KPMG

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Consolidated Financial Statements
and Supplementary Information

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

LUMINIS HEALTH, INC. AND SUBSIDIARIES

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

Independent Auditors' Report

The Board of Trustees
Luminis Health, Inc.:

Opinion

We have audited the consolidated financial statements of Luminis Health, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, 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, 2024 and 2023, and the results of its operations, 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 available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 2, 2024

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2024 and 2023

(Dollars in thousands)

Assets		**2024**	**2023**
Current assets:			
Cash and cash equivalents	$	14,471	26,735
Short-term investments		610	535
Current portion of assets whose use is limited		14,240	19,015
Patient receivables		156,766	145,831
Inventories and supplies		13,479	13,972
Prepaid expenses and other current assets		19,156	21,386
Right-of-use assets – short term		1,001	1,239
Total current assets		219,723	228,713
Property and equipment		1,202,138	1,150,342
Less accumulated depreciation and amortization		(629,632)	(593,699)
Net property and equipment		572,506	556,643
Other assets:			
Investments		500,973	452,206
Investments in joint ventures		15,319	12,825
Assets whose use is limited		61,632	51,639
Restricted collateral for interest rate swap contract		1,853	5,818
Right-of-use assets – long term		35,505	43,372
Other assets		68,536	69,062
Total assets	$	1,476,047	1,420,278

(Continued)

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2024 and 2023

(Dollars in thousands)

Liabilities And Net Assets		2024	2023
Current liabilities:			
Accounts payable	$	83,084	74,104
Accrued salaries, wages, and benefits		62,575	75,894
Other accrued expenses		27,483	26,651
Current portion of long-term debt		46,531	22,457
Advances from third-party payors		43,664	40,616
Lease liability – short term		5,498	6,814
Total current liabilities		268,835	246,536
Long-term debt, less current portion and unamortized original issue premium		396,917	415,788
Interest rate swap contracts		30,002	36,886
Accrued pension liability		1,863	2,296
Lease liability – long term		32,335	39,230
Other long-term liabilities		76,655	63,200
Total liabilities		806,607	803,936
Net assets:			
Without donor restrictions – Luminis Health		646,582	590,362
Non-controlling interest		1,968	2,298
Total net assets without donor restrictions		648,550	592,660
With donor restrictions		20,890	23,682
Total net assets		669,440	616,342
Total liabilities and net assets	$	1,476,047	1,420,278

See accompanying notes to consolidated financial statements.

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2024 and 2023

(Dollars in thousands)

		2024	2023
Operating revenue:			
Net patient service revenue	$	1,135,229	1,071,122
Other operating revenue		37,433	36,833
Total operating revenue		1,172,662	1,107,955
Operating expenses:			
Salaries and wages		577,643	571,425
Employee benefits		87,409	90,937
Supplies		194,296	193,245
Purchased services		270,663	253,259
Depreciation and amortization		37,479	38,324
Interest		16,638	13,773
Total operating expenses		1,184,128	1,160,963
Operating loss		(11,466)	(53,008)
Other income (loss):			
Investment income, net		23,241	21,705
(Loss) income from joint ventures and other, net		(113)	1,529
Pension expense, net		(4,264)	(4,034)
Change in unrealized gains on trading securities, net		27,563	17,787
Realized and unrealized gains on interest rate swap contracts, net		6,311	12,123
Total other income, net		52,738	49,110
Excess (deficit) of revenues over expenses	$	41,272	(3,898)

See accompanying notes to consolidated financial statements.

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	Without donor restrictions		Total net assets without donor restrictions	With donor restrictions	Total net assets
	Luminis Health	Non-controlling interest			
Net assets, June 30, 2022	$ 578,649	3,846	582,495	21,786	604,281
Deficit of revenues over expenses	(3,898)	—	(3,898)	—	(3,898)
Pension liability adjustment	11,444	—	11,444	—	11,444
Transfers and other, net	2,398	(1,548)	850	(1,434)	(584)
Capital grants	1,500	—	1,500	—	1,500
Restricted gifts, bequests, and contributions	—	—	—	5,914	5,914
Restricted investment income	—	—	—	1,510	1,510
Net assets released from restrictions	269	—	269	(4,094)	(3,825)
Changes in net assets	11,713	(1,548)	10,165	1,896	12,061
Net assets, June 30, 2023	590,362	2,298	592,660	23,682	616,342
Excess of revenues over expenses	41,272	—	41,272	—	41,272
Pension liability adjustment	7,847	—	7,847	—	7,847
Transfers and other, net	5,385	(330)	5,055	(4,884)	171
Capital grants	1,517	—	1,517	—	1,517
Restricted gifts, bequests, and contributions	—	—	—	7,767	7,767
Restricted investment income	—	—	—	1,173	1,173
Net assets released from restrictions	199	—	199	(6,848)	(6,649)
Changes in net assets	56,220	(330)	55,890	(2,792)	53,098
Net assets, June 30, 2024	$ 646,582	1,968	648,550	20,890	669,440

See accompanying notes to consolidated financial statements.

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Dollars in thousands)

		2024	2023
Operating activities:			
Increase in net assets	$	53,098	12,061
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Net realized and unrealized gains on investments		(34,105)	(30,851)
Realized and unrealized gains on interest rate swap contracts, net		(6,311)	(12,123)
Pension liability adjustment		(7,847)	(11,444)
Equity in earnings of joint ventures		(1,720)	1,934
Restricted contributions and pledges, net		(7,767)	(5,914)
Depreciation and amortization		37,479	36,524
Forgiveness of refundable advance		(1,000)	(1,000)
Restricted investment income		(1,173)	(1,510)
Distributions received from joint ventures		2,026	1,031
Distributions to capital grants		(1,517)	(1,500)
Net change in operating assets and liabilities		2,162	12,963
Net cash provided by operating activities		33,325	171
Investing activities:			
Purchases of property and equipment		(55,428)	(50,421)
Purchases of alternative investments		(3,935)	(3,315)
Sales of alternative investments		1,424	20,506
Purchases of securities		(31,635)	(91,867)
Sales of securities		16,190	64,307
Increase in assets whose use is limited, net		(1,369)	(27,181)
Payments on interest rate swaps		(573)	(2,913)
Proceeds from collateral on swap		3,965	4,375
Acquisition		—	(1,944)
Net cash used in investing activities		(71,361)	(88,453)
Financing and fundraising activities:			
Repayments of long-term debt		(18,301)	(17,192)
Borrowings on line of credit		23,905	—
Payments for finance leases		(1,625)	(997)
Proceeds from finance lease		—	1,463
Proceeds from refundable advance		11,966	8,034
Restricted contributions received and other		7,767	5,914
Proceeds from capital grants		1,517	1,500
Restricted income received		1,173	1,510
Net cash provided by financing and fundraising activities		26,402	232
Net decrease in cash and cash equivalents		(11,634)	(88,050)
Cash, cash equivalents, and restricted cash at beginning of year		36,445	124,495
Cash, cash equivalents, and restricted cash at end of year	$	24,811	36,445
Cash and cash equivalents	$	14,471	26,735
Restricted cash, included in restricted collateral and assets whose use is limited		10,340	9,710
Cash, cash equivalents, and restricted cash at end of year	$	24,811	36,445

(Continued)

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Dollars in thousands)

		2024	2023
Changes in operating assets and liabilities:			
(Increase) decrease in operating assets:			
Patient receivables	$	(10,935)	14,892
Inventories and supplies		493	(392)
Prepaid expenses and other		2,231	4,110
Other assets and right-of-use leases		6,658	6,523
		(1,553)	25,133
(Decrease) increase in operating liabilities:			
Accounts payable		10,666	14,086
Accrued salaries, wages, and benefits		(13,318)	(635)
Other accrued expenses		831	1,199
Advances from third-party payors		3,048	(32,899)
Other long-term liabilities		2,488	6,079
		3,715	(12,170)
Net change in operating assets and liabilities	$	2,162	12,963
Supplemental disclosure of noncash activities:			
Finance leases		—	5,194
Amount included in accounts payable for construction in process		1,686	2,272

See accompanying notes to consolidated financial statements.

(1) Organization and Basis of Presentation

Luminis Health, Inc. (Luminis Health or the System) is a Maryland not-for-profit corporation. Luminis Health has the following wholly owned subsidiaries:

- Luminis Health Anne Arundel Medical Center, Inc. (LHAAMC), and its subsidiaries; Luminis Health Pathways, Inc. (Pathways), J. Kent McNew Family Medical Center, Inc. (McNew), and Luminis Health Anne Arundel Medical Center Foundation, Inc. (the Foundation);
- Luminis Health Clinical Enterprise, Inc. and its subsidiaries; Luminis Health Imaging, Inc. (LHI), Luminis Health Research Institute, Inc. (RI), Physician Enterprise, LLC (PE) and its subsidiaries; Luminis Health Medical Group, LLC, Orthopedic Physicians of Annapolis, LLC, LHMG Physical Therapy, LLC, Luminis Health Care Services, Inc. (LHCS), and Luminis Health Community Clinics, LLC;
- Anne Arundel Medical Center Collaborative Care Network, LLC, and AAMC Collaborative Care Network, LLC;
- Luminis Health Ventures, LLC and its subsidiaries; Cottage Insurance Company, Ltd. (Cottage), Luminis Heath Real Estate Holding Company, Inc. (the Real Estate Company), and its subsidiaries; Pavilion Park, Inc. (PPI); Annapolis Exchange, LLC; and Blue Building, LLC; and
- Luminis Health Doctors Community Medical Center, Inc. (LHDCMC) and its subsidiaries: Luminis Health Doctor’s Community Medical Center Foundation, Inc. and Doctor’s Community Health Ventures, Inc.

LHAAMC is a private, not-for-profit corporation that operates a 397-licensed bed acute care hospital.

LHDCMC is a private, not-for-profit corporation that operates an acute care general hospital facility licensed for 200 beds.

On July 1, 2019, Luminis Health and LHDCMC, formerly known as Doctors Community Hospital and subsidiaries executed an affiliation agreement (the Agreement) providing for an affiliation between Luminis Health and LHDCMC and subsidiaries.

As part of the Agreement, Luminis Health committed approximately $138,000 over a five-year period in strategic investments to LHDCMC to expand healthcare services. As of June 30, 2024, Luminis Health has fully met the commitment to LHDCMC.

The accompanying consolidated financial statements include non-controlling interests held by third parties in less than wholly owned subsidiaries.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Luminis Health, its wholly owned subsidiaries and controlled affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (US GAAP).

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and savings accounts with large well-known financial institutions, money market accounts, and short-term certificates of deposit with original maturities of 90 days or less, excluding those held in short-term investments and those classified as long-term investments. Cash balances are principally uninsured and are subject to normal credit risks. At June 30, 2024 and 2023, and at various times during the year, the System maintained cash in bank balances in excess of the $250 federally insured limits. The System believes it is not exposed to any significant credit risk on its cash deposits.

(c) Derivative Instruments

On May 10, 2006, LHAAMC entered into a forward variable-to-fixed interest rate swap agreement with an effective date of November 1, 2008. This contract was entered into in an effort to reduce the risk of variable interest rate debt and has a term through July 1, 2048. Under Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*, LHAAMC has recognized its derivative instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. As these derivative instruments are not designated as hedges, the realized and unrealized gain or loss on these contracts has been recognized on the accompanying consolidated statements of operations as realized and unrealized gains on interest rate swap contracts, net. The fair market values of the derivative instruments include a credit valuation adjustment (CVA) as required by ASC 820, *Fair Value Measurement*. When applying the CVA, the valuation of the variable-to-fixed interest rate swap contract was decreased by $2,208 and $3,767 as of June 30, 2024 and 2023, respectively.

In an effort to reduce the amount of restricted cash pledged as collateral with the original counterparty, LHAAMC entered into a new novation agreement with another counterparty on February 10, 2021. Immediately prior to the novation agreement, the System modified the existing swap to bifurcate the remaining swap into a 10-year swap with the remainder into a 2031 through 2048 swap. The terms of the bifurcated swap remain identical to the original swap other than a modification of the London Interbank Offered Rate (LIBOR).

(Dollars in thousands)

A summary of LHAAMC's derivative instruments and related activity at June 30 and for the years then ended, is as follows:

Description of derivative instrument		Fair value liability 2024	Fair value liability 2023
Variable-to-fixed interest rate swap contract (maturity date March 2031)	$	(15,663)	(19,788)
Variable-to-fixed interest rate swap contract (maturity date July 2048)		(14,339)	(17,098)
	$	(30,002)	(36,886)

The change in unrealized gains recognized in the excess (deficit) of revenues over expenses for the years ended June 30, 2024 and 2023, were $6,884 and $15,036, respectively.

At June 30, 2024 and 2023, the net terminal value (i.e., mark-to-market value) of the derivative instruments totaled $32,210 and $41,862, respectively. LHAAMC may be exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreements, the risk of which is reflected in the fair value of the instruments under ASC 820. However, LHAAMC does not anticipate nonperformance by the counterparty.

During fiscal year 2024 and 2023, LHAAMC paid net payments under its interest rate swap program of $573 and $2,913, respectively. These amounts are included within realized and unrealized gains on interest rate swap contracts, net on the accompanying consolidated statements of operations and within investing activities on the accompanying consolidated statements of cash flows.

Under the derivative contracts, LHAAMC must transfer collateral for the benefit of the counterparty, to the extent that the termination values exceed certain limits. LHAAMC's collateral requirement for the benefit of the counterparty was approximately $1,853 and $5,818 at June 30, 2024 and 2023, respectively. The ongoing mark-to-market values and resulting collateral requirements of LHAAMC's interest rate swap contracts are subject to variability based on market factors (primarily changes in interest rates). Collateral requirements under this interest rate swap contract are excluded from unrestricted cash and investments for purposes of determining the System's compliance with its liquidity covenants under its Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority) revenue bond agreements and its derivative agreements. Collateral amounts are included in noncurrent assets on the accompanying consolidated balance sheets.

(d) Assets Whose Use is Limited and Investments

Assets whose use is limited are principally composed of funds which related to the issuance of the Luminis Health's revenue bonds, investments held at Cottage, and certain permanently restricted endowment assets.

The fair values of publicly traded securities and mutual funds are based on quoted market prices of individual securities or investments or estimated amounts using quoted market prices of similar investments. The fair value of alternative investments, some of which are structured so that the System holds limited partnership interests, are valued using net asset value (NAV) as the practical expedient. Valuations of these investments, and therefore the System's holdings, may be determined by the investment manager or general partner and for fund-of-funds investments are primarily based on financial data supplied by the underlying investee funds. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Investment income or loss from all unrestricted investments is included on the accompanying consolidated statements of operations as part of other income (loss).

Investment income or loss on investments of assets with donor restrictions is added to or deducted from the restricted fund balance if the income is restricted. The cost of securities sold is based on the specific-identification method.

All investment balances are principally uninsured and subject to normal credit risk. Investments are classified as either current or noncurrent based on the maturity dates and the availability for current operations. Investments included in noncurrent assets consist of board-designated investment funds of $500,973 and $452,206 as of June 30, 2024 and 2023, respectively. Based on the System's investment policy, such amounts could be liquidated, at the discretion of the board, to satisfy short-term requirements.

Substantially all investments, other than borrowed funds required to be expended for capital projects, are classified as trading securities, with unrealized gains and losses included in deficit of revenues over expenses. Borrowed funds required to be expended for capital projects are classified as other-than-trading and are included in assets whose use is limited.

(e) Patient Receivables

Patient receivables are recorded at net realizable value and include charges for amounts due from all patients less price concessions relating to allowances for the excess of established charges over the payments to be received on behalf of patients covered by Medicare, Medicaid, and other insurers. The provision for price concessions is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the price concessions based upon historical experience of self-pay accounts receivable, including those balances after insurance payments and not covered by insurance. The results of this review are then used to make any modifications to the provision for price concessions. During the year ended June 30, 2023, the System experienced a decline in collections compared to historical amounts. As a result, the System recorded a change in estimate that reduced the fiscal year 2023 revenues by approximately $22,000, which related to the prior year accounts receivables. The System made changes to its collections process during fiscal year 2024 and there were no material changes in estimate recorded during the year ended June 30, 2024. Patient accounts receivable is written off after collection efforts have been followed in accordance with System policies. See note 2(j) for revenue recognition policies.

(Dollars in thousands)

(f) Inventories and Supplies

Inventories, which primarily consist of medical supplies and drugs, are carried at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method or a similar method that approximates FIFO.

(g) Property and Equipment

Property and equipment are stated at cost; or fair value as of the acquisition date for LHDCMC property and equipment. Included in computers and software are capitalized labor costs of $17,672 and $17,196 as of June 30, 2024 and 2023, respectively. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight- line method. Equipment under finance leases obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization on the accompanying consolidated statements of operations. Depreciation expense is $35,852 and $37,106 for the years ended June 30, 2024 and 2023, respectively.

The following is a summary of property and equipment:

	Estimated useful lives	June 30 2024	June 30 2023
Land		$ 22,823	22,823
Land improvements	5–50 years	23,392	23,392
Buildings and improvements	5–80 years	663,042	650,226
Fixed equipment	5–30 years	25,905	24,737
Leasehold improvements	Life of lease or asset category	53,100	54,247
Movable equipment	5–30 years	270,397	245,678
Computers and software	3–12 years	123,423	118,461
Construction-in-progress		20,056	10,778
		$ 1,202,138	1,150,342

Construction-in-progress consists of direct costs associated with hospital department renovations, certain leasehold improvements, and smaller capital projects. As these projects are completed, the related assets are transferred out of construction-in-progress and into the appropriate asset category and are depreciated over the applicable useful lives. Repairs and maintenance are expensed as incurred.

(h) Investments in Joint Ventures

Luminis Health accounts for its investments in joint ventures using either the cost method or equity method, as appropriate. Earnings on the joint ventures are included in other income (loss) in the consolidated statements of operations.

During 2011, the Real Estate Company and another party formed West County, LLC, a joint venture that owns and operates a medical office building that opened in December 2012. The Real Estate Company has a 50% interest in this joint venture, with each owner's investment being $5,866 and $6,096 as of June 30, 2024 and 2023, respectively. The investment in West County is not consolidated into the financial statements of Luminis Health, because Luminis Health does not control the investee.

DCHV has an equity method joint venture investment in Magnolia Gardens LLC of $6,062 and $5,357 as of June 30, 2024 and 2023, respectively. This investment is consistent with the mission and strategic plan of LHDCMC. The investment in Magnolia Gardens LLC represents a 51% interest and is not consolidated with the financial statements of Luminis Health because DCHV does not control the investee.

Luminis Health has several other unconsolidated joint ventures for dialysis services, ambulatory surgery centers, and hospice services accounted for using the equity method, totaling approximately $3,391 and $1,372 as of June 30, 2024 and 2023, respectively.

(i) Net Assets

Net resources that are not restricted by donors are included in net assets without donor restrictions. Gifts of long-lived operating assets, such as property, plant, or equipment, are reported as net assets without donor restrictions and excluded from income. Resources restricted by donors for a specified time or purpose are reported as net assets with donor restrictions.

When the specific purposes are met, either through passage of a stipulated time period or when the purpose for restriction is accomplished, they are released to other operating revenues on the consolidated statement of changes in net assets. Resources restricted by donors for additions to property, plant, and equipment are initially reported as net assets with donor restrictions and are transferred to net assets without donor restrictions when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as net assets with donor restrictions.

Investment income related to net assets with donor restrictions is classified as net assets with donor restrictions based on the intent of the donor.

(j) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. This includes regulatory discounts allowed to Blue Cross, Medicare, Medicaid, and other third-party payors and charity care. Revenues are recorded during the period the obligations to provide healthcare services are satisfied. The majority of the System's healthcare 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 System also provides certain ancillary services that 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 contractual relationship with patients, in most cases, also involve a third- party payor (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third- party payors. The payment arrangements with third-party payors for services provided to patients typically specify payments at amounts less than standard charges. Medicare generally pays for inpatient and outpatient services at prospectively determined rates based on clinical, diagnostic and other factors. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based on predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Management continually reviews the contractual estimation process to incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

Luminis Health’s net patient service revenues are based upon the estimated amounts that management expects to be entitled to receive from patients and third-party payors. Estimates of contractual allowances under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements and are recognized as explicit price concessions. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have healthcare coverage may have discounts applied (uninsured discounts and contractual discounts). Management also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts that it expects to collect. Subsequent changes in the estimate of collectability due to a change in the financial status of a payor, for example a bankruptcy, will be recognized as bad debt expense in operating expenses, which is included in purchased services on the consolidated statements of operations.

The System has elected the practical expedient utilizing the portfolio approach, as allowed under the Financial Accounting Standards Board (FASB) ASC 606-10-32-18, *Revenue from Contacts with Customers*, and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the System’s expectation that the period between the time the service is provided to a patient and the time that the patient or third-party payor pays for that service will be one year or less.

Except as noted above, LHAAMC and LHDCMC’s policy is to recognize revenue based on actual charges for services to patients in the year in which the services are performed.

(Dollars in thousands)

The following table sets forth the detail of net patient service revenue:

		Year ended June 30	
		2024	**2023**
Gross patient service revenue	$	1,541,850	1,496,499
Revenue deductions:			
Charity care		(21,902)	(22,387)
Price concessions		(384,719)	(402,990)
Net patient service revenue	$	1,135,229	1,071,122

During 2024 and 2023, approximately 33% and 33%, respectively, of net patient service revenue was received under the Medicare program, 24% and 22% from Blue Cross, 39% and 37% from contracts with other third parties, 2% and 3% from Medicaid, and 3% and 5% from other sources, including self-pay.

The System's revenues also may be subject to adjustment as a result of examination by government agencies or contractors and as a result of differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor and the System's historical settlement activity, including an assessment to ensure it is probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews, and investigations. The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections; business and economic conditions; trends in federal, state, and private employer healthcare coverage; and other collection indicators. Management uses the results of detailed reviews of historical write-offs and collections at facilities that represent a majority of the System's revenues and patient receivable as a primary source of information in estimating the collectability of patient receivable.

Luminis Health employs physicians in several hospital-based specialties (including, but not limited to, obstetrics, intensive care, and hospitalists). Net physician revenue is recognized when the services are provided and recorded at the estimated net realizable amount based on the contractual arrangements with third-party payors and the expected payments from the third-party payors and the patients. The difference between the billed charges and the estimated net realizable amounts are recorded as a reduction in physician revenue when the services are provided. The System recognized net physician revenue of $196,150 and $177,594 for the years ended June 30, 2024 and 2023, respectively, which is included in net patient service revenue. At June 30, 2024 and 2023, $15,815 and $15,578, respectively, of net physician accounts receivable are included in patient receivables on the accompanying consolidated balance sheets.

(Continued)

(k) Maryland Health Services Cost Review Commission

LHAAMC and LHDCMC's rate structure for all hospital-based services is subject to review and approval by the HSCRC. Under the HSCRC rate-setting system, the Hospital's inpatient and outpatient charges are the same for all patients, regardless of payor, including Medicare and Medicaid. Beginning in fiscal year 2014, LHAAMC and LHDCMC entered into an agreement with the HSCRC to participate in the Global Budget Revenue (GBR) program. The GBR model is a revenue constraint and quality improvement system to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. Under the GBR, total revenue is capped at a predetermined fixed amount. The annual approved revenue is calculated using a permanent base revenue with positive or negative adjustments for inflation, assessments, performance in quality-based programs, infrastructure requirements, and population. Revenue may also be adjusted annually for market share levels and shifts of regulated services to unregulated settings.

Starting in January 2019, Maryland's hospitals began operating under a new 10-year contract with the federal government titled Medicare Performance Adjustment (MPA). The MPA is designed to test whether the improvements hospitals have made under the previous modernized waiver can be expanded to all healthcare providers. The GBR methodology will remain in place for hospital rate setting under the MPA. In addition, programs aimed to measure and reduce total healthcare spending for attributed Medicare patients, including pre- and post-acute care by all providers, are being introduced during this contract period.

The Commission's rate-setting methodology compares Global Budget Revenue to actual revenue. Overcharges and undercharges due to either patient volume or price variances, adjusted for penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis.

(l) Charity Care

Luminis Health provides charity care to patients who meet certain criteria established under its charity care guidelines. The amounts reported as charity care represent the costs of rendering such services and are calculated by applying a ratio of operating expenses over gross patient charges to the charity care provided at established rates. Because members of Luminis Health do not pursue the collection of amounts determined to qualify as charity care, these amounts are deducted from gross revenues on the accompanying consolidated statements of operations. The total benefits associated with providing this care, at cost, are $21,902 and $22,387 for the years ended June 30, 2024 and 2023, respectively.

(m) Other Operating Revenue

Other operating revenue is composed of grant revenue, cafeteria revenue, net assets released from restrictions for operating purposes, and other miscellaneous items. In addition, a variety of federal, state, and local efforts have been initiated in response to the COVID-19 crisis, including funds from the Federal Emergency Management Agency (FEMA). The System has received and recognized approximately $0 and $930 of funds from FEMA for the years ended June 30, 2024 and 2023, respectively, that has been recorded in other revenue in the accompanying consolidated statements of operations.

(n) Advances From Third-Party Payors

The HSCRC requires advance funding by third-party payors to hospitals for the Workday Capital Differential. The amount of advances from third-party payors are in the ordinary course of business and due to various payors on demand. Advances from third-party payors are comprised of advance funding from CareFirst BlueCross BlueShield, Medicaid, Cigna, Aetna, Wellpoint, United/MAMSI, and other insurance providers.

In February 2024, one of our vendors, Change Healthcare, was the victim of a cybersecurity event. Change Healthcare is a vendor that LHI uses to assist with its billing processes for the imaging service line. Upon learning of the cybersecurity event with Change healthcare, the Company discontinued its digital communications and connections with Change Healthcare and suspended any billing processes with the vendor. As a result, the Company experienced an increase in accounts receivables and a decline in cash flows. The Company received approximately $20 million of advances from Change Healthcare in the period after June 30, 2024 that provided additional cash flows for the Company. Billing processes have been reinstated, and repayment of the loans will resume once collections have returned to normal. The Company believes that adequate provision has been made in the consolidated financial statements for the matters discussed above, and that the ultimate resolution will not have a material effect on the consolidated financial statements.

(o) Donations and Bequests

Unconditional promises to give cash and other assets are reported at fair value on the date the promise is received. Pledges are reported at fair value on the date the gift is received. The gifts are reported as donor-restricted 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 a purpose restriction is accomplished, the asset is reclassified to without donor restrictions on the accompanying consolidated statements of changes in net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements. Contributions that are unrestricted are reflected as other operating revenue on the accompanying consolidated statements of operations.

Pledges receivable are discounted using rates between approximately 4% to 5% and are included in prepaids and other current assets and other assets.

(p) Excess (Deficit) of Revenues Over Expenses

The accompanying consolidated statements of operations include excess (deficit) of revenues over expenses, the performance indicator. Changes in net assets without donor restrictions that are excluded from excess (deficit) of revenues over expenses, consistent with industry practice, include contributions received and used for additions of long-lived assets, capital grants, transfers and other activity, and certain changes in pension liabilities.

(Dollars in thousands)

(q) Other Assets

Other assets consist of the following:

		June 30	
		2024	**2023**
Investment in Premier	$	6,366	9,165
LHAAMC pension assets		26,520	23,223
Deferred compensation plans		14,151	12,332
Insurance recoverable		15,044	15,111
Other		6,455	9,231
	$	68,536	69,062

LHAAMC and LHDCMC have participated and owned equity in the Premier Limited Partnership (Premier), which has served as a group purchasing organization for many years. This participation provides purchasing contract rates and rebates the System would not be able to obtain on its own.

The investment in Premier is based upon the fair value of the publicly traded stock as the Class B units can be converted to Class A publicly traded shares at the System's option.

(r) Goodwill and Intangibles

Other assets includes goodwill and other intangibles related to practice acquisitions, notes receivable, and the cash surrender value of split-dollar life insurance.

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. ASC Topic 350, *Intangibles – Goodwill and Other,* requires that tangible and indefinite-lived assets as well as goodwill must be analyzed in order to determine whether their value has been impaired.

Goodwill is assessed annually for impairment at the reporting unit. As of June 30, 2024 and 2023, the System had one reporting unit, which included all subsidiaries. The System 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 in ASC Topic 350. The more-likely than-not threshold is defined as having a likelihood of more than 50%. The System determined that it was not more likely than not that the fair value of its reporting unit was less than its carrying amount. Accordingly, the System concluded that goodwill was not impaired as of June 30, 2024 and 2023 without having to perform the two-step impairment test.

(s) Self-Insurance Programs

The System maintains self-insurance programs for professional and general liability, workers' compensation, and employee health benefits. The provision for estimated self-insurance program claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The estimates are based on historical trends, claims asserted, and reported incidents.

(t) Other Long-Term Liabilities

Other long-term liabilities consist of self-insurance liabilities, asset retirement obligations, and deferred compensation plan liabilities.

(u) Income Tax Status

The System and its not-for-profit subsidiaries have been recognized by the Internal Revenue Service as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The System's incorporated for-profit subsidiaries account for income taxes in accordance with FASB ASC Topic 740, *Income Taxes.* Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change. The System accounts for uncertain tax positions in accordance with ASC Topic 740.

Deferred income taxes are provided for all significant timing differences between revenues and expenses reported for financial statement and for tax purposes. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements. Accounting principles generally accepted in the United States require management to evaluate uncertain tax positions taken by the System. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. Management has concluded that as of June 30, 2024 and 2023, there are no uncertain positions taken or expected to be taken. Luminis Health has recognized no interest or penalties related to uncertain tax positions. Luminis Health is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(v) Use of Estimates

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

(Continued)

(w) Impairment of Long-Lived Assets

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment in the value of long-lived assets. In accordance with the provisions of ASC Topic 360, *Property, Plant, and Equipment*, if there is an indication that the carrying value of an asset is not recoverable, the System estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual entities to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the System groups its assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. The System did not record a loss on impairment during the year ended June 30, 2024 or 2023.

(x) Management's Assessment and Plans

The System adopted Accounting Standards Update (ASU) No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15), which requires management to evaluate an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued, when applicable). Management determined that there were no conditions or events that raise substantial doubt about the System's ability to continue as a going concern, and the System will continue to meet its obligations through October 3, 2024.

(y) New Accounting Standards

In June 2016, the FASB issued ASU 201613, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* ASU 201613 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. ASU 201613 is effective for annual reporting periods beginning after December 15, 2022, and a modified retrospective approach is required, with a cumulative effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. The Company adopted this ASU effective July 1, 2023 with no material impact.

(z) Upcoming Accounting Standards

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, believes the new guidance will not have a material impact on its consolidated financial position, results of operations, or cash flows.

(aa) Reclassifications

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

(3) Regulatory Environment

Medicare and Medicaid

The Medicare and Medicaid reimbursement programs represent a substantial portion of Luminis Health's revenues. Luminis Health's operations are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Over the past several years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of fines and penalties, as well as repayments for patient services previously billed. Compliance with fraud and abuse standards and other government regulations can be subject to future government review and interpretation. Also, future changes in federal and state reimbursement funding mechanisms and related government budgeting constraints could have an adverse effect on Luminis Health.

In 1983, Congress approved a Medicare prospective payment plan for most inpatient services as part of the Social Security Amendment Act of 1983. Hospitals in Maryland were granted a waiver from the Medicare prospective payment system under Section 1814(b) of the Social Security Act. The waiver would remain in effect as long as the Maryland rate of increase in payments per admission remained below the national average rate of increase.

In January 2014, the Centers for Medicare and Medicaid Services approved a modernized waiver that includes both inpatient and outpatient revenue. The new waiver will be in place as long as Maryland hospitals achieve significant quality improvements and limit the per capita growth for all payors for Maryland residents.

(Continued)

(Dollars in thousands)

(4) Investments and assets whose use is limited

Investments, including assets whose use is limited, are stated at fair value. Borrowed funds that are required to be expended on specified capital projects under MHHEFA revenue bond agreements are classified as available for sale. All other investments and assets whose use is limited are classified as trading securities.

		June 30	
		2024	2023
Assets whose use is limited:			
Endowment assets:			
Cash and cash equivalents	$	2,531	2,046
Equity mutual funds		11,332	10,730
Fixed income mutual funds		5,619	5,488
		19,482	18,264
Amounts held by trustee:			
Cash and cash equivalents		7,809	7,664
		7,809	7,664
Amounts held by Cottage:			
Cash and cash equivalents		6,488	12,748
Exchange traded funds		8,138	5,337
Equity mutual funds		14,868	12,017
Fixed income mutual funds		19,087	14,624
		48,581	44,726
Total assets whose use is limited		75,872	70,654
Less current portion		14,240	19,015
	$	61,632	51,639

(Dollars in thousands)

Other investments:

		June 30	
		2024	**2023**
Cash and cash equivalents	$	44,592	28,539
Equity mutual funds		230,528	216,254
Fixed income mutual funds		144,506	137,188
Alternative investments		81,957	70,760
		501,583	452,741
Less short-term investments		610	535
Investments	$	500,973	452,206

The components of investment income, net are as follows:

		June 30	
		2024	**2023**
Interest and dividend income, net	$	16,699	8,641
Realized gains, net		6,542	13,064
	$	23,241	21,705

Environmental, social and governance (ESG) issues can impact investment risk and returns and therefore should be integrated into our investment decision processes. We integrate ESG consideration into our investment process and take steps to manage them appropriate to the asset class and the materiality of the investment. We review ESG integration of our external managers both on selection and as part of the regular review process. We monitor our portfolios for material ESG issues and take steps to manage them appropriate to each asset class.

(5) Fair Value Measurements

ASC 820 defines fair value and establishes a framework for measuring fair value in accordance with U.S. GAAP. ASC 820 establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1 – Defined as observable inputs, such as quoted prices in active markets
- Level 2 – Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable
- Level 3 – Defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions

(Dollars in thousands)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while Luminis Health believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ASC 820 requires that the fair value of derivative contracts include adjustments related to the credit risks of both parties associated with the derivative transactions. The fair value of Luminis Health's derivative contracts reflected in the accompanying consolidated financial statements includes adjustments related to the credit risks of the parties to the transactions.

The following tables present the fair value hierarchy for Luminis Health's financial assets and liabilities measured at fair value on a recurring basis.

	June 30, 2024			
Assets	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investments and assets whose use is limited:				
Cash and cash equivalents	$ 61,420	61,420	—	—
Equity securities	264,866	249,998	14,868	—
Fixed income securities	169,212	150,125	19,087	—
Total	495,498	461,543	33,955	—
Collateral for interest rate swap:				
Cash and cash equivalents	1,853	1,853	—	—
Total assets at fair value	497,351	$ 463,396	33,955	—
Assets at NAV	81,957			
Total assets	$ 579,308			
Liabilities				
Derivative instruments	$ (30,002)	—	(30,002)	—
Total liabilities at fair value	$ (30,002)	—	(30,002)	—

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

Assets	Total	June 30, 2023 Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments and assets whose use is limited:				
Cash and cash equivalents	$ 50,997	50,997	—	—
Equity securities	244,338	232,321	12,017	—
Fixed income securities	157,300	142,676	14,624	—
Total	452,635	425,994	26,641	—
Collateral for interest rate swap:				
Cash and cash equivalents	5,818	5,818	—	—
Total assets at fair value	458,453	$ 431,812	26,641	—
Assets at NAV	70,760			
Total assets	$ 529,213			
Liabilities				
Derivative instruments	$ (36,886)	—	(36,886)	—
Total liabilities at fair value	$ (36,886)	—	(36,886)	—

Luminis Health's Level 1 securities primarily consist of U.S. Treasury securities, equity and fixed income securities (including mutual funds), and cash. Luminis Health determines the estimated fair value for its Level 1 securities using quoted (unadjusted) prices for identical assets or liabilities in active markets.

Luminis Health's Level 2 securities primarily consist of equity and fixed income securities. Luminis Health determines the estimated fair value for these Level 2 securities using the following methods: quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets in non-active markets (few transactions, limited information, noncurrent prices, high variability over time), inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curve volatilities, default rates), and inputs that are derived principally from or corroborated by other observable market data.

Luminis Health's Level 2 securities also consist of derivative instruments, which are reported using valuation models commonly used for derivatives. Valuation models require a variety of inputs, including contractual terms, market-fixed prices, inputs from forward price yield curves, notional quantities, measures of volatility, and correlations of such inputs.

LHAAMC's alternative investments consist of the following: a fund focused in North American midstream, listed and energy infrastructure and renewables markets, with a focus on income-oriented securities (30 day liquidity) venture capital fund-of-funds taking a globally diversified approach targeting multiple venture capital investment types, stages, sectors and geographies, a private equity fund-of-funds focused exclusively on the lower middle-market segment in the U.S. and consisting of both fund commitments and co-investments, a private equity fund with a focus on long-term fundamental value creation by investing in businesses that can grow profitably over time and sustain value through volatile conditions and strategic healthcare venture fund investing in healthcare information technology and services and medical devices and diagnostics. The private equity and venture capital funds totaling approximately $35,626 and $33,500 at June 30, 2024 and 2023, respectively, are subject to lock-up of greater than one year. Unfunded commitments as of June 30, 2024 are approximately $12,923.

Alternative investments are measured using NAV as the practical expedient. Certain alternative investments require written notification over a certain period prior to redemption.

The carrying amounts of cash and cash equivalents, patient receivables, prepaid expenses and other current assets, accounts payable, accrued salaries, wages and benefits, other accrued expenses, and advances from third-party payors approximate fair value, given the short-term nature of these financial instruments or their methods of valuation. The following methods and assumptions were used by Luminis Health in estimating the fair value of other financial instruments:

Investments and Assets Whose Use is Limited

Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

(Dollars in thousands)

(6) Long-Term Debt and Line of Credit

Long-term debt consists of the following:

	Interest rate	Maturity dates	June 30 2024	June 30 2023
MHHEFA Revenue Bonds				
Series 2022A	Variable	2040–2043	$ 60,220	60,220
Series 2022B	1.79 %	2024–2035	45,040	49,100
Series 2022C	1.99 %	2026–2040	108,895	108,895
Series 2017	2.96%–5.0%	2018–2034	48,375	50,370
Series 2017A	5.00 %	2031–2038	64,165	64,165
Series 2017B	2.18 %	2024	5,925	10,735
Series 2016A	2.53 %	2020–2030	29,790	30,240
Series 2014	4.0%–5.0%	2015–2040	2,925	5,825
Bank line of credit	Variable	2026	23,905	—
Kent Island bank term loan	Variable	2025	4,379	4,589
Real estate loan	Variable	2028	41,280	44,923
			434,899	429,062
Less current portion of long-term debt			46,531	22,457
Less deferred debt issue costs			1,069	1,219
Unamortized original issue premium, net			9,618	10,402
Long-term debt			$ 396,917	415,788

The MHHEFA Revenue Bonds and Bank Line of Credit are secured by the receipts of the Luminis Health Obligated Group, which includes Luminis Health, LHAAMC, LHI and LHDCMC

Principal payments due under all debt instruments as of June 30, 2024, are as follows:

2025	$ 46,531
2026	20,294
2027	20,409
2028	23,129
2029	44,453
Thereafter	280,083
	$ 434,899

(a) Series 2022 Bonds

In February 2022, Luminis Health entered into a loan agreement with MHHEFA supported by three financing agreements with commercial lenders. The proceeds of these direct placement bonds were utilized to refund certain prior Revenue Bonds as follows:

a) 2022A Variable Rate Tax-Exempt Bonds refunded $60,000 2009B Series Revenue Bonds and extended the committed period of this issuance to 2032. Interest, at Bloomberg Short-Term Bank Yield Index (BSBY) plus a credit spread, is payable monthly and principal is due annually on July 1, beginning in 2039.

b) 2022B Fixed Rate Bonds refunded $49,100 of the 2012 Series Revenue Bonds. Interest was initially payable semiannually at a stated taxable rate of 2.52% and principal is due annually on July 1. On July 1, 2022, the 2022B Fixed Rate Bonds were converted to a tax-exempt rate of 1.99%.

c) 2022C Fixed Rate Bonds refunded $108,895 of the 2014 Series Revenue Bonds. Interest is payable semiannually at an initial stated taxable rate of 2.27% and principal is due annually on July 1. On July 1, 2024, the 2022C Fixed Rate Bonds were converted to a tax-exempt rate of 1.79%.

(b) Series 2017 Revenue Bonds

In November 2017, LHAAMC entered into a loan agreement with the MHHEFA for the issuance of the Series 2017 A&B Revenue Bonds (the ”2017 A&B Bonds”). The proceeds of the 2017 A&B Bonds were used to advance refund the Series 2010 Bonds previously issued by MHHEFA. The refunded Series 2010 Bonds were originally issued to finance the expansion of the parking garage for LHAAMC’s acute care pavilion, and costs related to the issuance. The 2017 A&B Bonds provide for annual principal payments each July 1 from 2022 through 2034. Interest is payable semi-annually on each January 1 and July 1. The 2017 A&B Bonds bear interest at rates between 2.96% and 5.00% and were originally issued at a premium of $4,368, which is amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

(c) Series 2017A Revenue Bonds

On February 8, 2017, MHHEFA issued $64,165 principal amount of Revenue Bonds, Doctor’s Community Hospital Series 2017A. The proceeds of these bonds were used to retire the remainder of the Series 2010 Bonds previously issued by the Authority. The 2017A Bonds provide for annual principal payments each July 1 from 2031 through 2038. Interest is payable semiannually on each January 1 and July 1. The bonds bear stated interest rates of 5.00% and were issued at a premium of $4,144.

The provisions of the Master Loan Agreement with MHHEFA, require Luminis Health and certain subsidiaries to comply with certain covenants on an annual basis, including a debt service coverage requirement. Luminis Health, LHAAMC, LHI and LHDCMC are members of the Luminis Health Obligated Group for all of the above stated revenue bonds issued by MHHEFA.

(d) Series 2017B and 2016A Revenue Bonds

On June 28, 2016, MHHEFA issued $73,445 principal amount of Revenue Bonds, Doctor's Community Hospital Series 2016A Bonds ($31,945), and Series 2016B Taxable Bonds ($41,500). The proceeds of these bonds were used to retire the Series 2007A Bonds and Series 2010 Bonds (partial) previously issued by the Authority. On March 23, 2017, the Series 2016B Bonds were converted to Series 2017B Bonds as planned. The 2016A Bonds provide for monthly principal and interest payments through July 1, 2030. The 2017B Bonds provide for monthly principal and interest payments through October 1, 2024. The 2016A Bonds and 2017B Bonds bear interest at a rates of 2.53% and 2.18%, respectively.

(e) Series 2014 Revenue Bonds

In November 2014, LHAAMC entered into a loan agreement with the MHHEFA for the issuance of the Series 2014 Revenue Bonds (the "2014 Bonds"). The proceeds of the 2014 Bonds were used to advance refund the Series 2009A Bonds previously issued by MHHEFA. The refunded Series 2009A Bonds were originally issued to finance a portion of the costs of construction for an eight-story patient care building, two parking garages, and costs related to the issuance. The 2014 Bonds provide for annual principal payments each July 1 from 2022 through 2024. Interest is payable semiannually each January 1 and July 1. The 2014 Bonds bear interest at rates of 4.00–5.00% and were originally issued at a premium of $7,520, which is amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. The amount outstanding of the 2014 Bonds was reduced to $8,475 through the issuance of the Series 2022C Bonds.

(f) Bank Line of Credit

LHAAMC maintains a line of credit with a bank providing available credit of $70,000 through February 28, 2026. Interest on any borrowings accrues at the Secured Overnight Financing Rate (SOFR) plus 0.70%. At June 30, 2024 and 2023, LHAAMC balance outstanding on the line of credit was $23,905 and $0 respectively.

(g) Kent Island Term Loan

In August 2007, Kent Island Medical Arts (KIMA) entered into a construction loan agreement with a bank in the amount of $9,000 that would convert to a term loan after the completion of the construction. The proceeds were used to construct a medical office building. The debt was secured by the medical office building.

On February 29, 2024, KIMA refinanced the term loan with a $4,482 promissory note. The promissory note provides for monthly principal and interest payments and has a final maturity in March 2025. The promissory note bears interest at a variable rate, based on the 30-day SOFR plus 1.35%.

(h) Real Estate Loan

On October 17, 2018, the Real Estate Company secured a real estate loan from a bank through a wholly owned subsidiary and the proceeds were used to pay off the 2008 Term Loan and 2008 Construction Loan previously provided by a bank. The loans were originally obtained to finance certain medical office buildings owned by the Real Estate Company. The new loan requires flat monthly principal payments (amortized over 17 years) plus interest at SOFR plus 1.10% from 2018 through 2028 with a balloon payment due October 5, 2028, of $25,800.

(7) Retirement Plans

Anne Arundel Medical Center Plan

LHAAMC has a qualified noncontributory, defined-benefit pension plan (the Plan) that covers substantially all employees. LHAAMC’s policy is to fund pension costs as determined by its actuary. Adopted by the board of trustees on June 11, 2009, and effective September 1, 2009, LHAAMC amended the Plan to freeze future benefit accruals, and participants have not earned any additional benefits under the Plan since that date. However, subsequent to September 1, 2009, participants have continued to vest in benefits they have earned through September 1, 2009. The frozen benefit balance for the participants will only accrue interest credits until the participants’ benefit commencement dates. FASB ASC 715, *Compensation – Retirement Benefits*, requires LHAAMC to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan on its consolidated balance sheet, with a corresponding adjustment to unrestricted net assets. The pension liability adjustment to net assets without donor restrictions represents the change in net unrecognized actuarial losses that have not yet been recognized as part of deficit of revenues over expenses. These amounts are subsequently recognized as a net periodic benefit cost pursuant to LHAAMC’s historical accounting policy for amortizing such amounts.

(Continued)

(Dollars in thousands)

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the years ended June 30 and the accumulated benefit obligation for LHAAMC is as follows:

		June 30	
		2024	2023
Accumulated benefit obligation	$	86,160	92,830
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	92,830	102,248
Interest cost		4,610	4,523
Actuarial loss		(2,656)	(5,325)
Benefits paid		(2,870)	(2,709)
Settlements paid		(5,754)	(5,907)
Projected benefit obligation at end of year		86,160	92,830
Change in plan assets:			
Fair value of plan assets at beginning of year		116,053	118,408
Actual return on plan assets		5,251	6,261
Benefits paid		(2,870)	(2,709)
Settlements paid		(5,754)	(5,907)
Fair value of plan assets at end of year		112,680	116,053
Net asset recognized in other assets	$	26,520	23,223
Net amounts recognized on the consolidated balance sheets consist of:			
Other assets	$	26,520	23,223
Amounts recognized in net assets without donor restrictions that have not been recognized in net periodic benefit costs consist of:			
Net actuarial loss	$	48,271	54,342

The following table sets forth the weighted average assumptions used to determine the benefit obligations of LHAAMC:

	June 30	
	2024	2023
Discount rate	5.40 %	5.15 %
Rate of compensation increase	N/A	N/A

(Dollars in thousands)

The following table sets forth the weighted average assumptions used to determine the net periodic benefit cost of LHAAMC:

	Year ended June 30	
	2024	**2023**
Discount rate	5.23 %	4.73 %
Expected return on plan assets	5.25	5.00
Rate of compensation increase	N/A	N/A

LHAAMC ‘s net periodic pension benefit cost included the following components:

Interest cost	4,611	4,523
Expected return on plan assets	(6,316)	(6,271)
Recognized net actuarial loss	1,119	1,251
Loss recognized from partial settlement of projected benefit obligation	3,361	3,537
Net periodic cost	$ 2,775	3,040

LHAAMC’s defined-benefit plan invests in a diversified mix of traditional asset classes. Investments in certain types of U.S. equity securities and fixed-income securities are made to maximize long-term results while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is continually evaluated by understanding the pension plan’s liability characteristics. Equity investments are used primarily to increase the overall plan returns. Debt securities provide diversification benefits and liability hedging attributes that are desirable, especially in falling interest rate environments.

LHAAMC’s target asset allocation percentages as of June 30, 2024, were as follows: 85% fixed income, 4% international equity, 7% large cap domestic stocks, 2% small cap domestic stocks, and 2% alternative investments and exchange-traded notes.

(Dollars in thousands)

The following tables present the fair value hierarchy of assets of the defined benefit pension plan of LHAAMC:

		June 30, 2024			
Assets		**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Cash and cash equivalents	$	3,009	3,009	—	—
Mutual funds:					
Equity		12,247	12,247	—	—
Corporate bonds		93,069	93,069	—	—
International equity		4,355	4,355	—	—
Assets measured at fair value		112,680	$ 112,680	—	—
Assets at NAV		—			
Total assets	$	112,680			

		June 30, 2023			
Assets		**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Cash and cash equivalents	$	662	—	662	—
Mutual funds:					
Equity		13,251	13,251	—	—
Corporate bonds		94,303	94,303	—	—
International equity		—	—	—	—
Closed-end funds ETF		5,880	5,880	—	—
Assets measured at fair value		114,096	$ 113,434	662	—
Assets at NAV		1,957			
Total assets	$	116,053			

Level 1 securities primarily consist of money market funds and exchange-traded mutual funds. Level 2 securities primarily consist of money market funds. Methods consistent with those discussed in note 5 are used to estimate the fair values of these securities.

(Dollars in thousands)

The overall expected rate of return on assets assumptions was based on historical returns, with adjustments made to reflect expectations of future returns. The extent to which the future expectations were recognized considered the target rates of returns for the future, which have historically not changed.

LHAAMC currently does not intend to make voluntary contributions to the defined benefit pension plan in fiscal year 2025.

The following benefit payments for LHAAMC are expected to be paid:

2025	$	6,122
2026		7,195
2027		6,079
2028		6,950
2029		6,320
2030–2034		27,720

In addition to the noncontributory defined-benefit pension plan, LHAAMC also offers an employee defined-contribution plan. Participation in the plan is voluntary. Substantially all full-time employees of LHAAMC are eligible to participate. Employees may elect to contribute a minimum of 1% of compensation, and a maximum amount as determined by Sections 403(b) and 415 of the Code. Any employee making contributions to the plan is entitled to a LHAAMC contribution that will match the employee contribution at the rate of 50% to 75%, depending on the number of years of service, up to a maximum of 5% of qualified compensation.

In 2023, there were several plan amendments for the 403(b) retirement plan. The Anne Arundel Medical Center Employees' Salary Reduction Thrift Plan was renamed the Luminis Health Retirement Plan. Additional amendments to the 403(b) plan included allowing LHDCMC participants to participate in the plan as well as naming Luminis Health (formerly AAMC) as the employer of record for all participants in the plan.

Matching contributions under this defined contribution 403(b) plan were $11,921 and $11,085 in fiscal years 2024 and 2023, respectively.

Doctors Community Hospital Plan

LHDCMC froze the defined benefit pension plan that it sponsors (the LHDCMC Plan) in 2011, which covered substantially all employees. The benefits are based on years of service and employee compensation during years of employment. LHDCMC's funding policy is to make sufficient contributions to the LHDCMC Plan to comply with the minimum funding provisions of the Employee Retirement Income Security Act of 1974 (ERISA). LHDCMC does not expect to contribute to the LHDCMC Plan during 2025 to keep the funding levels at the ERISA requirements. The measurement date of the LHDCMC Plan is June 30.

(Continued)

(Dollars in thousands)

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the years ended June 30 and the accumulated benefit obligation for LHDCMC is as follows:

		June 30	
		2024	2023
Accumulated benefit obligation	$	17,071	17,917
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	17,917	18,412
Service cost		495	270
Interest cost		819	744
Settlement loss		(55)	—
Actuarial loss		45	(173)
Benefits paid		(692)	(1,336)
Settlements paid		(1,458)	—
Projected benefit obligation at end of year		17,071	17,917
Change in plan assets:			
Fair value of plan assets at beginning of year		15,621	15,769
Actual return on plan assets		1,591	1,187
Employer contribution		147	—
Benefits paid		(185)	(1,055)
Settlements paid		(1,966)	(280)
Fair value of plan assets at end of year		15,208	15,621
Net liability recognized	$	1,863	2,296
Net amounts recognized on the consolidated balance sheets consist of:			
Accrued pension costs	$	(1,863)	(2,296)
Amounts recognized in net assets without donor restrictions that have not been recognized in net periodic benefit costs consist of:			
Net actuarial loss	$	3,431	5,207

(Dollars in thousands)

The following table sets forth the weighted average assumptions used to determine the benefit obligations of LHDCMC:

	June 30	
	2024	**2023**
Discount rate	5.20 %	4.85 %
Rate of compensation increase	N/A	N/A

The following table sets forth the weighted average assumptions used to determine the net periodic benefit cost:

	Year ended June 30	
	2024	**2023**
Discount rate	4.85 %	4.25 %
Expected return on plan assets	3.75	6.00
Rate of compensation increase	N/A	N/A

LHDCMC's net periodic pension benefit cost included the following components:

	June 30	
	2024	**2023**
Service cost	$ 495	270
Interest cost	819	744
Expected return on plan assets	(548)	(557)
Recognized net actuarial loss	430	537
Effect of settlement	293	—
Net periodic cost	$ 1,489	994

LHDCMC recorded $495 and $270 of the net periodic benefit cost in salaries and wages expense during the years ended June 30, 2024 and 2023, respectively, and recorded $994 and $724 in other income, net during the years ended June 30, 2024 and 2023, respectively.

LHDCMC's target asset allocation percentages as of June 30, 2024, were as follows: 54% fixed income, 26% cash, 10% international equity, and 10% domestic equity.

(Dollars in thousands)

The following table presents the fair value hierarchy of assets of the defined benefit pension plan of LHDCMC:

	June 30, 2024			
	Total	Quoted Prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Mutual funds:				
U.S. common stock	$ 1,567	1,567	—	—
Corporate bonds	8,343	8,343	—	—
Cash and cash equivalents	3,786	3,786	—	—
International equity	1,512	1,512	—	—
Assets measured at fair value	$ 15,208	15,208	—	—

	June 30, 2023			
	Total	Quoted Prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Mutual funds:				
U.S. common stock	$ 7,293	7,293	—	—
Corporate bonds	7,405	7,405	—	—
International equity	923	923	—	—
Assets measured at fair value	$ 15,621	15,621	—	—

(Dollars in thousands)

The following benefit payments for LHDCMC are expected to be paid:

2025	$	2,073
2026		1,344
2027		1,331
2028		1,147
2029		1,109
2030–2034		5,301

LHDCMC has a 403(b) defined-contribution plan (the contribution plan) covering substantially all its employees. The contribution plan is employee and employer contributory. LHDCMC contributed a match of $0.50 for every $1.00 of elective deferrals for a plan year for eligible employees up to 4% of base compensation. Defined contribution plan expense amounted to $2,876 and $2,639 for 2024 and 2023, respectively.

LHDCMC has a deferred compensation plan that permits certain executives to defer receiving a portion of their compensation. The deferred amounts are included in other assets in the accompanying consolidated balance sheets. The associated liability of an equal amount is included in other liabilities on the accompanying consolidated balance sheets. The liability recorded regarding the deferred compensation was $1,862 and $2,974 as of June 30, 2024 and 2023, respectively.

LHDCMC is the beneficiary of split dollar life insurance policies in place for certain executives. The amounts that could be realized by LHDCMC under the insurance contracts are approximately $9,010 as of June 30, 2024 and 2023, are included in other assets on the consolidated balance sheets.

(8) Concentrations of Credit Risk

Certain members of Luminis Health grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	June 30	
	2024	2023
Medicare	23 %	23 %
Medicaid	7	5
Blue Cross	17	16
Commercial, HMO, PPO, and other	39	39
Patients	14	17
	100 %	100 %

(Dollars in thousands)

(9) Self-Insured Liabilities

Luminis Health maintains self-insurance programs for professional and general liability risks, employee health and workers' compensation claims. Estimated liabilities have been recorded based on actuarial estimation of reported and incurred but not reported claims. The accrued liabilities for these programs as of June 30 were as follows:

Professional and general liability	$	79,911	76,297
Employee health		2,934	4,547
Workers' compensation		2,550	2,442
Total self-insurance liabilities		85,395	83,286
Less current portion		26,958	27,357
Total self-insurance liabilities, net of current portion	$	58,437	55,929

Cottage purchases reinsurance coverage from other highly rated insurance carriers to cover their liabilities in excess of various retentions. The receivable for the expected reinsurance receivable is recorded on the consolidated balance sheet within other assets. Amounts in excess of the self-insured limited are insured by highly rated commercial companies.

(10) Commitments and Contingencies

Leases

The following table presents the components of the Luminis Health's right-of-use assets and liabilities related to ASC 842 leases and their classification in Luminis Health's consolidated balance sheets:

Component of lease balances	Classification in consolidated balance sheet		June 30 2024	June 30 2023
Assets:				
Financing lease assets	Right-of-use assets	$	6,136	7,876
Operating lease assets	Right-of-use assets		30,370	36,735
Total leased assets		$	36,506	44,611
Liabilities:				
Operating lease liabilities:				
Current	Lease liability short term	$	4,603	6,320
Long term	Lease liability long term		27,390	32,278
Financing lease liabilities:				
Current	Lease liability short term		895	494
Long term	Lease liability long term		4,945	6,952
Total lease liabilities		$	37,833	46,044

(Continued)

Luminis Health determines if an arrangement is a lease at inception of the contract. The right-of-use assets represent Luminis Health's right to use the underlying assets for the lease term and the lease liabilities represent Luminis Health's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Luminis Health uses a risk-free discount rate that is determined using Treasury securities of a comparable term to that of its leases when acting as a lessee.

Luminis Health's operating leases are primarily for 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. Luminis Health's 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 five to ten years. The exercise of lease renewal options is at Luminis Health's sole discretion. In general, Luminis Health does not consider renewal options to be reasonably likely to be exercised; therefore, renewal options are generally not recognized as part of Luminis Health's right-of-use assets and lease liabilities. Certain equipment leases also include options to purchase the leased equipment. The useful life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. Luminis Health currently does not have any leases whereby there is a transfer of title or a purchase option that is reasonably certain to be exercised; hence, all of Luminis Health's leases are depreciated over the lease term.

Certain of the Luminis Health's 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 but are not included in the right-of-use asset or liability balances. Luminis Health's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

Luminis Health elected the accounting policy practical expedients by class of underlying asset to: (i) exclude recording leases with an initial term of 12 months or less (short-term leases) as right-of-use assets and liabilities on the consolidated balance sheets; and (ii) combine associated lease and non-lease components into a single lease component. Non-lease components, which are not significant overall, are combined with lease components. Luminis Health has elected these practical expedients for real estate, equipment, and all other asset classes when acting as a lessee.

(Dollars in thousands)

The following table presents the components of the Luminis Health's lease expense:

		Year ended June 30	
		2024	**2023**
Operating lease expense	$	7,580	9,297
Finance lease expense:			
Amortization of leased assets		1,418	1,044
Interest on lease liabilities		316	248
Total finance lease expense		1,734	1,292
Variable lease expense		60	60
Short-term lease expense		—	—
Total lease expense	$	9,374	10,649

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

	June 30	
	2024	**2023**
Weighted average remaining lease term (years):		
Operating leases	7.7	8.1
Finance leases	4.1	5.1
Weighted average discount rate:		
Operating leases	3.5 %	3.5 %
Finance leases	5.0 %	5.0 %

Cash flow and other information related to leases are included in the following table:

		Year ended June 30	
		2024	**2023**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash outflows from operating leases	$	13,764	16,984
Operating cash outflows from finance leases		—	—
Financing cash inflows from finance leases		—	1,463
Financing cash outflows from finance leases		1,625	997

(Continued)

(Dollars in thousands)

The following table summarizes the maturity lease obligations as of June 30, 2024:

		Operating leases	Finance leases	Total
2025	$	4,741	1,248	5,989
2026		4,661	1,437	6,098
2027		4,357	1,505	5,862
2028		3,831	1,204	5,035
2029		3,891	689	4,580
Thereafter		11,556	44	11,600
Total lease payments		33,037	6,127	39,164
Less imputed interest		(1,044)	(287)	(1,331)
Total lease liabilities	$	31,993	5,840	37,833

Contingencies

Members of Luminis Health have been named as defendants in various legal proceedings arising from the performance of their normal activities. In the opinion of management, after consultation with legal counsel and after consideration of applicable insurance, the amount of Luminis Health's ultimate liability under all current legal proceedings will not have a material adverse effect on its consolidated financial position or results of operations.

Risks and Uncertainty

The Company recognizes the increasing importance of cybersecurity in today's digital landscape. As a result, the Company has implemented various measures to mitigate the risk of cyber threats and protect our systems and data as well as monitor the risks that our vendors have. However, we understand that no system is completely immune to cyberattacks, and there is a possibility that an unauthorized access, data breach, or other cybersecurity incident may occur at either one of our systems or at one of vendors' systems. In the event of a significant cyber incident, there could be a significant impact to the Company's future operating results, financial condition, or liquidity. However, to mitigate the potential impact to the Company if such an event were to occur, the Company maintains cyber insurance coverage. While we believe our cybersecurity measures and our vendors' measures are robust, there can be no assurance that they will prevent all cyber threats or that there will not be a cyber incident in the future that may not have a significant adverse effect on our financial condition, liquidity, or results of operations.

(Dollars in thousands)

(11) Functional Expenses

Members of Luminis Health provide general healthcare services to residents within their service area. Expenses related to providing these services are as follows:

		Healthcare services	General and administrative	Total
Year ended June 30, 2024:				
Salaries and wages	$	519,838	57,805	577,643
Employee benefits		27,117	60,292	87,409
Supplies		194,296	—	194,296
Purchased services		86,812	183,851	270,663
Depreciation and amortization		14,749	22,730	37,479
Interest		16,638	—	16,638
Total operating expenses	$	859,450	324,678	1,184,128
Year ended June 30, 2023:				
Salaries and wages	$	545,302	26,123	571,425
Employee benefits		33,166	57,771	90,937
Supplies		193,245	—	193,245
Purchased services		46,610	206,649	253,259
Depreciation and amortization		14,100	24,224	38,324
Interest		13,773	—	13,773
Total operating expenses	$	846,196	314,767	1,160,963

(12) Net Assets

Net assets with donor restrictions are restricted for use, as follows:

		June 30	
		2024	2023
Hospital capital additions	$	6,123	6,729
Hospital operating programs		14,767	16,953
	$	20,890	23,682

(13) Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date are comprised of the following:

		June 30	
		2024	**2023**
Cash and cash equivalents	$	14,471	26,735
Short-term investments		610	535
Patient receivables		156,766	145,831
Investments (excluding alternative investments)*		419,016	381,981
Total financial assets	$	590,863	555,082

* While these investments are long-term in nature, they are available for general expenditures within one year of the balance sheet date, if necessary.

Luminis Health's bond covenant requires Luminis Health to maintain unrestricted cash and marketable securities on hand to meet 70 days of normal operating expenses.

(14) Subsequent Events

Luminis Health has evaluated the impact of subsequent events through October 2, 2024, representing the date at which the accompanying consolidated financial statements were available to be issued. No events have occurred that require disclosure in or adjustments to the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Supplementary Description of Consolidating and Eliminating Entries

June 30, 2024

1. To eliminate intercompany payables and receivables
2. To eliminate investments in subsidiaries and related net asset accounts
3. To eliminate intercompany income and expense generated from management fees, staffing contracts, captive insurance premiums, and operating leases
4. To eliminate intercompany notes
5. To eliminate income of wholly owned subsidiaries
6. To eliminate intercompany revenue and expense for interest and other miscellaneous transactions

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Supplementary Consolidating Balance Sheet

June 30, 2024

(Dollars in thousands)

Assets	Luminis Health Inc.	Luminis Health Anne Arundel Medical Center, Inc. and Subsidiaries	Luminis Health Doctors Community Medical Center, Inc. and Subsidiaries	Luminis Health Clinical Enterprise, Inc. and Subsidiaries	Luminis Health Ventures, LLC and Subsidiaries	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	$ (3,398)	9,564	4,215	1,555	2,535	—	14,471
Short-term investments	—	610	—	—	—	—	610
Current portion of assets whose use is limited	—	6,199	1,604	—	6,437	—	14,240
Patient receivables	(8)	87,727	37,298	30,683	1,066	—	156,766
Inventories and supplies	—	8,528	3,462	1,489	—	—	13,479
Prepaid expenses and other current assets	7,725	4,723	3,654	1,843	1,211	—	19,156
Intercompany receivables/(payables)	(110,057)	124,707	(54,824)	(556)	40,730	—	—
Right-of-use assets – short term	—	420	129	452	—	—	1,001
Total current assets	(105,738)	242,478	(4,462)	35,466	51,979	—	219,723
Property and equipment	(252)	796,560	194,547	62,214	149,069	—	1,202,138
Less accumulated depreciation and amortization	149	(466,584)	(42,799)	(44,760)	(75,638)	—	(629,632)
Net property and equipment	(103)	329,976	151,748	17,454	73,431	—	572,506
Other assets:							
Investments	—	478,893	20,187	—	1,893	—	500,973
Investments in joint ventures	—	—	—	3,391	11,928	—	15,319
Assets whose use is limited	—	19,540	—	—	42,092	—	61,632
Restricted collateral for interest rate swap contract	—	1,853	—	—	—	—	1,853
Right-of-use assets – long term	—	3,650	13,866	12,078	5,911	—	35,505
Investment in subsidiaries	802,891	—	—	—	—	(802,891)	—
Other assets	—	34,794	18,348	1,391	14,003	—	68,536
Total assets	$ 697,050	1,111,184	199,687	69,780	201,237	(802,891)	1,476,047

(Continued)

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Supplementary Consolidating Balance Sheet

June 30, 2024

(Dollars in thousands)

Liabilities and Net Assets	Luminis Health Inc.	Luminis Health Anne Arundel Medical Center, Inc. and Subsidiaries	Luminis Health Doctors Community Medical Center, Inc. and Subsidiaries	Luminis Health Clinical Enterprise, Inc. and Subsidiaries	Luminis Health Ventures, LLC and Subsidiaries	Eliminations	Consolidated
Current liabilities:							
Accounts payable	$ 3,517	55,655	9,289	9,813	4,810	—	83,084
Accrued salaries, wages, and benefits	26,198	21,285	6,230	8,862	—	—	62,575
Other accrued expenses	40	19,211	5,170	2,386	676	—	27,483
Current portion of long-term debt	—	33,255	5,255	—	8,021	—	46,531
Advances from third-party payors	153	29,838	10,000	3,280	393	—	43,664
Lease liability – short term	—	1,040	1,997	1,648	813	—	5,498
Total current liabilities	29,908	160,284	37,941	25,989	14,713	—	268,835
Long-term liabilities:							
Long-term debt, less current portion and unamortized original issue premium	—	257,899	101,441	—	37,577	—	396,917
Interest rate swap contract	—	30,002	—	—	—	—	30,002
Accrued pension liability	—	—	1,863	—	—	—	1,863
Lease liability – long term	—	3,181	12,675	10,992	5,487	—	32,335
Other long-term liabilities	—	—	21,008	167	55,480	—	76,655
Total liabilities	29,908	451,366	174,928	37,148	113,257	—	806,607
Net assets:							
Without donor restrictions	644,433	638,590	23,728	32,632	86,012	(778,813)	646,582
Non-controlling interest	—	—	—	—	1,968	—	1,968
Total net assets without donor restrictions	644,433	638,590	23,728	32,632	87,980	(778,813)	648,550
With donor restrictions	22,709	21,228	1,031	—	—	(24,078)	20,890
Total net assets	667,142	659,818	24,759	32,632	87,980	(802,891)	669,440
Total liabilities and net assets	$ 697,050	1,111,184	199,687	69,780	201,237	(802,891)	1,476,047

See accompanying independent auditors' report.

LUMINIS HEALTH, INC. AND SUBSIDIARIES

Supplementary Consolidating Statement of Operations

Year ended June 30, 2024

(Dollars in thousands)

	Luminis Health Inc.	Luminis Health Anne Arundel Medical Center, Inc. and Subsidiaries	Luminis Health Doctors Community Medical Center, Inc. and Subsidiaries	Luminis Health Clinical Enterprise, Inc. and Subsidiaries	Luminis Health Ventures, LLC and Subsidiaries	Eliminations	Consolidated
Operating revenue:							
Net patient service revenue	$ —	650,635	248,824	229,725	6,045	—	1,135,229
Other operating revenue	—	14,574	5,029	60,025	41,583	(83,778)	37,433
Total operating revenue	—	665,209	253,853	289,750	47,628	(83,778)	1,172,662
Operating expenses:							
Salaries and wages	58,790	222,269	96,039	199,162	1,383	—	577,643
Employee benefits	10,003	38,904	15,918	22,309	275	—	87,409
Supplies	842	116,039	36,787	40,385	243	—	194,296
Purchased services	77,202	126,162	62,479	56,868	30,467	(82,515)	270,663
Foundation transfer	—	387	860	—	—	(1,247)	—
Depreciation and amortization	—	20,439	10,699	3,458	2,883	—	37,479
Interest	5	9,708	3,821	—	3,120	(16)	16,638
Shared services	(146,842)	113,846	32,996	—	—	—	—
Total operating expenses	—	647,754	259,599	322,182	38,371	(83,778)	1,184,128
Operating income (loss)	—	17,455	(5,746)	(32,432)	9,257	—	(11,466)
Other income (loss):							
Investment income (loss), net	(151)	19,646	1,066	756	1,924	—	23,241
Income (loss) from joint ventures and other, net	44,679	(140)	(2,348)	1,500	915	(44,719)	(113)
Pension expense, net	—	(2,775)	(1,489)	—	—	—	(4,264)
Change in unrealized gains on trading securities, net	—	25,737	330	—	1,496	—	27,563
Realized and unrealized gains on interest rate swap contracts, net	—	6,311	—	—	—	—	6,311
Total other income (loss), net	44,528	48,779	(2,441)	2,256	4,335	(44,719)	52,738
Excess (deficit) of revenues over expenses	$ 44,528	66,234	(8,187)	(30,176)	13,592	(44,719)	41,272

See accompanying independent auditors' report.

LUMINIS HEALTH ANNE ARUNDEL MEDICAL CENTER, INC. AND SUBSIDIARIES

Supplementary Consolidating Balance Sheet

June 30, 2024

(Dollars in thousands)

Assets	Luminis Health Anne Arundel Medical Center, Inc.	Luminis Health Pathways, Inc.	Luminis Health J Kent McNew Family Medical Center, Inc.	Luminis Health Anne Arundel Medical Center Foundation, Inc.	Eliminations	Luminis Health Anne Arundel Medical Center Inc. and Subsidiaries
Current assets:						
Cash and cash equivalents	$ 398	1	1	9,164	—	9,564
Short-term investments	—	—	—	610	—	610
Current portion of assets whose use is limited	6,199	—	—	—	—	6,199
Patient receivables	86,374	602	751	—	—	87,727
Inventories and supplies	8,528	—	—	—	—	8,528
Prepaid expenses and other current assets	2,211	—	39	2,473	—	4,723
Intercompany receivables/(payables)	172,726	(6,815)	(29,379)	(11,825)	—	124,707
Right-of-use assets – short term	420	—	—	—	—	420
Total current assets	276,856	(6,212)	(28,588)	422	—	242,478
Property and equipment	751,828	13,876	28,590	2,266	—	796,560
Less accumulated depreciation and amortization	(456,287)	(6,141)	(3,712)	(444)	—	(466,584)
Net property and equipment	295,541	7,735	24,878	1,822	—	329,976
Other assets:						
Investments	477,076	—	—	1,817	—	478,893
Assets whose use is limited	—	—	—	19,540	—	19,540
Beneficial interest in net assets of Anne Arundel Medical Center Foundation, Inc.	24,944	—	—	—	(24,944)	—
Restricted collateral for interest rate swap contract	1,853	—	—	—	—	1,853
Right-of-use assets – long term	3,650	—	—	—	—	3,650
Investment in subsidiaries	(2,978)	—	—	—	2,978	—
Other assets	33,151	—	—	1,643	—	34,794
Total assets	$ 1,110,093	1,523	(3,710)	25,244	(21,966)	1,111,184

(Continued)

LUMINIS HEALTH ANNE ARUNDEL MEDICAL CENTER, INC. AND SUBSIDIARIES

Supplementary Consolidating Balance Sheet

June 30, 2024

(Dollars in thousands)

Liabilities and Net Assets	Luminis Health Anne Arundel Medical Center, Inc.	Luminis Health Pathways, Inc.	Luminis Health J Kent McNew Family Medical Center, Inc.	Luminis Health Anne Arundel Medical Center Foundation, Inc.	Eliminations	Luminis Health Anne Arundel Medical Center Inc. and Subsidiaries
Current liabilities:						
Accounts payable	$ 55,056	558	21	20	—	55,655
Accrued salaries, wages, and benefits	20,996	131	80	78	—	21,285
Other accrued expenses	19,008	1	—	202	—	19,211
Current portion of long-term debt	33,255	—	—	—	—	33,255
Advances from third-party payors	29,838	—	—	—	—	29,838
Lease liability – short term	1,040	—	—	—	—	1,040
Total current liabilities	159,193	690	101	300	—	160,284
Long-term liabilities:						
Long-term debt, less current portion	257,899	—	—	—	—	257,899
Interest rate swap contract	30,002	—	—	—	—	30,002
Lease liability – long term	3,181	—	—	—	—	3,181
Total liabilities	450,275	690	101	300	—	451,366
Net assets:						
Without donor restrictions	635,708	833	(3,811)	4,420	1,440	638,590
Non-controlling interest	—	—	—	—	—	—
Total net assets without donor restrictions	635,708	833	(3,811)	4,420	1,440	638,590
With donor restrictions	24,110	—	—	20,524	(23,406)	21,228
Total net assets	659,818	833	(3,811)	24,944	(21,966)	659,818
Total liabilities and net assets	$ 1,110,093	1,523	(3,710)	25,244	(21,966)	1,111,184

See accompanying independent auditors' report.

LUMINIS HEALTH ANNE ARUNDEL MEDICAL CENTER, INC. AND SUBSIDIARIES

Supplementary Consolidating Statement of Operations

Year ended June 30, 2024

(Dollars in thousands)

	Luminis Health Anne Arundel Medical Center, Inc.	Luminis Health Pathways, Inc.	Luminis Health J Kent McNew Family Medical Center, Inc.	Luminis Health Anne Arundel Medical Center Foundation, Inc.	Eliminations	Luminis Health Anne Arundel Medical Center Inc. and Subsidiaries
Operating revenue:						
Net patient service revenue	$ 639,290	4,156	7,189	—	—	650,635
Other operating revenue	12,580	157	142	6,328	(4,633)	14,574
Total operating revenue	651,870	4,313	7,331	6,328	(4,633)	665,209
Operating expenses:						
Salaries and wages	212,368	4,287	4,583	1,031	—	222,269
Employee benefits	37,247	700	816	141	—	38,904
Supplies	115,297	481	243	18	—	116,039
Purchased services	122,378	544	1,807	1,433	—	126,162
Foundation transfer	—	—	—	5,020	(4,633)	387
Depreciation and amortization	19,259	353	718	109	—	20,439
Interest	9,708	—	—	—	—	9,708
Shared services	113,846	—	—	—	—	113,846
Total operating expenses	630,103	6,365	8,167	7,752	(4,633)	647,754
Operating loss	21,767	(2,052)	(836)	(1,424)	—	17,455
Other income (loss):						
Investment income, net	19,646	—	—	—	—	19,646
(Loss) income from joint ventures and other, net	(3,029)	—	—	—	2,889	(140)
Pension expense, net	(2,775)	—	—	—	—	(2,775)
Change in unrealized gains on trading securities, net	25,737	—	—	—	—	25,737
Realized and unrealized gains on interest rate swap contracts, net	6,311	—	—	—	—	6,311
Total other income, net	45,890	—	—	—	2,889	48,779
Excess (deficit) of revenues over expenses	$ 67,657	(2,052)	(836)	(1,424)	2,889	66,234

See accompanying independent auditors' report.

LUMINIS HEALTH DOCTORS COMMUNITY MEDICAL CENTER, INC. AND SUBSIDIARIES

Supplementary Consolidating Balance Sheet

June 30, 2024

(Dollars in thousands)

Assets	Luminis Health Doctors Community Medical Center, Inc.	Doctors Community Health Ventures, Inc.	Luminis Health Doctors Community Medical Center Foundation, Inc.	Eliminations	Luminis Health Doctors Community Medical Center, Inc. and Subsidiaries
Current assets:					
Cash and cash equivalents	$ 2,007	403	1,805	—	4,215
Short-term investments	—	—	—	—	—
Current portion of assets whose use is limited	1,604	—	—	—	1,604
Patient receivables	37,288	10	—	—	37,298
Inventories and supplies	3,462	—	—	—	3,462
Prepaid expenses and other current assets	3,275	206	173	—	3,654
Intercompany receivables/(payables)	(15,493)	(36,118)	(3,213)	—	(54,824)
Right-of-use assets – short term	129	—	—	—	129
Total current assets	32,272	(35,499)	(1,235)	—	(4,462)
Property and equipment	194,547	—	—	—	194,547
Less accumulated depreciation and amortization	(42,799)	—	—	—	(42,799)
Net property and equipment	151,748	—	—	—	151,748
Other assets:					
Investments	20,187	—	—	—	20,187
Beneficial interest in net assets of Foundation	(1,462)	—	—	1,462	—
Right-of-use assets – long term	13,866	—	—	—	13,866
Investment in subsidiaries	(35,933)	(1,877)	—	37,810	—
Other assets	18,195	—	153	—	18,348
Total assets	$ 198,873	(37,376)	(1,082)	39,272	199,687

(Continued)

LUMINIS HEALTH DOCTORS COMMUNITY MEDICAL CENTER, INC. AND SUBSIDIARIES

Supplementary Consolidating Balance Sheet

June 30, 2024

(Dollars in thousands)

Liabilities and Net Assets	Luminis Health Doctors Community Medical Center, Inc.	Doctors Community Health Ventures, Inc.	Luminis Health Doctors Community Medical Center Foundation, Inc.	Eliminations	Luminis Health Doctors Community Medical Center, Inc. and Subsidiaries
Current liabilities:					
Accounts payable	$ 8,903	322	64	—	9,289
Accrued salaries, wages, and benefits	6,231	—	(1)	—	6,230
Other accrued expenses	5,170	—	—	—	5,170
Current portion of long-term debt	5,255	—	—	—	5,255
Advances from third-party payors	9,939	61	—	—	10,000
Lease liability – short term	1,997	—	—	—	1,997
Total current liabilities	37,495	383	63	—	37,941
Long-term liabilities:					
Long-term debt, less current portion	101,441	—	—	—	101,441
Accrued pension liability	1,863	—	—	—	1,863
Lease liability – long term	12,675	—	—	—	12,675
Other long-term liabilities	20,957	51	—	—	21,008
Total liabilities	174,431	434	63	—	174,928
Net assets:					
Without donor restrictions	24,223	(37,810)	(1,022)	38,337	23,728
Non-controlling interest	—	—	—	—	—
Total net assets without donor restrictions	24,223	(37,810)	(1,022)	38,337	23,728
With donor restrictions	219	—	(123)	935	1,031
Total net assets	24,442	(37,810)	(1,145)	39,272	24,759
Total liabilities and net assets	$ 198,873	(37,376)	(1,082)	39,272	199,687

See accompanying independent auditors' report.

LUMINIS HEALTH DOCTORS COMMUNITY MEDICAL CENTER, INC. AND SUBSIDIARIES

Supplementary Consolidating Statement of Operations

Year ended June 30, 2024

(Dollars in thousands)

	Luminis Health Doctors Community Medical Center, Inc.	Doctors Community Health Ventures, Inc.	Luminis Health Doctors Community Medical Center Foundation, Inc.	Eliminations	Luminis Health Doctors Community Medical Center, Inc. and Subsidiaries
Operating revenue:					
Net patient service revenue	$ 248,824	—	—	—	248,824
Other operating revenue	4,515	—	1,520	(1,006)	5,029
Total operating revenue	253,339	—	1,520	(1,006)	253,853
Operating expenses:					
Salaries and wages	95,492	—	547	—	96,039
Employee benefits	15,831	—	87	—	15,918
Supplies	36,778	—	9	—	36,787
Purchased services	62,469	—	356	(346)	62,479
Foundation transfer	—	—	1,520	(660)	860
Depreciation and amortization	10,699	—	—	—	10,699
Interest	3,821	—	—	—	3,821
Shared services	32,996	—	—	—	32,996
Total operating expenses	258,086	—	2,519	(1,006)	259,599
Operating loss	(4,747)	—	(999)	—	(5,746)
Other income (loss):					
Investment income, net	1,066	—	—	—	1,066
Loss from joint ventures and other, net	(2,348)	(4,424)	—	4,424	(2,348)
Pension expense, net	(1,489)	—	—	—	(1,489)
Change in unrealized gains on trading securities, net	330	—	—	—	330
Total other loss, net	(2,441)	(4,424)	—	4,424	(2,441)
Deficit of revenues over expenses	$ (7,188)	(4,424)	(999)	4,424	(8,187)

See accompanying independent auditors' report.

LUMINIS HEALTH OBLIGATED GROUP

Supplementary Combining Balance Sheet

June 30, 2024

(Dollars in thousands)

Assets	Luminis Health, Inc.	Luminis Health Anne Arundel Medical Center, Inc.	Luminis Health Imaging, Inc.	Luminis Health Doctors Community Medical Center, Inc.	Eliminations	Luminis Health Obligated Group
Current assets:						
Cash and cash equivalents	$ (3,398)	398	27	2,007	—	(966)
Short-term investments	—	—	—	—	—	—
Current portion of assets whose use is limited	—	6,199	—	1,604	—	7,803
Patient receivables	(8)	86,374	13,194	37,288	—	136,848
Inventories and supplies	—	8,528	—	3,462	—	11,990
Prepaid expenses and other current assets	7,725	2,211	57	3,275	—	13,268
Intercompany receivables/(payables)	(110,057)	172,726	105,262	(15,493)	—	152,438
Right-of-use assets – short term	—	420	445	129	—	994
Total current assets	(105,738)	276,856	118,985	32,272	—	322,375
Property and equipment	(252)	751,828	26,730	194,547	—	972,853
Less accumulated depreciation and amortization	149	(456,287)	(21,916)	(42,799)	—	(520,853)
Net property and equipment	(103)	295,541	4,814	151,748	—	452,000
Other assets:						
Investments	—	477,076	—	20,187	—	497,263
Assets whose use is limited	—	—	—	—	—	—
Beneficial interest in net assets of the Foundation	—	24,944	—	—	—	24,944
Restricted collateral for interest rate swap contract	—	1,853	—	(1,462)	—	391
Right-of-use assets – long term	—	3,650	2,444	13,866	—	19,960
Investment in subsidiaries	802,891	(2,978)	—	(35,933)	(802,751)	(38,771)
Other assets	—	33,151	—	18,195	—	51,346
Total assets	$ 697,050	1,110,093	126,243	198,873	(802,751)	1,329,508

(Continued)

LUMINIS HEALTH OBLIGATED GROUP

Supplementary Combining Balance Sheet

June 30, 2024

(Dollars in thousands)

Liabilities and Net Assets	Luminis Health, Inc.	Luminis Health Anne Arundel Medical Center, Inc.	Luminis Health Imaging, Inc.	Luminis Health Doctors Community Medical Center, Inc.	Eliminations	Luminis Health Obligated Group
Current liabilities:						
Accounts payable	$ 3,517	55,056	4,195	8,903	—	71,671
Accrued salaries, wages, and benefits	26,198	20,996	327	6,231	—	53,752
Other accrued expenses	40	19,008	—	5,170	—	24,218
Current portion of long-term debt	—	33,255	—	5,255	—	38,510
Advances from third-party payors	153	29,838	723	9,939	—	40,653
Lease liability – short term	—	1,040	75	1,997	—	3,112
Total current liabilities	29,908	159,193	5,320	37,495	—	231,916
Long-term liabilities:						
Long-term debt, less current portion	—	257,899	—	101,441	—	359,340
Interest rate swap contract	—	30,002	—	—	—	30,002
Accrued pension liability	—	—	—	1,863	—	1,863
Lease liability – long term	—	3,181	2,418	12,675	—	18,274
Other long-term liabilities	—	—	—	20,957	—	20,957
Total liabilities	29,908	450,275	7,738	174,431	—	662,352
Net assets:						
Without donor restrictions	644,433	635,708	118,505	24,223	(778,673)	644,196
Non-controlling interest	—	—	—	—	—	—
Total net assets without donor restrictions	644,433	635,708	118,505	24,223	(778,673)	644,196
With donor restrictions	22,709	24,110	—	219	(24,078)	22,960
Total net assets	667,142	659,818	118,505	24,442	(802,751)	667,156
Total liabilities and net assets	$ 697,050	1,110,093	126,243	198,873	(802,751)	1,329,508

See accompanying independent auditors’ report.

LUMINIS HEALTH OBLIGATED GROUP

Supplementary Combining Statement of Operations

Year ended June 30, 2024

(Dollars in thousands)

	Luminis Health, Inc.	Luminis Health Anne Arundel Medical Center, Inc.	Luminis Health Imaging, Inc.	Luminis Health Doctors Community Medical Center, Inc.	Eliminations	Luminis Health Obligated Group
Operating revenue:						
Net patient service revenue	$ —	639,290	33,575	248,824	—	921,689
Other operating revenue	—	12,580	9	4,515	—	17,104
Total operating revenue	—	651,870	33,584	253,339	—	938,793
Operating expenses:						
Salaries and wages	58,790	212,368	8,634	95,492	—	375,284
Employee benefits	10,003	37,247	1,553	15,831	—	64,634
Supplies	842	115,297	1,971	36,778	—	154,888
Purchased services	77,202	122,378	17,010	62,469	—	279,059
Depreciation and amortization	—	19,259	1,623	10,699	—	31,581
Interest	5	9,708	—	3,821	—	13,534
Shared services	(146,842)	113,846	—	32,996	—	—
Total operating expenses	—	630,103	30,791	258,086	—	918,980
Operating income (loss)	—	21,767	2,793	(4,747)	—	19,813
Other income (loss):						
Investment income (loss), net	(151)	19,646	—	1,066	—	20,561
Income (loss) from joint ventures and other, net	44,679	(3,029)	—	(2,348)	(63,975)	(24,673)
Pension expense, net	—	(2,775)	—	(1,489)	—	(4,264)
Change in unrealized gains on trading securities, net	—	25,737	—	330	—	26,067
Realized and unrealized gains on interest rate swap contracts, net	—	6,311	—	—	—	6,311
Total other income (loss), net	44,528	45,890	—	(2,441)	(63,975)	24,002
Excess (deficit) of revenues over expenses	$ 44,528	67,657	2,793	(7,188)	(63,975)	43,815

See accompanying independent auditors' report.