December 31, 2017, the net operating loss carry forward is indefinite. As of June 30, 2023, and 2022, the deferred tax assets consisting primarily of net operating loss carry forwards were fully offset by a related valuation allowance.

(r) Going Concern

Management evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued. As of the date of this report, there are no conditions or events that raise substantial doubt about the Company's ability to continue as a going concern.

(s) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(t) COVID-19

The Coronavirus Aid Relief and Economic Security Act (CARES Act), which was enacted on March 27, 2020, authorizes $100 billion in funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (PHSSEF). Payments from the PHSSEF are intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using PHSSEF funds to reimburse expenses or losses that other sources are obligated to reimburse. For the year ended June 30 2022, the Company received approximately $1,725 in payments from the PHSSEF all of which were recognized as other operating revenue. The Company did not receive any payments from the PHSSEF for the year ended June 30, 2023.

To increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program for Part A and Part B payments. Accelerated payments can be requested for up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments). Such accelerated payments are interest free for healthcare providers up to 29 months. The program currently requires CMS to recoup the payments beginning one year from receipt by the provider, by withholding 25% of future Medicare fee-for-service payments for 11 months and then 50% future Medicare fee-for-service payments for the next 6 months. The payments are made for services a healthcare entity has provided or will provide to its Medicare patients who are the healthcare entity’s customers, which are accounted for under Topic 606 as revenue. In April 2020, the Company received approximately $90,009 of accelerated payments, which were recorded on the consolidated balance sheet as advances from third party payors, in accordance with ASC 606. This liability will be reduced over time as revenue is recognized for claims submitted for services provided. The balance of these advances was $20,036 at June 30, 2022. The Company repaid the remaining outstanding balance due subsequent to the advance refunding period ending on August 31, 2022.

Additionally, the CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Company began deferring the employer portion of social security taxes in mid-April 2020. The Company maintained a deferral of $4,816 in social security taxes as of June 30, 2022. The entire balance of the deferral was repaid during the year ended June 30, 2023.

(In thousands)

Lastly, the Company recorded $4,025 and $2,436 of FEMA reimbursement for COVID-19 related expenses during the years ended June 30, 2023 and 2022, respectively.

(u) New Accounting Pronouncements

From time to time, new accounting guidance is issued by the FASB or other standard setting bodies that is adopted by the Company as of the effective date or, in some cases where early adoption is permitted, in advance of the effective date. The Company has assessed the recently issued guidance that is not yet effective and, unless otherwise indicated, believe the new guidance will not have a material impact on its consolidated financial position, results of operations, or cash flows.

In August 2018, FASB issued Accounting Standards Unit (ASU) 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which adds, clarifies, and removes certain disclosure requirements related to defined benefit and other postretirement plans. The Company adopted ASU 2018-14 in 2022 and this ASU did not have a material impact on the consolidated financial statements.

(v) Reclassifications

Certain prior year amounts have been reclassified to conform with current period presentation, the effects of which are not material.

(3) Concentration of Credit Risk

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables and patient service revenue from patients and third parties as of June 30, 2023 and 2022 was as follows:

	Accounts receivable		Revenue	
	2023	**2022**	**2023**	**2022**
Medicare	29 %	29 %	37 %	36 %
Medicaid	7	8	4	5
Blue cross	12	11	12	11
HMO	23	24	23	25
Other third-party payors	27	25	23	22
Self pay	2	3	1	1
Total	100 %	100 %	100 %	100 %

The Company provides general acute healthcare services in the state of Maryland. The Company and other healthcare providers are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission;
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes, and;
- Lawsuits alleging malpractice or other claims.

Such inherent risks require the use of certain management estimates in the preparation of the Company's consolidated financial statements and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Company's revenues and the Company's operations are subject to a variety of other federal, state and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Company.

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Company.

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse laws and physician self-referral laws (STARK law and regulation). Federal healthcare reform initiatives continue to prompt a national review of federally funded healthcare programs. In addition, the federal government and many states continue to fund programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. The Company has a response program and compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists.

As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over the next decade. This federal healthcare reform legislation did not affect the 2023 or 2022 consolidated financial statements. The impact of future legislation is not known or estimable.

(4) Investments and Limited or Restricted Use Funds

Guidance for fair value measurements establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under current guidance must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last one is considered unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Company for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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.

The tables below present the balances of assets measured at fair value by levels excluding alternative investments, which are included within investments and limited or restricted use funds in the accompanying consolidated balance sheets, in the amount of $62,828 and $56,996 as of June 30, 2023 and 2022, respectively:

(In thousands)

		June 30, 2023		
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Managed cash funds	$ 53,544	—	—	53,544
Common stock	89,895	—	619	90,514
Foreign stock	7,581	—	—	7,581
Mutual funds	80,451	—	—	80,451
Mutual funds international	374	—	—	374
Total equity	178,301	—	619	178,920
Corporate debt securities	—	42,596	—	42,596
Bonds – treasury	57,717	—	—	57,717
Bonds – federal agency backed	—	3,039	—	3,039
Bonds – mortgage-backed	—	95	—	95
Bonds – fixed income	—	317	—	317
Mutual funds – fixed income	470	151,746	—	152,216
Municipal bonds	—	72	—	72
Total fixed income	58,187	197,865	—	256,052
Total investment and limited or restricted use funds	290,032	197,865	619	488,516
Current portion	84,197	—	—	84,197
Total noncurrent investment and limited or restricted use funds	$ 205,835	197,865	619	404,319

(In thousands)

Assets		June 30, 2022			
		Level 1	Level 2	Level 3	Total
Managed cash funds	$	40,222	—	—	40,222
Common stock		136,686	1,160	622	138,468
Foreign stock		10,063	—	—	10,063
Mutual funds		111,987	—	—	111,987
Mutual funds international		258	—	—	258
Total equity		258,994	1,160	622	260,776
Corporate debt securities		—	36,897	298	37,195
Bonds – treasury		112,398	—	—	112,398
Bonds – federal agency backed		—	3,284	—	3,284
Bonds – mortgage-backed		—	127	—	127
Bonds – fixed income		—	326	—	326
Mutual funds – fixed income		246	150,077	—	150,323
Municipal bonds		—	93	—	93
Total fixed income		112,644	190,804	298	303,746
Total investment and limited or restricted use funds		411,860	191,964	920	604,744
Current portion		133,261	—	—	133,261
Total noncurrent investment and limited or restricted use funds	$	278,599	191,964	920	471,483

As of June 30, 2023, and 2022, the alternative investments consisted of subscription partnership agreements with capital commitments of approximately $68,370 and $68,356, respectively, which are subject to periodic distributions. The Company had unfunded capital commitments related to alternative investments of $18,497 and $23,157 as of June 30, 2023 and 2022, respectively. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. All assets are unable to be fully distributed to the limited partners until the dissolution of the partnership, which may not be until a point in the future. The fair value of limited partnership interests is generally based on fair value capital balances reported by the underlying partnerships, subject to management review and adjustment. Security values of companies traded on exchanges, or quoted on NASDAQ, are based upon the last reported sales price on the valuation date. Security values of companies traded over the counter, but not quoted on NASDAQ, and securities for which no sale occurred on the valuation date are based upon the last quoted bid price. The value of any security for which a market quotation is not readily available may be its cost, provided however, that the General Partner adjusts such cost value to reflect any bona fide third-party transactions in such a security between knowledgeable investors, of which the General Partner has knowledge. In the absence of any such third-party transactions, the General Partner may use other information to develop a good faith determination of value. Examples include, but are not limited to, discounted cash flow models, absolute value models, and price multiple models. Inputs for these models may include, but are not limited to, financial statement information, discount rates, and salvage value assumptions.

(In thousands)

The investment strategies within the alternative investments include strategies such as middle market growth, private equity, natural resources, and various other asset classes. The investments are subject to restrictions and are not available to be redeemed until certain time restrictions are met, which range from 7 to 10 years with a 2-year optional extension.

Investments and limited or restricted use funds comprise the following uses and purposes at June 30:

		2023	2022
Funds held by trustees	$	47,617	99,309
Insurance settlements		49,450	47,654
Alternative investments		62,828	56,996
Investments with donor restrictions		98,868	89,391
Investments without donor restrictions – board designated		14,097	14,218
Investments without donor restrictions		278,484	354,172
Total investments and limited or restricted use funds	$	551,344	661,740

Investment income, net comprise the following for the years ended June 30:

		Without donor restrictions	
		2023	2022
Dividends and interest, net	$	12,254	14,152
Realized gains on sales of investments		20,678	15,555
Unrealized losses on investments		(9,001)	(90,289)
Total investment gains (losses), net without donor restrictions	$	23,931	(60,582)

(Continued)

(In thousands)

	Without donor restrictions	
	2023	**2022**
Dividends and interest, net	$ 1,912	1,927
Realized gains on sales of investments	4,850	2,369
Unrealized losses on investments	(3,572)	(11,396)
Total investment gains (losses), net with donor restrictions	3,190	(7,100)
Total investment gains (losses), net	$ 27,121	(67,682)

(5) Liquidity and Availability

Financial assets available for general expenditure within one year of June 30 are as follows:

	2023	**2022**
Financial assets:		
Cash and cash equivalents	$ 23,093	25,891
Patient accounts receivable, net	70,687	65,229
Other receivables	9,872	13,821
Investments without donor restrictions	279,850	354,172
Total financial assets available within one year	383,502	459,113
Liquidity resource:		
Bank line of credit	10,000	10,000
Total financial assets and liquidity resources available within one year	$ 393,502	469,113

The Company manages its financial assets to be available to meet operating expenditures, liabilities and other obligations as they come due. Although the noncurrent investments disclosed in the table above are intended to be held long-term, management could utilize those investments within the next year if deemed necessary. In addition, the Company maintains a $10,000 line of credit with a commercial bank to meet unanticipated liquidity needs.

(In thousands)

(6) Property, Plant, and Equipment

The following is a summary of the cost of property, plant, and equipment as of June 30:

		2023	2022
Land and land improvements	$	23,619	23,619
Buildings and building service equipment		476,740	470,884
Movable equipment		215,994	237,300
Finance right-of-use assets		32,513	36,468
Construction-in-progress		128,736	45,789
		877,602	814,060
Less accumulated depreciation and amortization		(525,019)	(525,137)
Total property, plant, and equipment, net	$	352,583	288,923

As of June 30, 2023, construction-in-progress was comprised primarily of the Promise Project and Sandra R. Berman Pavilion and parking garage, which have a combined total budget of $202,428. The Promise Project consists of a 3-story addition to the main hospital facility (the Louis and Phyllis Friedman Building), which will include 60 new modernized patient rooms. The construction manager for the Promise Project, DPR Construction, has a guaranteed maximum price (GMP) of $71,316 for the Promise Project. Total budgeted costs are $108,228 and the building is expected to be in-service in November 2023.

The Sandra R. Berman Pavilion is a two-story medical office building which will consolidate GBMC's cancer programs, and will sit atop a newly constructed 4-story parking garage. Due to significant increases in construction labor and materials costs, as well as adjustments to the scope of the Pavilion, the project budget increased approximately $37,200 during the year ended June 30, 2023. DPR Construction has a GMP of $69,637 to complete the Sandra R. Berman Pavilion and new parking garage. The Pavilion and garage will be in-service in January 2025. To fund the budget increase for this project, the Company issued $29,000 in variable rate bank-direct purchased tax-exempt bonds on October 19, 2023. See note 15 for additional information.

In connection with these projects, GBMC has total unspent commitments of $74,595 and $133,583 as of June 30, 2023 and 2022, respectively. Other unspent capital commitments totaled $21,479 and $23,815 as of June 30, 2023 and 2022, respectively.

Depreciation expense related to property, plant, and equipment amounted to $33,367 and $34,309 for the years ended June 30, 2023 and 2022, respectively.

(In thousands)

(7) Long-Term Debt

Long-term debt as of June 30 consisted of the following:

		2023	2022
MHHEFA project and refunding revenue bonds:			
Series 2021 A Bonds – 3.00%	$	104,095	104,095
Series 2021 B Bonds – variable rate		50	50
2020 Harbor CDE QLICI notes – 1.75%		9,913	9,913
2020 Capital One Sub-CDE 110 QLICI notes – 1.00%		2,000	2,000
2017 Capital One Bank term note – 3.26%		25,725	25,725
Series 2017 bonds – 2.56%		69,125	69,924
Series 1995 bonds – variable rate		1,705	2,230
Unamortized deferred financing costs		(2,265)	(2,451)
Unamortized net premium		9,692	10,036
		220,040	221,522
Less current portion of long-term debt		(4,945)	(1,325)
	$	215,095	220,197

On September 1, 2021, Maryland Health and Higher Education Facilities Authority (MHHEFA) issued $104,095 of tax-exempt Revenue Bonds, Series 2021A, on behalf of the Company. The bond proceeds were used to fund construction on the Promise Project. The 2021 bonds are due on July 1 in annual installments ranging from $4,535 in 2035 to $7,725 in 2051. In addition, $25,000 of tax-exempt variable rate drawdown bonds, Series 2021B, were issued. The 2021B bonds are expected to be repaid with the proceeds of a $50,000 capital campaign. Final maturity on the 2021B bonds on July 1, 2051, and installment amounts will vary depending on amounts drawn. The 2021B bonds bear interest at a variable rate, which is determined on a weekly basis by the remarketing agent of the issue. The rate was 4.7% as of June 30, 2023.

On December 23, 2020, GBCSC received $9,800 from Harbor CDE under the new market tax credit arrangement via two notes. Both notes have a seven-year interest only period in which interest is accrued at a rate of 1.75% and payments are made at a rate of 1.00% on the outstanding principal balance. Loan repayment will commence on January 1, 2028 and lasts through the maturity date of December 31, 2054 on both notes.

On December 23, 2020, GBCSC received $2,000 from Capital One Sub-CDE 110 under the new market tax credit arrangement via two notes. The notes have a seven-year interest only period in which interest is accrued and paid at a rate of 1.00% on the outstanding principal balance. Loan repayment will commence on January 1, 2028 and lasts through the maturity date of December 31, 2054 on both notes.

On March 8, 2017, MHHEFA issued $73,720 of tax-exempt Revenue Bonds, Series 2017, on behalf of the Company. The bond proceeds were used to refund a portion of the Series 2012 Revenue Bonds ($32,205) and a portion of the Series 2011 Revenue Bonds ($32,480). The Series 2017 bonds are due on July 1 in annual installments ranging from $740 in 2020 to $7,280 in 2035. On September 16, 2021, the Series 2017 bonds interest rate was modified to 2.56%.

On March 8, 2017, the Company obtained a $25,725 taxable term note from Capital One, N.A. to fund the Company's non-union defined benefit pension plan. The 2017 note is due in annual installments ranging from $2,445 beginning in 2025 to $3,735 in 2033. On September 16, 2021, the Series 2017 term note interest rate was modified to 3.26%.

On March 1, 2015, the Company obtained a $50,000 taxable term note from PNC Bank, National Association to finance components of the system-wide integrated health record conversion and other capital projects. The 2015 note is due in monthly installments of $627, expiring on March 1, 2022.

On April 11, 2012, MHHEFA issued $35,680 of tax-exempt Revenue Bonds, Series 2012, on behalf of the Company. The bond proceeds and limited use funds were used to refund Series 2001 Revenue Bonds ($40,265). Bond proceeds from the Series 2017 Revenue Bonds were used to refund a portion of the Series 2012 Revenue Bonds ($32,205). The remaining amount of the Series 2012 Bonds were due on July 1 in installments of $1,710 in 2023 and $1,765 in 2024. On July 29, 2021 the Series 2012 Revenue Bonds outstanding balance of $3,475 were defeased.

On April 20, 2011, MHHEFA issued $67,945 of tax-exempt Revenue Bonds, Series 2011, on behalf of the Company. The bond proceeds and limited use funds were used to finance construction and renovation to the hospital and to refund, a) the Series 2009 Revenue Bonds ($45,000); b) a portion of Series 2001 Revenue Bonds ($12,565); and c) the Series 1993 Revenue Bonds ($11,975). Bond proceeds from the Series 2017 Revenue Bonds were used to refund a portion of the Series 2011 Revenue Bonds ($32,480). The remaining amount of the Series 2011 Revenue Bonds are due on July 1 in annual installments ranging from $3,660 in 2021 to $1,065, with a final installment of $1,930 in 2025. On July 22, 2021, the Series 2011 Revenue Bonds outstanding balance of $5,095 were repaid.

On October 4, 1995, MHHEFA issued $10,000 of tax-exempt Revenue Bonds, Series 1995, on behalf of the Company. The Series 1995 Revenue Bonds are due on July 1 in annual installments ranging from $480 in 2021 to $590 in 2026. The bonds bear interest at a variable rate, which is determined on a weekly basis by the remarketing agent of the issue. The rate was 4.30% and 1.15% as of June 30, 2023 and 2022, respectively. The Series 1995 Revenue Bonds are supported by a Standby Bond Purchase Agreement issued by M&T Bank, covering the remaining portion of the obligation, effective through July 1, 2025.

The 2020 NMTC notes, Capital One 2017 note, PNC 2015 note, Series 2021, 2017, 2012, 2011, and 1995 Revenue Bonds are collateralized equally and ratably by a lien on all gross receipts of the Company. The term notes and bond proceeds were loaned to the Company pursuant to the Master Trust Indenture.

The Harbor CDE and Capital One Sub-CDE 110 notes are collateralized by the deed of the trust for the Stadium Place property and GBCSC bank account pledge agreements.

(In thousands)

The aggregate future maturities of long-term debt as of June 30, 2023 are as follows:

	Long-term debt
2024	$ 4,945
2025	6,125
2026	8,335
2027	8,570
2028	8,825
Thereafter	175,813
	212,613
Unamortized deferred financing costs	(2,265)
Unamortized net premium	9,692
	$ 220,040

Deferred financing costs related to long-term borrowings, are amortized on a straight-line basis, which approximates the effective interest rate method, over the life of the borrowings, which ranges from 7 to 34 years. The Company has incurred deferred financing costs related to the issuance of the 2020 NMTC notes, MHHEFA Series 2021, Series 2017, Series 2012, Series 2011, Series 1995 Revenue Bonds and 2017 Capital One and 2015 PNC Bank term note payables that have been capitalized. Accumulated amortization at June 30, 2023 and 2022 amounted to $870 and $960, respectively.

Under the Master Trust Indenture, the Company is required to maintain, among other covenants, a maximum annual debt service coverage ratio of not less than 1.1.

The Company has a line of credit in the amount of $10,000. The line of credit bears interest at the LIBOR Daily Floating Rate. The Company drew $5,000 on the line of credit during the year ended June 30, 2023, and the balance including interest was paid prior to June 30, 2023. No amounts were drawn on this line during the year ended June 30, 2022.

(In thousands)

(8) Net Assets with Donor Restrictions

The Company receives contributions in support of various needs. Net assets with donor restrictions were available for the following at June 30:

		2023	2022
Subject to expenditure for specified purpose:			
Departmental needs	$	21,342	19,720
Education		7,915	7,763
Buildings and equipment		44,410	39,657
Uncompensated care		4,207	4,299
Research		702	1,037
Total expenditures for specified purpose		78,576	72,476
Net assets perpetual in nature subject to spending policy:			
Departmental needs		29,375	26,990
Education		3,599	3,594
Uncompensated care		12,310	12,536
Research		5,018	5,018
General support		512	512
Total subject to endowment spending policy		50,814	48,650
Subject to passage of time:			
Pledges		28	28
Total net assets with donor restrictions	$	129,418	121,154

Net assets were released from donor restrictions as expenditures were incurred, which satisfied the following restricted purposes for the years ended June 30:

		2023	2022
Departmental needs	$	8,046	6,306
Education		995	575
Uncompensated care		1,128	1,261
Research		718	772
Buildings and equipment		2,773	6,182
Time restriction		25	8
Total net assets released from donor restrictions	$	13,685	15,104

(Continued)

(a) Interpretation of Relevant Law

The Company has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as net assets with donor restrictions perpetual in nature at the original value of the gifts donated to the donor restricted endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions perpetual in nature is classified as net assets with donor restrictions subject to expenditure for specified purpose until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Company and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Company
- The investment policies of the Company

(b) Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. As of June 30, 2023 and 2022, the Company had no endowments with deficits.

(c) Investment Strategies

The Company has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The Company expects its endowment funds over time, to provide an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount.

To achieve its long-term rate of return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yields (interest and dividends). The Company targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

(Continued)

(In thousands)

The Board of Directors of the Company approves the method to be used to appropriate endowment funds for expenditure. The Company amended its endowment spending allocation policy to conform to UPMIFA, which was passed by Maryland on April 14, 2009 and limits annual endowment spending to 7% of the annual market value per year.

(9) Functional Expenses

The Company provides general healthcare services to residents within its geographic location. Natural expenses that are attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Expenses are reported in the consolidated statements of activities in natural categories. Functional expenses were categorized as follows for the years ended June 30:

	June 30, 2023						
	Program services					Support services	
	Hospital services	Physician services	Hospice services	Other program services	Total program services	Administration/ general	Total
Operating expenses:							
Salaries, wages, and employee benefits	$ 216,914	97,671	39,109	40,443	394,137	64,188	458,325
Expendable supplies	102,319	6,553	4,377	1,808	115,057	1,668	116,725
Purchased services and other	38,145	18,592	7,282	19,403	83,422	24,940	108,362
Depreciation and amortization	21,421	3,444	478	3,031	28,374	8,072	36,446
Interest	2,909	—	332	—	3,241	1,137	4,378
Total operating expenses	$ 381,708	126,260	51,578	64,685	624,231	100,005	724,236

	June 30, 2022						
	Program services					Support services	
	Hospital services	Physician services	Hospice services	Other program services	Total program services	Administration/ general	Total
Operating expenses:							
Salaries, wages, and employee benefits	$ 219,894	97,507	42,264	19,336	379,001	64,481	443,482
Expendable supplies	95,411	6,764	5,007	1,746	108,928	2,137	111,065
Purchased services and other	43,184	19,921	6,953	6,307	76,365	23,263	99,628
Depreciation and amortization	22,337	3,721	368	3,029	29,455	8,338	37,793
Interest	3,128	6	83	—	3,217	1,254	4,471
Total operating expenses	$ 383,954	127,919	54,675	30,418	596,966	99,473	696,439

(In thousands)

(10) Leases

ROU assets represent the Company's right to use the underlying assets for the lease term and the lease liabilities represent the Company's obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments.

The Company's leases primarily consist of land, real estate, and equipment. Real estate leases include leases of medical facilities and office spaces. Equipment leases mainly include lease of copiers and medical equipment. Certain lease agreements for real estate include payments based on actual common area maintenance expenses and other operating expenses. These variable lease payments are recognized in purchased services on the consolidated statement of operations but are not included in the ROU asset or liability balances. The real estate lease agreements typically have initial terms of 3 to 20 years, and equipment lease agreements typically have initial terms of 3 to 5 years.

Real estate leases may include one or more options to renew that can extend the lease term from 5 to 10 years. The exercise of lease renewal options is at the Company's sole discretion. The Company does not consider the renewal options to be reasonably likely to be exercised, therefore they are not included in ROU assets and lease liabilities. Lease expense for the years ended June 30 was as follows:

		2023	2022
Finance lease expense:			
Amortization of ROU assets	$	2,902	3,195
Interest on lease liabilities		1,111	1,272
Operating lease expense		4,101	4,790
Short-term lease expense		3,564	166
Variable lease expense		131	165
Total lease cost	$	11,809	9,588

(Continued)

(In thousands)

The weighted average lease terms and discount rates for operating and finance leases are as follows as of June 30:

	2023	2022
Weighted average remaining lease term (years):		
Finance leases	6.2	6.9
Operating leases	10.2	10.4
Weighted average discount rate:		
Finance leases	5.1 %	5.0 %
Operating leases	3.7 %	3.0 %

The following table presents supplemental cash flow information for the years ending June 30:

	2023	2022
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 3,844	4,217
Operating cash flows from finance leases	1,111	1,272
Financing cash flows from finance leases	3,813	3,597

The following table summarizes the maturity lease obligations as of June 30, 2023:

	Operating leases	Finance leases	Total
2024	$ 3,260	4,392	7,652
2025	3,028	3,651	6,679
2026	2,218	3,657	5,875
2027	2,098	3,657	5,755
2028	1,895	3,657	5,552
Thereafter	12,448	5,312	17,760
Total lease payments	24,947	24,326	49,273
Less imputed interest	(3,678)	(3,519)	(7,197)
Total lease liabilities	$ 21,269	20,807	42,076

(In thousands)

(11) Retirement Plans

(a) Defined Benefit Plan

The Company has one active noncontributory defined benefit pension plan, the Pension Plan for Members of the Bargaining Unit of Greater Baltimore Medical Center (DB Union), covering all full-time employees with at least one year of service. Annual contributions are made to the plan in accordance with the Employment Retirement Income Security Act (ERISA) regulations. As of June 30, 2023 the Company had a pension asset of $4,039 for the DB Union plan. As of June 30, 2022 the Company had a liability of $180, for the same plan. The plan funding amount increased as a result of the lump sum settlement window and plan amendments that occurred during the year ended June 30, 2023.

During the year ended June 30, 2023, plan participants were offered a one-time unlimited lump sum window. Lump sum distributions totaling $2,791 were paid during the year. In addition to the lump sum window, GBMC adopted a plan amendment to increase the lump sum threshold payable from $15 to $30. This amendment resulted in a reduction to the projected benefit obligation of $1,173.

The following tables set forth the plans funded status and amounts recognized in the Company's consolidated financial statements as of June 30, 2023 and 2022. The change in benefit obligation, plan assets, and funded status of the pension plan is as follows:

		2023	2022
Change in benefit obligation:			
Benefit obligation at beginning of year	$	35,166	43,514
Service cost		579	1,109
Interest cost		1,757	1,351
Amendments		(1,173)	—
Settlement gain		(330)	—
Actuarial gain		(1,541)	(9,193)
Benefits paid		(1,506)	(1,615)
Settlement benefits paid		(2,791)	—
Benefit obligation at end of year		30,161	35,166
Change in plan assets:			
Fair value of plan assets at beginning of year		34,986	33,737
Actual return on plan assets		2,253	(4,294)
Employer contribution		1,500	7,354
Benefits paid		(1,506)	(1,615)
Settlement benefits paid		(2,791)	—
Administrative expenses		(242)	(196)
Fair value of plan assets at end of year		34,200	34,986
Funded status at end of year	$	4,039	(180)

(In thousands)

The significant decrease in the projected benefit obligation from June 30, 2022 to June 30, 2023 was related to the lump sum settlement and plan amendment.

Amounts recognized in net assets without donor restrictions as of June 30, 2023 and 2022 are as follows:

		2023	2022
Net prior service cost	$	(1,173)	—
Net actuarial loss		443	2,745
	$	(730)	2,745

The components of net benefit costs other than the service cost of $579 and $1,109 were recorded in nonoperating gains (losses) in the consolidated statements of operations for the year ended June 30, 2023 and 2022, respectively. Service cost is included as a component of fringe benefits, which is recorded as salaries, wages, and employee benefits in the consolidated statements of operations.

Components of net periodic benefit cost for the years ended June 30, 2023 and 2022 are as follows:

		2023	2022
Service cost	$	579	1,109
Interest cost		1,757	1,351
Expected return on plan assets		(1,721)	(2,200)
Amortization of loss deferral		—	260
One-time settlement recognition		141	—
Net periodic pension benefit cost	$	756	520

(i) *Assumptions*

The weighted average assumptions used in developing the projected pension benefit obligations for the plans as of June 30, were as follows:

	2023	2022
Discount rate	5.18 %	4.83 %
Rate of compensation increase	4.00	4.00
Cash balance interest crediting rate	3.00	3.00

(In thousands)

The weighted average assumptions used to determine the net periodic benefit costs for the plans as of June 30, were as follows:

	2023	**2022**
Discount rate	4.83 %	3.15 %
Expected return on plan assets	6.75	6.75
Rate of compensation increase	4.00	4.00
Cash balance interest crediting rate	3.00	3.00

In 2022 and 2023, GBMC utilized the Pri-2012 Blue Collar Mortality Table, projected generationally using the MP-2021 Mortality Improvement Scale.

(ii) Expected Long-Term Rate of Return

The expected long-term rate of return assumption used was based on a total plan return estimation by looking at the current yields available from fixed-income and reasonable equity return assumption based on long-term market trends and applying this to the plan’s asset mix. In addition, the actual long-term historical returns realized by the pension plans were taken into consideration.

(iii) Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2024	$	1,882
2025		1,943
2026		1,990
2027		2,044
2028		2,074
2029-2033		10,689
Total expected benefit payments	$	20,622

(In thousands)

The Company's pension plan weighted average asset allocations as of June 30 by asset category were as follows:

	2023	2022
Discount rate	26 %	44 %
Expected return on plan assets	73	55
Rate of compensation increase	1	1
	100 %	100 %

The following tables set forth by level, within the fair value hierarchy, the plan assets at fair value as of June 30:

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Managed cash funds	$ 478	—	—	478
Common collective trust	—	24,843	—	24,843
Total fixed income	—	24,843	—	24,843
Mutual funds	8,879	—	—	8,879
Total equity	8,879	—	—	8,879
Total plan assets	$ 9,357	24,843	—	34,200

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Managed cash funds	$ 451	—	—	451
Common collective trust	—	19,070	—	19,070
Total fixed income	—	19,070	—	19,070
Common stock	5,192	—	—	5,192
Foreign stock	471	—	—	471
Mutual funds	7,493	—	—	7,493
Mutual funds international	2,309	—	—	2,309
Total equity	15,465	—	—	15,465
Total plan assets	$ 15,916	19,070	—	34,986

(Continued)

(In thousands)

The following is a description of the valuation methodologies used for assets measured at fair value:

Common and foreign stock and mutual funds: Valued at unadjusted quoted market share prices within active markets.

Common collective trust funds: Valued at fair value based on the NAV of the fund. NAV is determined by the bank sponsoring such funds dividing the fund's net assets at fair value by its units outstanding at the valuation date. The Company is required to provide a 90-day notice to redeem any amount of investment. There are no other restrictions or gates related to this fund.

(iv) Pension Investment Policies

The primary objective of the Medical Center's pension investment program is the long-term growth of capital consistent with the asset allocations. The program utilizes several balanced managers and provides for asset allocation guidelines consistent with the Medical Center's risk exposure. The equity portion of the plan portfolio may range from 25% to 75% of total portfolio assets. The fixed-income and cash equivalents portion of the DB Union portfolio may range from 25% to 75% of total portfolio assets.

(v) Contributions

Given the funded status of the plan, the Company does not expect to make contributions to the plan during the fiscal year ended June 30, 2024, beyond PBGC minimum contribution requirements.

(b) Defined Contribution Plan

Effective July 1, 2007, the Company established the GBMC, Inc. 401(a) Defined Contribution Plan (DC Non-Union) covering all employees except those covered by a collective bargaining agreement, or employees in a zero hour or registry position. The Company contributes up to 2% of all eligible employee wages (basic contribution) to the plan and the Company matches up to 3% of employee wages of those who contribute to the Greater Baltimore Medical Center, Inc. Voluntary 403(b) Plan. At the discretion of the Board of Directors, the Company may contribute additional funds to the plan. In February 2023 the Company elected to freeze contributions to the 401(a) plan for the year ended June 30, 2023 and future plan years.

Expenses for the defined contribution plan for June 30 were as follows:

		2023	2022
Basic contribution	$	192	2,830
Match contribution		5,836	5,136
Total contribution	$	6,028	7,966

Effective July 1, 2009, the Company established the GBMC, Inc. 401(a) Defined Contribution Plan for Members of the Bargaining Union of Greater Baltimore Medical Center (DC Union) for the members covered by a collective bargaining agreement. The Company matches up to 3% of eligible employee wages of those who contribute to the Greater Baltimore Medical Center, Inc. Voluntary 403(b) Plan. The Company contributed $108 and $109 for the years ended June 30, 2023 and 2022, respectively.

(c) Nonqualified Plan

The Company has a noncontributory, nonqualified deferred compensation plan for certain key employees. Benefits under the plan are determined based on increasing percentages (depending on years of service) of base pay. The Company recorded expense related to this plan of $814 and $694 for the years ended June 30, 2023 and 2022, respectively.

(12) Insurance Reserves

The Company maintains an off-shore captive insurance company in Bermuda to provide coverage for medical malpractice claims and general liability. The receivable for the expected reinsurance recoverable is recorded within other assets on the consolidated balance sheets. Retention on limits in which Ruxton assumes risk of loss is based on an annual occurrence basis of $5,000 per occurrence and $25,000 in aggregate as of August 1, 2023 and as of August 1, 2022. Coverage for employed physicians under these policies is limited to $2,000 per occurrence, $2,000 in the annual aggregate. Amounts in excess of the retained limits are insured by highly rated commercial insurance companies to provide excess liability coverage. The first reinsurance layer provides coverage of $15,000 per claim with a $15,000 policy aggregate. The second reinsurance layer which has the first layer and retention as underlying limits, provides coverage of $20,000 per claim with a $20,000 policy aggregate.

As of June 30, 2023, and 2022, the Company was self-insured for workers' compensation and health insurance claims. The aggregate reserves for workers' compensation claims were determined and discounted at the rate of 4.0% and 2.9% for 2023 and 2022, respectively. The receivable for the expected reinsurance recoverable is recorded within other current assets on the consolidated balance sheets. As of August 1, 2020, the Company's excess workers' compensation policy is based on a per claim basis in excess of $1 million.

The Company is subject to legal proceedings and claims, which arise from the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to the actions will not materially affect the consolidated financial position of the Company.

(In thousands)

The Company recorded reserve activity for claims and claims expense as follows:

		June 30, 2023			
		Malpractice	Workers' compensation	Health	Total
Insurance reserves for self insured claims	$	42,035	3,294	4,121	49,450
Reserves that are recoverable from reinsurance carrier		15,083	—	—	15,083
Total insurance reserves		57,118	3,294	4,121	64,533
Less current portion of insurance reserve		9,515	791	4,121	14,427
Total noncurrent insurance reserves	$	47,603	2,503	—	50,106

		June 30, 2022			
		Malpractice	Workers' compensation	Health	Total
Insurance reserves for self insured claims	$	40,110	3,963	3,580	47,653
Reserves that are recoverable from reinsurance carrier		12,986	—	—	12,986
Total insurance reserves		53,096	3,963	3,580	60,639
Less current portion of insurance reserve		9,075	1,310	3,580	13,965
Total noncurrent insurance reserves	$	44,021	2,653	—	46,674

(13) Promises to Contribute

The Company has received unconditional and conditional promises to give. The pledge receivables, which only include unconditional promises to give, are recorded at their present value using a discount rate of 2.0% – 4.0%. The Company is the beneficiary of charitable remainder trusts whose present value was $9,127 and $9,640 as of June 30, 2023 and 2022, respectively. Current pledge receivables are included in other receivables and noncurrent pledge receivables are included in other assets in the accompanying consolidated balance sheets.

(In thousands)

		2023	2022
Due within 1 year	$	10,862	11,754
Due 1–5 years		13,193	12,932
Due over 5 years		9,127	9,640
Gross pledge receivables		33,182	34,326
Less: discount and allowance		(2,632)	(2,563)
Net pledge receivables	$	30,550	31,763

(14) Controlling and Non-controlling Interest

The following table presents a reconciliation of the changes in consolidated net assets without restrictions attributable to the Company's controlling interest and non-controlling interest:

		Net assets without donor restrictions – controlling interest	Net assets without donor restrictions – non-controlling interest	Total net assets without donor restrictions
Balance as of June 30, 2021	$	626,932	7,182	634,114
(Deficit) excess of revenues over expenses		(94,476)	2,336	(92,140)
Pension related changes other than net periodic pension costs		2,764	—	2,764
Net assets released for purchase of fixed assets		6,182	—	6,182
Realized gain/loss on donations		2	—	2
Government donated fixed assets		1,510	—	1,510
Decrease in net assets without donor restrictions		(84,018)	2,336	(81,682)
Balance as of June 30, 2022		542,914	9,518	552,432

 (Continued)

(In thousands)

		Net assets without donor restrictions – controlling interest	Net assets without donor restrictions – non-controlling interest	Total net assets without donor restrictions
(Deficit) excess of revenues over expenses	$	(25,935)	2,570	(23,365)
Pension related changes other than net periodic pension costs		3,475	—	3,475
Distributions to noncontrolling interest owners		(4,250)	—	(4,250)
Net assets released for purchase of fixed assets		2,773	—	2,773
Realized losses on donations		(2)	—	(2)
Decrease in net assets without donor restrictions		(23,939)	2,570	(21,369)
Balance as of June 30, 2023	$	518,975	12,088	531,063

(15) Subsequent Events

The Company has evaluated all events and transactions through October 20, 2023, the date the consolidated financial statements were issued. On October 19, 2023, MHHEFA issued $29,000 of variable rate bank-direct purchased tax-exempt bonds, Series 2023, directly to Capital One Public Funding Inc. (COPF), on behalf of the Company. The bond proceeds and limited use funds will be used to fund completion of the Sandra R. Berman Pavilion. The interest is calculated on an annual basis as determined by the Secured Overnight Financing Rate (SOFR) term rate. The bonds are due in installments ranging from $200 to $1,948. The Series 2023 bonds have a term of eight years and an amortization of 25 years to align with the Series 2021B bonds. At the end of the eight-year term, the Company will refinance the outstanding principal of the bonds.

In conjunction with the bond issuance, the Company executed an interest rate swap with Capital One National Association (CONA) on October 19, 2023 in order to hedge interest rate risk on the variable rate bonds. The swap agreement has a notional amount of $29,000, upon which the Company will receive variable rate interest from CONA based on the SOFR term rate and pay a fixed rate of 3.77%. Through the execution of the swap agreement, the Company will achieve a synthetically fixed rate on the debt of 4.74%.

CONSOLIDATING INFORMATION

Schedule 1

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidating Balance Sheet

June 30, 2023

(In thousands)

Assets	(Obligated group) Greater Baltimore Medical Center, Inc.	Ruxton Insurance	GBMC Agency Inc. and Subsidiaries	Gilchrist Hospice Care Inc.	GBHA Inc.	GBMC Land Inc.	GBMC Healthcare Inc. (Parent)	Other Subsidiaries	Eliminating entries	Total
Current assets:										
Cash and cash equivalents	$ 11,303	66	11	10,592	—	—	—	1,121	—	23,093
Short-term investments and limited or restricted use funds	79,788	3,171	—	1,238	—	—	—	—	—	84,197
Patient accounts receivable, net	60,426	—	1,876	7,184	—	—	—	1,201	—	70,687
Other receivables	14,421	567	2,393	6,016	—	145	—	—	—	23,542
Advances to affiliates	34,846	448	5,977	1	—	—	—	—	(41,272)	—
Other current assets	12,827	315	115	247	—	16	—	—	—	13,520
Total current assets	213,611	4,567	10,372	25,278	—	161	—	2,322	(41,272)	215,039
Investments and limited or restricted use funds	211,260	61,836	11,787	182,264	—	—	—	—	—	467,147
Interest in net assets of affiliate	—	—	—	—	—	—	661,371	—	(661,371)	—
Long-term receivables from affiliates	38,743	—	10,955	—	—	—	—	—	(49,698)	—
Property, plant, and equipment, net	316,577	—	14,624	19,151	137	2,094	—	—	—	352,583
Operating lease right-of-use assets	29,719	—	2,699	9,769	—	16,027	—	—	(37,425)	20,789
Pension asset	4,039	—	—	—	—	—	—	—	—	4,039
Other noncurrent assets	20,722	15,083	10,122	11,414	—	1,482	—	—	(2,347)	56,476
Total assets	$ 834,671	81,486	60,559	247,876	137	19,764	661,371	2,322	(792,113)	1,116,073
Liabilities and Net Assets										
Current liabilities:										
Accounts payable and accrued expenses	$ 97,617	2	395	9,180	—	43	—	—	—	107,237
Current portion of insurance reserves	4,177	10,125	—	125	—	—	—	—	—	14,427
Payable to affiliates	5,977	806	—	12,812	—	—	890	20,787	(41,272)	—
Advances from third-party payors	15,179	—	—	33	—	—	—	—	—	15,212
Current portion of operating lease liabilities	5,079	—	—	772	—	1,861	—	—	(4,984)	2,728
Current portion of long-term debt and finance lease liabilities	8,397	—	—	—	—	—	—	—	—	8,397
Other current liabilities	4,384	—	—	965	—	—	—	—	—	5,349
Total current liabilities	140,810	10,933	395	23,887	—	1,904	890	20,787	(46,256)	153,350
Long-term debt	203,814	—	—	11,281	—	—	—	—	—	215,095
Finance lease liabilities	17,355	—	—	—	—	—	—	—	—	17,355
Operating lease liabilities	25,666	—	2,791	9,089	—	14,583	—	—	(33,588)	18,541
Insurance reserves	2,304	47,603	—	199	—	—	—	—	—	50,106
Long-term payable to affiliate	10,955	—	32,815	—	2,409	3,519	—	—	(49,698)	—
Pension liability	—	—	—	—	—	—	—	—	—	—
Other long-term liabilities	1,141	—	—	—	—	4	—	—	—	1,145
Total liabilities	402,045	58,536	36,001	44,456	2,409	20,010	890	20,787	(129,542)	455,592
Net assets:										
Controlling interest	331,103	22,950	12,470	175,275	(2,272)	(246)	518,975	(18,465)	(520,815)	518,975
Non-controlling interest	—	—	12,088	—	—	—	12,088	—	(12,088)	12,088
Total net assets without donor restrictions	331,103	22,950	24,558	175,275	(2,272)	(246)	531,063	(18,465)	(532,903)	531,063
Net assets with donor restrictions	101,523	—	—	28,145	—	—	129,418	—	(129,668)	129,418
Total net assets	432,626	22,950	24,558	203,420	(2,272)	(246)	660,481	(18,465)	(662,571)	660,481
Total liabilities and net assets	$ 834,671	81,486	60,559	247,876	137	19,764	661,371	2,322	(792,113)	1,116,073

See accompanying independent auditors' report.

Schedule 2

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidating Statement of Operations

June 30, 2023

(In thousands)

	(Obligated group) Greater Baltimore Medical Center, Inc.	Ruxton Insurance	GBMC Agency Inc. and Subsidiaries	Gilchrist Hospice Care Inc.	GBHA Inc.	GBMC Land Inc.	GBMC Healthcare Inc. (Parent)	Other Subsidiaries	Eliminating entries	Total
Patient service revenue, net	$ 540,235	—	16,878	61,831	—	—	—	6,498	—	625,442
Other operating revenue	35,439	3,360	5,474	4,323	2,121	2,722	—	—	(9,615)	43,824
Net assets released from restrictions	6,630	—	—	4,282	—	—	—	—	—	10,912
Total operating revenue	582,304	3,360	22,352	70,436	2,121	2,722	—	6,498	(9,615)	680,178
Operating expenses:										
Salaries, wages, and employee benefits	378,124	—	4,527	51,383	2,103	387	—	21,824	(23)	458,325
Expendable supplies	110,299	—	1,540	4,504	4	22	—	356	—	116,725
Purchased services and other	77,441	12,040	8,245	13,468	118	3,944	31	2,765	(9,690)	108,362
Depreciation and amortization	31,532	—	2,382	2,055	14	463	—	—	—	36,446
Interest	4,046	—	—	332	—	—	—	—	—	4,378
Overhead	(2,212)	250	404	963	—	51	276	20	248	—
Total operating expenses	599,230	12,290	17,098	72,705	2,239	4,867	307	24,965	(9,465)	724,236
Total operating (loss) income	(16,926)	(8,930)	5,254	(2,269)	(118)	(2,145)	(307)	(18,467)	(150)	(44,058)
Nonoperating gains (losses):										
Contributions	—	—	—	—	—	—	—	—	—	—
Fundraising expense	(2,472)	—	—	(857)	—	—	—	—	250	(3,079)
Investment gains (losses), net	11,560	(689)	(2,110)	15,170	—	—	—	—	—	23,931
Other components of net periodic pension cost	(177)	—	—	—	—	—	—	—	—	(177)
Interests in net assets of affiliate	—	—	—	—	—	—	(21,062)	—	21,062	—
Other nonoperating income (loss)	23	—	—	(5)	—	—	—	—	—	18
Total nonoperating gains (losses)	8,934	(689)	(2,110)	14,308	—	—	(21,062)	—	21,312	20,693
(Deficit) excess of revenues over expenses	$ (7,992)	(9,619)	3,144	12,039	(118)	(2,145)	(21,369)	(18,467)	21,162	(23,365)

See accompanying independent auditors' report.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidating Statement of Changes in Net Assets

June 30, 2023

(In thousands)

	(Obligated group) Greater Baltimore Medical Center, Inc.	Ruxton Insurance	GBMC Agency Inc. and Subsidiaries	Gilchrist Hospice Care Inc.	GBHA Inc.	GBMC Land Inc.	GBMC Healthcare Inc. (Parent)	Other Subsidiaries	Eliminating entries	Total
Changes in net assets without donor restrictions:										
(Deficit) excess of revenues over expenses	$ (7,992)	(9,619)	3,144	12,039	(118)	(2,145)	(21,369)	(18,467)	21,162	(23,365)
Pension related changes other than net periodic pension costs	3,475	—	—	—	—	—	—	—	—	3,475
Net assets released for purchase of fixed assets	533	—	—	2,240	—	—	—	—	—	2,773
Distribution to non-controlling interest	—	—	(4,250)	—	—	—	—	—	—	(4,250)
Other changes in net assets without donor restriction	—	—	—	(2)	—	—	—	—	—	(2)
(Decrease) increase in net assets without donor restrictions	(3,984)	(9,619)	(1,106)	14,277	(118)	(2,145)	(21,369)	(18,467)	21,162	(21,369)
Changes in net assets with donor restrictions:										
Contributions	14,238	—	—	4,521	—	—	—	—	—	18,759
Investment gains (losses), net	2,194	—	—	996	—	—	—	—	—	3,190
Interest in net assets of affiliate	—	—	—	—	—	—	8,264	—	(8,264)	—
Net assets released for purchase of fixed assets	(533)	—	—	(2,240)	—	—	—	—	—	(2,773)
Net assets released for operations	(6,630)	—	—	(4,282)	—	—	—	—	—	(10,912)
(Decrease) increase in net assets with donor restrictions	9,269	—	—	(1,005)	—	—	8,264	—	(8,264)	8,264
(Decrease) increase in net assets	5,285	(9,619)	(1,106)	13,272	(118)	(2,145)	(13,105)	(18,467)	12,898	(13,105)
Net assets, beginning of year	427,341	32,569	25,664	190,148	(2,154)	1,899	673,586	—	(675,467)	673,586
Net assets, end of year	$ 432,626	22,950	24,558	203,420	(2,272)	(246)	660,481	(18,467)	(662,569)	660,481

See accompanying independent auditors' report.