KPMG

MEDSTAR HEALTH, INC.

Consolidated Financial Statements and
Supplementary Information

June 30, 2024 and 2023

(With Independent Auditors’ Report Thereon)

MEDSTAR HEALTH, INC.

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

Independent Auditors' Report

The Board of Directors
MedStar Health, Inc.:

Opinion

We have audited the consolidated financial statements of MedStar Health, Inc. (the Corporation), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024 and 2023, and the results of its operations, the changes in its net assets, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation 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 Corporation's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 supplementary information included in Schedules 1 and 2 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 1, 2024

MEDSTAR HEALTH, INC.

Consolidated Balance Sheets

June 30, 2024 and 2023

(Dollars in millions)

Assets		2024	2023
Current assets:			
Cash and cash equivalents	$	835.0	810.9
Investments		166.9	162.0
Assets whose use is limited or restricted		75.2	81.5
Receivables:			
Patient accounts receivable, net		1,048.6	930.1
Other receivables		152.9	142.7
		1,201.5	1,072.8
Inventories		104.0	98.5
Prepaids and other current assets		67.0	59.3
Total current assets		2,449.6	2,285.0
Investments, net of current portion		1,743.5	1,607.7
Assets whose use is limited or restricted, net of current portion		671.5	587.4
Property and equipment, net		2,317.1	2,230.2
Operating lease right-of-use assets, net		238.4	242.3
Interest in net assets of foundation		84.0	75.8
Goodwill and other intangible assets, net		474.9	479.9
Other assets		331.2	256.2
Total assets	$	8,310.2	7,764.5

(Continued)

MEDSTAR HEALTH, INC.

Consolidated Balance Sheets

June 30, 2024 and 2023

(Dollars in millions)

Liabilities and Net Assets		**2024**	**2023**
Current liabilities:			
Accounts payable and accrued expenses	$	629.8	633.6
Accrued salaries, benefits, and payroll taxes		492.9	457.7
Current portion of amounts due to third-party payors, net		48.9	49.2
Current portion of long-term debt		164.9	34.0
Current portion of self-insurance liabilities		117.4	126.3
Current portion of operating lease liabilities		55.0	51.6
Other current liabilities		193.3	254.6
Total current liabilities		1,702.2	1,607.0
Long-term debt, net of current portion		1,616.3	1,779.4
Self-insurance liabilities, net of current portion		362.7	335.7
Operating lease liabilities, net of current portion		198.4	207.4
Pension liabilities		17.2	94.2
Other long-term liabilities		329.2	279.2
Total liabilities		4,226.0	4,302.9
Net assets:			
Without donor restrictions – attributable to MedStar Health, Inc.		3,737.2	3,127.3
Without donor restrictions – noncontrolling interest		58.1	55.3
Total net assets without donor restrictions		3,795.3	3,182.6
With donor restrictions		288.9	279.0
Total net assets		4,084.2	3,461.6
Total liabilities and net assets	$	8,310.2	7,764.5

See accompanying notes to consolidated financial statements.

MEDSTAR HEALTH, INC.

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2024 and 2023

(Dollars in millions)

		2024	2023
Operating revenues:			
Net patient service revenue	$	6,852.8	6,241.2
Premium revenue		999.8	1,045.2
Other operating revenue		402.2	450.6
Net operating revenues		8,254.8	7,737.0
Operating expenses:			
Personnel		4,558.1	4,324.9
Supplies		1,347.9	1,192.2
Purchased services		1,215.2	1,209.8
Other operating		659.9	589.1
Interest expense		66.9	50.9
Depreciation and amortization		247.5	223.3
Total operating expenses		8,095.5	7,590.2
Earnings from operations		159.3	146.8
Nonoperating gains:			
Investment gains, net		359.4	213.8
Income tax provision		(10.6)	(12.4)
Other nonoperating activities, net		(20.4)	(15.3)
Total nonoperating gains		328.4	186.1
Excess of revenues over expenses	$	487.7	332.9

(Continued)

MEDSTAR HEALTH, INC.

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2024 and 2023

(Dollars in millions)

	Without donor restrictions			
	MedStar Health, Inc.	**Noncontrolling interest**	**With donor restrictions**	**Total**
Balance at June 30, 2022	$ 2,691.7	53.1	277.1	3,021.9
Excess of revenues over expenses	325.1	7.8	—	332.9
Change in funded status of defined benefit plans	84.8	—	—	84.8
Distributions to noncontrolling interests	—	(7.4)	—	(7.4)
Net assets released from restrictions used for purchase of property and equipment and other	25.7	—	(25.7)	—
Noncontrolling interests acquired in acquisitions	—	1.8	—	1.8
Net assets released from restrictions for operations	—	—	(9.8)	(9.8)
Contributions	—	—	25.2	25.2
Investment gains on restricted investments, net	—	—	4.6	4.6
Increase in net assets of foundation	—	—	7.6	7.6
Increase in net assets	435.6	2.2	1.9	439.7
Balance at June 30, 2023	3,127.3	55.3	279.0	3,461.6
Excess of revenues over expenses	476.5	11.2	—	487.7
Change in funded status of defined benefit plans	96.8	—	—	96.8
Distributions to noncontrolling interests	—	(8.8)	—	(8.8)
Net assets released from restrictions used for purchase of property and equipment and other	36.6	—	(36.6)	—
Noncontrolling interests acquired in acquisitions	—	0.4	—	0.4
Net assets released from restrictions for operations	—	—	(13.6)	(13.6)
Contributions	—	—	45.3	45.3
Investment gains on restricted investments, net	—	—	6.6	6.6
Increase in net assets of foundation	—	—	8.2	8.2
Increase in net assets	609.9	2.8	9.9	622.6
Balance at June 30, 2024	$ 3,737.2	58.1	288.9	4,084.2

See accompanying notes to consolidated financial statements.

MEDSTAR HEALTH, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Dollars in millions)

		2024	2023
Cash flows from operating activities:			
Change in net assets	$	622.6	439.7
Adjustments to reconcile change in net assets to net cash provided by operations:			
Depreciation and amortization		247.5	223.3
Change in funded status of defined benefit plans		(96.8)	(84.8)
Investment gains, net and change in derivative instrument		(304.6)	(171.9)
Increase in net assets of foundation		(8.2)	(7.6)
Deferred income tax provision		—	9.5
Donor restricted contributions		(45.3)	(25.2)
Other changes in net assets, net		8.8	7.4
Changes in operating assets and liabilities:			
Receivables		(138.0)	46.9
Accounts payable and accrued expenses		63.1	27.0
Amounts due to third-party payors		13.6	(158.0)
Other		(58.9)	(27.2)
Net cash provided by operations		303.8	279.1
Cash flows from investing activities:			
Purchases of property and equipment, and other		(376.7)	(390.6)
Proceeds from sales of investments and assets whose use is limited or restricted		110.1	27.5
Purchases of investments and assets whose use is limited or restricted		(7.9)	—
Proceeds from sales of alternative investments		22.9	156.2
Purchases of alternative investments		(36.6)	(99.4)
Net cash used in investing activities		(288.2)	(306.3)
Cash flows from financing activities:			
Proceeds from long-term borrowings		6.8	5.6
Repayments of long-term borrowings		(39.8)	(41.9)
Donor restricted contributions		49.9	34.0
Distributions to noncontrolling interests		(8.4)	(5.6)
Net cash provided by (used in) financing activities		8.5	(7.9)
Increase (decrease) in cash and cash equivalents		24.1	(35.1)
Cash and cash equivalents at beginning of year		810.9	846.0
Cash and cash equivalents at end of year	$	835.0	810.9
Supplemental disclosure of cash flow information:			
Cash paid for interest, including capitalized interest	$	80.8	77.9
Supplemental disclosure of noncash investing and financing activities:			
Noncash purchases of property, plant and equipment	$	22.4	69.9

See accompanying notes to consolidated financial statements.

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Organization

MedStar Health, Inc. (MedStar Health or the Corporation) is a tax-exempt, nonstock Maryland corporation which, through its controlled entities and other affiliates, provides and manages healthcare services in the region encompassing Maryland, Washington D.C. (the District) and Northern Virginia. The Corporation became operational on June 30, 1998 by the transfer of the membership interests of Helix Health, Inc. (Helix – a not-for-profit Maryland Corporation) and Medlantic Healthcare Group, Inc. (Medlantic – a not-for-profit Delaware Corporation) in exchange for the guarantee of the debt of both Helix and Medlantic by the Corporation. The trade names of the principal tax-exempt and taxable entities of the Corporation are:

Tax-Exempt

- MedStar Ambulatory Services
- MedStar Franklin Square Medical Center (MFSMC)
- MedStar Georgetown University Hospital (MGUH)
- MedStar Good Samaritan Hospital
- MedStar Harbor Hospital
- MedStar Health Research Institute
- MedStar Health Home Care
- MedStar Medical Group
- MedStar Montgomery Medical Center (MMMC)
- MedStar National Rehabilitation Network
- MedStar Southern Maryland Hospital Center
- MedStar St. Mary’s Hospital (MSMH)
- MedStar Union Memorial Hospital
- MedStar Washington Hospital Center (MWHC)
- HH MedStar Health, Inc.

Taxable

- Greenspring Financial Insurance, LTD.
- MedStar Accountable Care
- MedStar Family Choice, Inc. (MFC)
- MedStar Health Urgent Care
- MedStar Pharmacies
- MedStar Specialty Pharmacy

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- Parkway Ventures
- RadAmerica II

(b) Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). All majority owned subsidiaries, direct member entities and controlled affiliates are consolidated. All significant intercompany accounts and transactions have been eliminated.

(c) Use of Estimates

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

(d) Cash Equivalents

All highly liquid investments with an original maturity date of three months or less are considered to be cash equivalents. Cash equivalents for purposes of the consolidated statements of cash flows excludes investments and assets whose use is limited or restricted.

(e) Investments and Assets Whose Use is Limited or Restricted

The Corporation’s investment portfolio is considered trading and is classified as current or noncurrent based on management’s intention as to use. All securities are reported at fair value principally based on quoted market prices in the consolidated balance sheets. The fair value of alternative investments is measured based on the Net Asset Value (NAV) of the shares in each investment company or partnership as a practical expedient, except for those institutional funds which have readily determinable fair values (RDFV) and are disclosed separately. Purchases and sales of securities are recorded on a trade-date basis.

Investments in unconsolidated affiliates are accounted for under the cost or equity method of accounting, as appropriate, and are included in other assets in the consolidated balance sheets. The Corporation utilizes the equity method of accounting for its investments in entities over which it exercises significant influence. Under the equity method, original investments are recorded at cost and adjusted by the Corporation’s share of earnings or losses in these organizations. The Corporation’s equity income or loss is recognized in other operating revenue within the consolidated statements of operations and changes in net assets.

Assets whose use is limited or restricted include assets held by trustees under bond indentures, self-insurance trust arrangements, assets restricted by donor, and assets designated by the Board of Directors for future capital improvements and other purposes over which it retains control and may, at its discretion, use for other purposes. Amounts from these funds required to meet current liabilities have been classified in the consolidated balance sheets as current assets.

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Investment income (interest and dividends), realized gains and losses on investment sales, and unrealized gains and losses are reported as investment gains, net within the excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets (unless the income or loss is restricted). Investment income and realized gains and losses on funds held in trust for self-insurance purposes are included in other operating revenue. Investment returns that are restricted by the donor are recorded as a component of changes in donor restricted net assets, in accordance with donor-imposed restrictions. Realized gains and losses are determined based on the specific security's original purchase price or adjusted cost if the investment was previously determined to be other-than-temporarily impaired.

(f) Inventories

Inventories, which primarily consist of medical supplies and pharmaceuticals at many of the operating entities, are stated at the lower of cost or market, with cost being determined primarily under the weighted average cost or first-in, first-out methods.

(g) Property and Equipment, Net

Property and equipment acquisitions are recorded at cost and are depreciated or amortized over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of any interest earned on unexpended bond proceeds. Depreciation is computed on a straight-line basis. Major classes and estimated useful lives of property and equipment are as follows:

Leasehold improvements	Lease term
Buildings and improvements	10–40 years
Equipment	3–20 years

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

Management routinely evaluates the carrying value of its long-lived assets for impairment. No impairment charges were recorded against the carrying value of the Corporation's long-lived assets during the years ended June 30, 2024 and 2023.

(Continued)

(h) Interest in Net Assets of Foundation

The Corporation recognizes its rights to assets held by a recipient organization, which accepts cash or other financial assets from a donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Corporation. Changes in the Corporation's economic interests in the financially interrelated organization are recognized in the consolidated statements of operations and changes in net assets as a component of changes in net assets with donor restrictions.

(i) Goodwill and Other Intangible Assets, Net

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. As of June 30, 2024 and 2023, the Corporation had one reporting unit, which included all subsidiaries of the Corporation, and held goodwill, net on its consolidated balance sheets of $344.1 and $344.5, respectively. Goodwill is evaluated for impairment annually (or sooner if indicators of impairment arise) using a qualitative assessment to determine whether there are events or circumstances that indicate it is more likely than not that the reporting unit's fair value is less than its carrying amount. Based on this qualitative assessment, the Corporation determined that there was no goodwill impairment for the years ended June 30, 2024 and 2023.

Other intangible assets are recorded at fair value and amortized over their estimated useful lives. Other intangible assets were $130.8 and $135.4, net of accumulated amortization of $52.4 and $47.8, as of June 30, 2024 and 2023, respectively. The Corporation recognized amortization expense of $4.6 and $4.5 for the years ended June 30, 2024 and 2023, respectively, related to identifiable intangible assets. Other intangible assets are evaluated for impairment whenever events or circumstances indicate that the carrying value of these assets may not be recoverable. No impairment charges related to other intangibles were recorded for the years ended June 30, 2024 and 2023.

(j) Estimated Professional Liability Costs

The provision for estimated self-insured professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. These estimates are based on actuarial analysis of historical trends, claims asserted and reported incidents. The receivables related to such claims are recorded at their net realizable value and are included in other assets in the accompanying consolidated balance sheets.

(k) Leases

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

Finance leases are included in property and equipment, net and long-term debt in the consolidated balance sheets.

(l) Derivative

The Corporation utilizes a derivative financial instrument to manage its interest rate risks associated with tax-exempt debt. The Corporation does not hold or issue derivative financial instruments for trading purposes. The derivative instrument is recorded within the consolidated balance sheets at its fair value within other long-term liabilities. The Corporation's current derivative investment does not qualify for hedge accounting; therefore, the changes in fair value have been recognized in the accompanying consolidated statements of operations and changes in net assets as mark-to-market adjustments in other nonoperating activities, net.

(m) Net Patient Service Revenue and Net Patient Accounts Receivable

Net patient service revenue, which includes hospital inpatient services, hospital outpatient services, physician services, and other patient services revenues, is recorded at the transaction price estimated by the Corporation to reflect the total consideration due from patients and third-party payors in exchange for providing goods and services in patient care. The Corporation recognizes net patient service revenue in the period in which performance obligations are satisfied under contracts by transferring our services to customers.

The Corporation determines performance obligations based on the nature of the services provided. Generally, performance obligations satisfied over time relate to patients in hospitals receiving inpatient services. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time, such as outpatient services, is recognized when goods or services are provided, and the Corporation does not believe it is required to provide additional goods or services to the patient. Inpatient goods and/or services may include room, meals, ancillary services, etc. These services represent a bundle of goods and services that are distinct and accounted for as a single performance obligation within a patient stay or encounter.

The Corporation's estimate of the transaction price includes estimates of price concessions for such items as contractual allowances, charity care, potential adjustments that may arise from payment and other reviews, and uncollectible amounts, which are determined using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Estimates for implicit price concessions are based on the aging of the accounts receivable, historical collection experience for similar payors and patients, current market conditions, and other relevant factors. Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are considered in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and our historical settlement activity, including an assessment to ensure that it is probable that a significant reversal of revenue recognized will not occur. 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 or investigations. In addition, the Corporation is committed to ensuring that patients within the communities it serves who lack financial resources have access to necessary hospital services. The Corporation works with uninsured and underinsured patients to gain an understanding of each patient's financial resources prior to admission (for scheduled services) or prior to billing (for emergency services). Based on this information and patient eligibility for charity care, the Corporation records estimated price concessions accordingly.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payors or patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2024 and 2023 was not significant.

(n) Premium Revenue and Medical Claims Expense

Premium revenue consists of amounts received by the Corporation's managed care organization for providing medical services to subscribing participants, regardless of services actually performed, on a per member per month basis. As of June 30, 2024, the managed care organization provides services primarily to enrolled Medicaid beneficiaries in the State of Maryland and the District of Columbia (the District). Premiums under the contracts are recognized as revenue at the estimated net realizable amount during the period in which the Corporation is obligated to provide services to its enrollees. Medical expenses of the managed care organization include actuarially determined estimates of the ultimate costs for both reported claims and claims incurred but unreported and are included in purchased services within the consolidated statements of operations and changes in net assets.

(o) Grants

Grants are accounted for as either an exchange transaction or as a contribution based on terms and conditions of the grant. If the grant is accounted for as an exchange transaction, revenue is recognized as other operating revenue when earned. If the grant is accounted for as a contribution, the revenue is recognized as either other operating revenue, or as donor restricted contributions, depending on the restrictions within the grant.

(p) Contributions Received and Made

Unconditional promises to give cash and other assets to the Corporation are reported at fair value on the date the promise is received. Conditional promises to give are reported at fair value on the date the condition is met. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these donor restricted net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Such amounts are classified as other operating revenue or transfers for additions to property and equipment. Donor restricted contributions whose restrictions are satisfied within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

Contributions made by the Corporation to other not-for-profit organizations are recorded at fair value in other nonoperating activities, net within the consolidated statements of operations and changes in net assets as conditions, if applicable, are met.

(q) Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include a performance indicator for the Corporation, which is the excess of revenues over expenses. Consistent with industry practice, changes in net assets that are excluded from excess of revenues over expenses may include contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets), contributions from and acquisitions of and distributions to noncontrolling interests, certain pension adjustments, and other miscellaneous items as defined under U.S. GAAP.

(r) 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 Corporation accounts for uncertain tax positions in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*.

The Corporation and the majority of its subsidiaries are not-for-profit corporations as defined in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes under Section 501(a) of the Code. The Corporation’s tax-exempt businesses generate nominal amounts of unrelated business income subject to income tax. For corporate income tax purposes, the Corporation has two consolidated groups of for-profit, taxable entities. The parent companies of these groups are Parkway Ventures, Inc. and MedStar Enterprises, Inc.

(s) Net Assets

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent amounts that arise as the result of operations or contributions, gifts, and grants that have no donor-imposed restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose, passage of time and/or to be maintained by the Corporation in perpetuity. Net assets with donor restrictions primarily consist of pledges and funds received for the purposes of purchasing property and equipment, providing health education, research, and other healthcare services, as donor or other restrictions are satisfied.

The Corporation accounts for and presents noncontrolling interests in a consolidated subsidiary as a separate component of the appropriate class of consolidated net assets. The income attributable to noncontrolling interests is included within operating income within the consolidated statements of operations and changes in net assets.

(t) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair values of financial instruments:

Cash and cash equivalents, receivables, other current assets, other assets, current liabilities and long-term liabilities: The carrying amount reported in the consolidated balance sheets for each of these assets and liabilities approximates their fair value.

The fair values of investments, assets whose use is limited or restricted, and the interest rate swap are discussed in note 3.

(u) New Accounting Pronouncements

From time to time, new accounting guidance is issued by the FASB or other standard setting bodies that is adopted by the Corporation as of the effective date or, in some cases where early adoption is permitted, in advance of the effective date. The Corporation 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.

(v) Reclassifications

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

(Dollars in millions)

(2) Investments and Assets Whose Use is Limited or Restricted

Investments and assets whose use is limited or restricted as of June 30 at fair value consist of the following:

	2024	2023
Cash equivalents	$ 57.6	168.8
Fixed income securities and funds	451.4	436.9
Equity securities	1,059.6	885.3
Institutional funds with RDFV	208.3	181.4
Alternative investments:		
Commingled equity funds	248.1	213.6
Hedge fund of funds and private equity	632.1	552.6
Total investments and assets whose use is limited or restricted	2,657.1	2,438.6
Less short-term investments and assets whose use is limited or restricted	(242.1)	(243.5)
Long-term investments and assets whose use is limited or restricted	$ 2,415.0	2,195.1

Assets whose use is limited or restricted as of June 30, included in the table above, consist of the following:

	2024	2023
Self-insurance funds	$ 354.5	319.6
Funds restricted by donors for specific purposes and endowment	142.6	136.1
Funds designated by board	249.6	213.2
Total assets whose use is limited or restricted	746.7	668.9
Less assets required for current obligations	(75.2)	(81.5)
Long-term assets whose use is limited or restricted	$ 671.5	587.4

(Continued)

(Dollars in millions)

Investment income and realized and unrealized gains for assets whose use is limited or restricted, cash equivalents and investments are comprised of the following for the years ended June 30:

	2024	2023
Other operating revenue:		
Investment income and realized gains	$ 12.4	13.1
Investment gains, net:		
Investment income, net	61.6	47.9
Net realized gains on investments	38.4	18.4
Change in unrealized gains on investments, net	259.4	147.5
	359.4	213.8
Other changes in net assets:		
Realized net gains on restricted net assets	1.4	1.1
Change in unrealized gains on restricted net assets, net	5.2	3.5
Total investment gains, net	$ 378.4	231.5

(3) Fair Value of Financial Instruments

The Corporation follows the guidance within FASB ASC Topic 820, *Fair Value Measurement* (ASC 820), which defines fair value and establishes methods used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Observable inputs other than quoted prices for the asset, either directly or indirectly observable, that reflect assumptions market participants would use to price the asset based on market data obtained from sources independent of the Corporation.
- Level 3 – Unobservable inputs that reflect the Corporation’s own assumptions about the assumptions market participants would use to price an asset based on the best information available in the circumstances.

The Corporation has incorporated an Investment Policy Statement (IPS) into the investment program. The IPS, which has been formally adopted by the Corporation’s Board of Directors, contains numerous standards designed to ensure adequate diversification by asset class and geography. The IPS also limits all investments by manager and position size, and limits fixed income position size based on credit ratings, which serves to further mitigate the risks associated with the investment program. As of June 30, 2024 and 2023, management believes that all investments were being managed in a manner consistent with the IPS.

(Dollars in millions)

The following table illustrates the actual allocations of the Corporation's primary long-term investment portfolio as of June 30:

	2024	2023
Cash and cash equivalents	1 %	1 %
Publicly traded equities – domestic	36	35
Publicly traded equities – international	5	5
Fixed income securities	15	16
Institutional funds with RDFV	8	8
Alternative investments:		
Commingled equity funds	10	10
Hedge funds	19	20
Private equities	6	5
Total	100 %	100 %

The table below presents the Corporation's investable assets and liabilities as of June 30, 2024, aggregated by the three-level valuation hierarchy and separately identifies investments reported at NAV:

	Level 1	Level 2	NAV	Total
Assets:				
Cash and cash equivalents	$ 892.6	—	—	892.6
U.S. Treasury bonds	140.3	—	—	140.3
U.S. agency mortgage backed securities	—	113.0	—	113.0
Corporate bonds	—	161.0	—	161.0
Fixed income mutual funds	0.1	—	—	0.1
All other fixed income securities	—	37.0	—	37.0
Equity mutual funds and ETF's	220.2	—	—	220.2
Institutional funds with RDFV	—	208.3	—	208.3
Common stocks	839.4	—	—	839.4
Alternative investments:				
Commingled funds	—	—	248.1	248.1
Private equity	—	—	139.1	139.1
Hedge funds:				
Custom hedge fund	—	—	120.9	120.9
Other hedge funds	—	—	372.1	372.1
Total assets	$ 2,092.6	519.3	880.2	3,492.1

(Dollars in millions)

	Level 1	Level 2	NAV	Total
Liabilities:				
Interest rate swap	$ —	0.2	—	0.2
Total liabilities	$ —	0.2	—	0.2

The table below presents the Corporation’s investable assets and liabilities as of June 30, 2023, aggregated by the three-level valuation hierarchy and separately identifies investments reported at NAV:

	Level 1	Level 2	NAV	Total
Assets:				
Cash and cash equivalents	$ 979.7	—	—	979.7
U.S. Treasury bonds	146.1	—	—	146.1
U.S. agency mortgage backed securities	—	81.5	—	81.5
Corporate bonds	—	166.3	—	166.3
Fixed income mutual funds	0.1	—	—	0.1
All other fixed income securities	—	42.9	—	42.9
Equity mutual funds and ETF’s	195.1	—	—	195.1
Institutional funds with RDFV	—	181.4	—	181.4
Common stocks	690.2	—	—	690.2
Alternative investments:				
Commingled funds	—	—	213.6	213.6
Private equity	—	—	107.1	107.1
Hedge funds:				
Custom hedge fund	—	—	107.2	107.2
Other hedge funds	—	—	338.3	338.3
Total assets	$ 2,011.2	472.1	766.2	3,249.5
Liabilities:				
Interest rate swap	$ —	0.4	—	0.4
Total liabilities	$ —	0.4	—	0.4

There were no changes in valuation methodologies used to measure the fair value of the Corporation’s investments as of and for the years ended June 30, 2024 and 2023.

(Dollars in millions)

The following summarizes redemption terms for the hedge fund-of-funds vehicles held as of June 30, 2024:

	Fund 1	Custom Hedge Fund Fund 2	Fund 3	Fund 4
Redemption timing:				
Redemption frequency	Quarterly	30% quarterly 70% greater than quarterly	50% quarterly 50% greater than quarterly	Quarterly
Required notice	70 days	within 120 days	within 65 days	65 days
Audit reserve:				
Percentage held back for audit reserve	10%	up to 10%	up to 10%	5%

The hedge funds include three hedge fund-of-funds and one custom hedge fund. The custom fund is structured as a multi-strategy hedge fund with the Corporation as the sole investor. The investment objective and strategies used by the hedge funds-of-funds and custom hedge fund are similar. The investment objective is to achieve positive absolute returns with low volatility, achieved through investments with multiple underlying managers who are investing across various strategies. Strategies utilized within these hedge funds include, but are not limited to:

- *Credit/Distressed* includes investment companies that focus mainly on opportunities in corporate fixed income securities of companies that are in financial distress, or perceived financial distress, or going through a restructuring or re-organization.
- *Event Driven* includes investment companies that focus on identifying securities that would benefit from the occurrence of a major corporate event.
- *Global Macro* includes investment companies that employ broad mandates to invest globally across all asset classes, including interest rates, currencies, commodities, and equities, in order to benefit from market movements within various countries.
- *Equity Long/Short* includes investment companies that maintain long and short positions in publicly traded equities in order to capture opportunities driven by their perception of securities or industries being overvalued or undervalued.
- *Relative Value* includes investment companies that seek to identify valuation discrepancies between related securities, utilizing fundamental and quantitative techniques to establish equities, fixed income, and derivative positions.

Investments in hedge funds are carried at estimated fair value. Fair value is based on the NAV as a practical expedient of the shares in each investment company or partnership. Such investment companies or partnerships mark-to-market or mark-to-fair value the underlying assets and liabilities in accordance with U.S. GAAP. Realized and unrealized gains and losses of the investment companies and partnerships are included in their respective operations in the current year. Changes in unrealized gains or losses on investments, including those for which partial liquidations were effected in the course of the year, are calculated as the difference between the NAV of the investment at year-end less the NAV of the investment at the beginning of the year, as adjusted for contributions and redemptions made during the year and certain lock-up provisions. Generally, no dividends or other distributions are paid.

Investments in private equity funds, typically structured as limited partnership interests, are carried at estimated fair value using NAV, as a practical expedient, or equivalent as determined by the General Partner in the absence of readily determinable fair values. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. It is expected to take up to ten years to fully distribute the proceeds of those assets. The fair value of limited partnership interests is generally based on fair value capital balances reported by the underlying partnerships, subject to management review and adjustment. Security values of companies traded on exchanges, or quoted on NASDAQ, are based upon the last reported sales price on the valuation date. Security values of companies traded over the counter, but not quoted on NASDAQ, and securities for which no sale occurred on the valuation date are based upon the last quoted bid price. The value of any security for which a market quotation is not readily available may be its cost, provided however, that the General Partner adjusts such cost value to reflect any bona fide third-party transactions in such a security between knowledgeable investors, of which the General Partner has knowledge. In the absence of any such third-party transactions, the General Partner may use other information to develop a good faith determination of value. Examples include, but are not limited to, discounted cash flow models, absolute value models, and price multiple models. Inputs for these models may include, but are not limited to, financial statement information, discount rates, and salvage value assumptions.

The following summarizes the status of commitments to the private equity vehicles held as of June 30, 2024:

	Total commitment	Percentage of commitment contributed	Percentage of commitment remaining
Fund-of-funds	$ 23.1	95.5 %	4.5 %
Direct funds	208.5	44.8	55.2
Total	$ 231.6		

The valuation of both marketable and nonmarketable securities may include discounts to reflect a lack of liquidity or extraordinary risks, which may be associated with the investment. Determination of fair value is performed on a quarterly basis by the General Partner. Because of the inherent uncertainty of valuation, the determined values may differ significantly from the values that would have been used had a ready market for those investments existed.

(Continued)

(Dollars in millions)

Institutional funds with RDFV are commingled equity and fixed income funds, structured similarly to mutual funds, whose fair value is considered to be readily determinable. These funds' shares can be redeemed on any trading day at the relevant NAV per share on that day, as reported by the funds. There are no significant restrictions on redemption or redemption penalties.

(4) Liquidity and Availability of Resources

Financial assets available within one year of the balance sheet date for general expenditures such as operating expenses and construction costs not financed with tax-exempt debt as of June 30 are as follows:

		2024	2023
Cash and cash equivalents	$	835.0	810.9
Investments (excluding certain alternative investments)		1,780.4	1,670.2
Patient accounts receivable		1,048.6	930.1
	$	3,664.0	3,411.2

The Corporation has certain board-designated assets whose use is limited which are available for general expenditures within one year in the normal course of operations, pending board approval. These board-designated assets were $249.6 and $213.2 as of June 30, 2024 and 2023, respectively, and are not included in the table above. The Corporation has other assets whose use is limited for donor restricted purposes, debt service, and for the self-insurance programs for professional and general liability risks, employee health and workers' compensation. These assets whose use is limited are not available for general expenditures within the next year and are not included in the table above (see note 2).

In addition to the liquidity resources noted above, the Corporation maintains a revolving credit agreement provided by a group of banks (see note 7).

Investments (excluding certain alternative investments) as of June 30, 2024 and 2023 include $120.1 and $122.7, respectively, of unspent proceeds associated with Series 2020A bonds (see note 7). As part of the Corporation's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds or held in bank deposits.

(Continued)

(Dollars in millions)

(5) Property and Equipment, net

The components of property and equipment recorded at historical cost and the related accumulated depreciation as of June 30 are summarized as follows:

		2024	2023
Land and land improvements	$	185.6	107.1
Buildings and improvements		2,742.2	2,014.3
Equipment		2,529.2	2,585.9
		5,457.0	4,707.3
Less accumulated depreciation and amortization		(3,319.3)	(3,334.0)
		2,137.7	1,373.3
Construction-in-progress		179.4	856.9
	$	2,317.1	2,230.2

Construction-in-progress included a variety of ongoing capital projects of the Corporation as of June 30, 2024 and 2023, including the construction of a new surgical pavilion at MGUH, which was funded through the Series 2017A bond offering, and was placed into operation in December 2023 (see note 16). In connection with this project, the Corporation had total unspent commitments of $93.2 as of June 30, 2023. Interest expense, net of investment earnings, capitalized for this project totaled $8.6 and $22.6 as of June 30, 2024 and 2023, respectively.

Depreciation expense related to property and equipment amounted to $241.5 and $217.4 for the years ended June 30, 2024 and 2023, respectively.

(6) Other Assets

Other assets as of June 30 consist of the following:

		2024	2023
Investments in unconsolidated entities	$	18.5	16.7
Reinsurance receivables		39.6	42.3
Pension assets		46.8	16.3
Other		226.3	180.9
	$	331.2	256.2

(Dollars in millions)

The Corporation has investments in other healthcare related organizations that are accounted for under the equity method which total $18.5 and $16.7 as of June 30, 2024 and 2023, respectively. The related ownership interests in these organizations range from 15% to 50%. The Corporation's share of earnings in these organizations was $2.9 and $3.7 for the years ended June 30, 2024 and 2023, respectively, and are recognized in other operating revenue in the consolidated statements of operations and changes in net assets.

As of June 30, 2024 and 2023, other assets also include $205.8 and $159.2, respectively, of investments associated with a nonqualified, tax-deferred compensation plan for which there is an offsetting payable included in other long-term liabilities within the consolidated balance sheets. Generally, these funds are invested in mutual funds that would be considered Level 1 investments.

(7) Debt

As of June 30, the Corporation's outstanding borrowings include the following:

		2024	2023
Maryland Health and Higher Educational Facilities:			
Authority fixed rate revenue bonds:			
Series 1998A 5.25% Term bonds due 2038	$	82.0	82.0
Series 1998B 5.25% Term bonds due 2038		57.0	57.0
Series 2011 2.00%–5.00% Serial bonds due 2012–2023		—	2.3
Series 2011 5.00% Term bonds due 2024–2041		1.0	1.0
Series 2013A 3.00%–5.00% Serial bonds due 2016–2028		48.8	55.7
Series 2013A 4.00%–5.00% Term bonds due 2038–2041		56.9	56.9
Series 2013B 3.00%–5.00% Serial bonds due 2025–2033		60.8	60.8
Series 2013B 4.00%–5.00% Term bonds due 2038		89.0	89.0
Series 2015 2.00%–5.00% Serial bonds due 2016–2033		124.0	133.6
Series 2015 4.00%–5.00% Term bonds due 2038–2045		176.8	176.8
Series 2017A 3.75%–5.00% Term bonds due 2042–2047		395.0	395.0
Plus unamortized net premium		56.9	62.3
		1,148.2	1,172.4

(Dollars in millions)

		2024	2023
District of Columbia Hospital Revenue Bonds:			
Multimodal revenue bonds at variable rates:			
Series 1998A 2.20%–4.70% at June 30, 2024 Serial bonds due 2008–2038 2.40%–4.35% at June 30, 2024	$	88.1	92.6
MedStar Health, Inc. Taxable Fixed Rate Revenue Bonds:			
Series 2015 0.80%–3.70% Serial bonds due 2016–2031		49.5	58.7
Series 2020A 3.63% Term bonds due 2047–2049		302.6	302.6
Series 2020B 2.91%-3.63% Term bonds due 2025–2041		43.4	43.4
Notes payable to financial institutions or state agencies under mortgages (floating rates ranging between (5.7%–7.2%) and other		29.7	24.8
Revolving credit agreements		129.8	129.8
Deferred financing costs, net		(10.1)	(10.9)
Total debt, including revolving credit agreements		1,781.2	1,813.4
Less current portion		(164.9)	(34.0)
Long-term debt, net, including revolving credit agreements	$	1,616.3	1,779.4

Scheduled maturities on borrowings for the next five fiscal years and thereafter are as follows:

2025	$	164.9
2026		36.8
2027		38.4
2028		40.0
2029		41.8
Thereafter		1,412.5
	$	1,734.4

The Corporation, which is currently the sole member of an “obligated group” as defined in the Master Trust Indenture, is bound by the provisions of the Master Trust Indenture for payments under existing debt agreements secured by the issuance of an obligation pursuant to the Master Trust Indenture. All the hospitals and certain other affiliates of the Corporation are parties to a guaranty agreement pursuant to which they jointly and severally guarantee the payment and performance of the obligations under the Master Trust Indenture. The Master Trust Indenture requires that certain Material System Affiliates, which is defined therein as any system affiliate that generates in excess of 5.0% of the Corporation’s revenues, execute the guaranty agreement unless otherwise exempt pursuant to the provisions of the Master Trust Indenture. The Master Trust Indenture has been amended such that the Corporation’s regulated insurance entities, which may constitute Material System Affiliates, are not required to become parties to the guaranty agreement due to regulatory restrictions placed on their assets which make them unable to fulfill the obligations of a guarantor. Parties to the guaranty agreement currently include: HH MedStar Health, Inc., MedStar Enterprises, Inc., MedStar Georgetown University Hospital, MedStar National Rehabilitation Hospital, MedStar Washington Hospital Center, MedStar Franklin Square Medical Center, MedStar Good Samaritan Hospital, MedStar Harbor Hospital, MedStar Montgomery Medical Center, MedStar Southern Maryland Hospital Center, MedStar St. Mary’s Hospital, MedStar Union Memorial Hospital, Parkway Ventures, Inc., MedStar Visiting Nurse Association, Inc., and MedStar Medical Group, LLC. The obligations of the guarantors under the guaranty agreement are currently secured by deeds of trust granted by the hospitals. Under the Master Trust Indenture and the deeds of trust, to support the payments due thereunder, the Corporation and its hospital affiliates, respectively, have pledged their revenues subject to permitted encumbrances. As of June 30, 2024, all the Corporation’s Maryland Health and Higher Educational Facilities Authority Revenue Bonds, District Hospital Revenue Bonds, and MedStar Health Taxable Revenue Bonds are secured by obligations issued under the Master Trust Indenture.

Under the Master Trust Indenture, the Corporation is required to maintain, among other covenants, a maximum annual debt service coverage ratio of not less than 1.10 or the Corporation may be required to retain a consultant. In addition, it is an event of default, if the Corporation has a maximum annual debt service coverage ratio below 1.00 for two consecutive fiscal years and as of the end of the second such fiscal year, the Corporation has less than 55 days cash on hand. Under the loan agreements relating to the Series 1998 Bonds (defined below), the Corporation is required to maintain an annual historical debt service coverage ratio of not less than 2.00 and to maintain at least 65 days cash on hand. In the event the Corporation does not meet either of these requirements, it is required to fund a trustee-held debt service reserve fund securing the Series 1998 Bonds. The amount to be deposited shall equal the lesser of 10% of the principal amount of such outstanding bonds, or the largest annual debt service with respect to such bonds in any future year, or 125% of the average annual debt service of future years. As of June 30, 2024 and 2023, there were no funds required to be held in the debt service reserve fund for the Series 1998 Bonds.

In December 1998, the Maryland Health and Higher Education Facilities Authority (MHHEFA) and the District of Columbia (District) issued bonds (Series 1998 Bonds) on behalf of the Corporation. Bond proceeds of approximately $588.6 were loaned to the Corporation under separate loan agreements with MHHEFA and the District upon execution of obligations pursuant to the Master Trust Indenture. MHHEFA issued $283.5 of Revenue Bonds. Principal and interest under the Series 1998A MHHEFA bonds are insured under a municipal insurance policy with Assured and principal and interest under the Series 1998B MHHEFA bonds are insured under a municipal insurance policy with Ambac. The District issued $300.0 of Multimodal Revenue Bonds, including $150.0 Series 1998A, $75.0 Series 1998B, and $75.0 Series 1998C. The District Series 1998A bonds, which consist of three tranches totaling $83.4 in August 2024, are uninsured variable rate demand bonds backed by bank letters of credit. The Series 1998A Tranche I bonds, which remained outstanding in August 2024, totaled approximately $27.8 of bonds trading in a daily mode backed by a letter of credit issued by TD Bank, N.A. and remarketed by J.P. Morgan Securities Inc. The letter of credit expires in October 2026. In the event of a failed remarketing, the Tranche I bonds would be tendered to the bank and repaid over a five-year period, beginning 367 days following the date of the failed remarketing. The Series 1998A Tranche II bonds totaled $27.8 in August 2024. These bonds trade in a weekly mode and are remarketed by TD Securities. The letter of credit backing these bonds was issued by TD Bank, National Association and expires in October 2025. In the event of a failed remarketing, the Tranche II bonds would be tendered to the bank and repaid over a five-year period, beginning 367 days following the failed remarketing. The Series 1998A Tranche III bonds totaled $27.8 in August 2024. These bonds trade in a weekly mode and are remarketed by PNC Capital Markets LLC. The letter of credit backing these bonds was issued by PNC Bank, National Association and expires in October 2025. In the event of a failed remarketing, the Tranche III bonds would be tendered to the bank and repaid over a five-year period, beginning 367 days following the failed remarketing. None of the Series 1998A bonds were put as of June 30, 2024 and 2023, respectively. The reimbursement obligation with respect to the letters of credit are evidenced and secured by obligations issued by the Corporation under the Master Trust Indenture. The documents related to each of these letters of credit includes financial covenants similar to the $580.0 revolving credit agreement described below.

Related to the District Series 1998A bonds, the Corporation entered into an interest rate swap with Wells Fargo Bank, National Association in a notional amount totaling $150.0 (reduced to $21.2 at August 2024). The swap agreement expires in August 2027. Under the terms of the swap, the Corporation pays a fixed rate and receives a variable rate. Collateral is only required to be posted under the swap in the event that the Corporation's credit ratings are downgraded by two rating agencies below the BBB or Baa2 level. To date, no collateral postings have been required. As of June 30, 2024 and 2023, the variable interest rate under these agreements was 3.54% and 3.36%, respectively. The fixed rate was 3.69% as of June 30, 2024 and 2023. The variable rates are capped at 14.0%. The interest rate swap is secured by an obligation issued under the Master Trust Indenture.

Certain of the Corporation's bonds are subject to optional redemption or purchase, as follows: (i) the remaining Series 2011 MHHEFA Bonds maturing on or after August 2022 are subject to redemption or purchase at the option of the Corporation prior to maturity; (ii) the Series 2013A MHHEFA Bonds maturing on or after August 2024 are subject to redemption or purchase at the option of the Corporation prior to maturity; (iii) the Series 2015 MHHEFA Bonds maturing on or after August 2025 are subject to redemption or purchase at the option of the Corporation prior to maturity beginning in February 2025; (iv) the Series 2015 taxable bonds are subject to redemption at any time, so long as the Corporation makes certain make-whole redemption payments; (v) the Series 2017 MHHEFA Bonds maturing on or after May 15, 2027 are subject to redemption or purchase at the option of the Corporation prior to maturity beginning on May 15, 2027; and (vi) the Series 2020A and Series 2020B taxable bonds are subject to redemption at any time, so long as the Corporation makes certain make-whole redemption payments.

The Corporation maintains a $580.0 revolving credit agreement provided by a group of banks. The facility was renewed for a three-year term in June 2022 and expires in June 2025. The outstanding balance on the facility was $129.8 as of June 30, 2024 and 2023. The revolving credit agreement is evidenced by an obligation issued under the Master Trust Indenture and includes certain covenants, including a requirement to maintain Days Cash on Hand of 70 days, measured semi-annually as of each June 30 and December 31 and a Debt Service Coverage ratio of 1.10 measured quarterly on a rolling four quarters basis. The Corporation is required to maintain a minimum credit rating of Baa2 or its equivalent from Standard and Poor's and Moody's Investors Service.

The Corporation maintains a $30.0 letter of credit facility, provided by a single lender, which is also evidenced by an obligation issued under the Master Trust Indenture. This facility is principally used to securitize certain regulatory obligations under various insurance programs and has terms and conditions similar to the revolving credit agreement. The facility was renewed for a three-year term in June 2022 and expires in June 2025; however, the standby letters of credit issued under the facility can be canceled at the bank's option each year. As of June 30, 2024 and 2023, standby letters of credit issued pursuant to the facility were $15.5 and $14.3, respectively. No amounts have been drawn by the beneficiaries under the standby letters of credit.

In addition, two joint venture entities in which an affiliate of the Corporation is a member have each entered into separate bank credit facilities, which together total $13.6. The Corporation guarantees the obligations of each joint venture entity under its respective bank credit facility and the Corporation's guarantees are evidenced by obligations issued under the Master Trust Indenture. Proceeds from these credit facilities have been used to finance capital projects.

Financing costs are amortized over the estimated duration of the related debt using the effective interest method.

(8) Retirement Liabilities

The Corporation has two qualified defined benefit pension plans, MedStar Health, Inc. Pension Equity Plan (PEP) and MedStar Health, Inc. Cash Balance Retirement Plan (CBRP), covering substantially all full-time employees hired before 2005. MedStar St. Mary's Hospital also has a defined benefit plan that substantially covers all employees of MedStar St. Mary's Hospital who were eligible prior to the plan being frozen. Participation in all plans has been closed to new entrants and all plans are frozen to future benefit accruals.

Benefits under the plans are substantially based on years of service and the employees' career earnings. The Corporation contributes to the plans based on actuarially determined amounts necessary to provide assets sufficient to meet benefits to be paid to plan participants and to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, and Internal Revenue Service regulations. Effective July 1, 2000, employees of the Transferred Businesses (see note 16) became participants in one of the Corporation's pension plans and are reflected in the pension information provided below.

The Corporation's investment policies are established by MedStar Health, Inc.'s Investment Committee, which is comprised of members of the Board of Directors, other community leaders, and management. Among its responsibilities, the Investment Committee is charged with establishing and reviewing asset allocation strategies, monitoring investment manager performance, and making decisions to retain and terminate investment managers. Assets of each of the Corporation's pension plans are managed in a similar fashion, as the Corporation's investments and assets whose use is limited, by the same group of investment managers. The Corporation has incorporated an IPS into the investment program. The IPS, which has been formally adopted by the Corporation's Board of Directors, contains numerous standards designed to ensure adequate diversification by asset class and geography. The IPS also limits all investments by manager and position size, and limits fixed income position size based on credit ratings, which serves to further mitigate the risks associated with the investment program. As of June 30, 2024, management believes that all investments were being managed in a manner consistent with the IPS.

(Dollars in millions)

The following table illustrates the actual allocations of the Corporation's primary pension plans' investment portfolio as of June 30:

	2024	2023
Cash	1 %	1 %
Publicly traded equities – domestic	12	12
Publicly traded equities – international	3	3
Fixed income securities	16	18
Institutional funds with RDFV	34	33
Alternative investments:		
Commingled equity funds	11	11
Hedge funds	21	20
Private equities	2	2
Total	100 %	100 %

The tables below present the Corporation's pension plans' investable assets as of June 30 aggregated by the three-level valuation hierarchy and separately identify investments reported at NAV:

2024	Level 1	Level 2	NAV	Total
Assets:				
Cash and cash equivalents	$ 25.9	—	—	25.9
U.S. Treasury bonds	84.0	—	—	84.0
U.S. agency mortgage backed securities	—	47.7	—	47.7
Corporate bonds	—	78.5	—	78.5
All other fixed income securities	—	19.3	—	19.3
Equity mutual funds and ETF's	58.3	—	—	58.3
Institutional funds with RDFV	—	447.5	—	447.5
Common stocks	157.2	—	—	157.2
Alternative investments:				
Commingled funds	—	—	141.3	141.3
Private equity	—	—	25.0	25.0
Hedge funds:				
Custom hedge fund	—	—	83.3	83.3
Other hedge funds	—	—	183.9	183.9
Total assets	$ 325.4	593.0	433.5	1,351.9

(Dollars in millions)

2023		Level 1	Level 2	NAV	Total
Assets:					
Cash and cash equivalents	$	33.3	—	—	33.3
U.S. Treasury bonds		93.5	—	—	93.5
U.S. agency mortgage backed securities		—	37.1	—	37.1
Corporate bonds		—	82.1	—	82.1
All other fixed income securities		—	21.2	—	21.2
Equity mutual funds and ETF’s		55.0	—	—	55.0
Institutional funds with RDFV		—	401.3	—	401.3
Common stocks		139.7	—	—	139.7
Alternative investments:					
Commingled funds		—	—	127.7	127.7
Private equity		—	—	27.3	27.3
Hedge funds:					
Custom hedge fund		—	—	74.1	74.1
Other hedge funds		—	—	167.0	167.0
Total assets	$	321.5	541.7	396.1	1,259.3

The general investment strategies, fund structures, valuation methods, and redemption terms for hedge fund-of-funds related to the pension plans’ investments are largely the same as those included in the Corporation’s primary investment portfolio (see note 3). The Corporation has $2.2 of remaining unfunded commitments to private equity vehicles as of June 30, 2024.

The Corporation established a long-term investment return target 7.25% for both the PEP and CBRP in 2024 and 2023, respectively. These assumptions are based on historical returns achieved in the investment portfolios and represent the return that can reasonably be expected to be generated on a similarly structured portfolio in the future.

The Corporation recognizes the funded status of defined benefit pension plans in the consolidated balance sheet and the recognition in unrestricted net assets of unrecognized gains or losses, prior service costs or credits and transition assets or obligations. The funded status is measured as the difference between the fair value of the plan’s assets and the projected benefit obligation of the plan. The measurement date for the plans is June 30.

The following are deferred pension costs which have not yet been recognized in periodic pension expense, but instead are accrued in unrestricted net assets, as of June 30, 2024 and 2023. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected future lifetime for active employees with frozen benefits.

(Dollars in millions)

	Amounts in unrestricted net assets to be recognized during the next fiscal year	Amounts recognized in unrestricted net assets as of: June 30, 2024	June 30, 2023
Net actuarial loss	$ 25.6	715.2	812.0

The following table sets forth the plans' funded status and amounts recognized in the accompanying consolidated financial statements as of June 30:

	2024	2023
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,337.2	1,404.2
Interest cost	71.1	66.6
Actuarial gain	0.1	(51.1)
Benefits paid	(86.1)	(82.5)
Benefit obligation at end of year	1,322.3	1,337.2
Change in plan assets:		
Plan assets at fair value at beginning of year	1,259.3	1,227.2
Actual return on plan assets	163.7	99.6
Company contributions	15.0	15.0
Benefits paid	(86.1)	(82.5)
Plan assets at fair value at end of year	1,351.9	1,259.3
Funded status/net amount recognized	$ 29.6	(77.9)

The amounts recognized in the consolidated financial statements consist of the following as of June 30:

	2024	2023
Pension assets (included in other assets)	$ 46.8	16.3
Pension liabilities	(17.2)	(94.2)

(Dollars in millions)

The Corporation has estimated $15.0 for its defined benefit contributions for the fiscal year ending June 30, 2025. Expected fiscal year benefit payments for all defined benefit plans is as follows:

2025	$	100.4
2026		100.5
2027		102.8
2028		103.9
2029		105.1
2030–2034		482.0
	$	994.7

Net periodic pension expense for the years ended June 30 is as follows:

		2024	2023
Interest cost on projected benefit obligation	$	71.1	66.6
Expected return on plan assets		(93.1)	(93.1)
Amortization of prior year plan amendments		(0.5)	(0.5)
Recognized actuarial loss		26.8	27.7
Net periodic pension expense	$	4.3	0.7

(Dollars in millions)

The assumptions used in determining net periodic pension expense and accrued pension costs shown above are as follows:

	2024	2023
Discount rates for obligations at year end:		
PEP	5.60 %	5.50 %
CBRP	5.60	5.55
MedStar St. Mary's Hospital Pension Plan	5.30	4.90
Discount rates for pension cost:		
PEP	5.55 %	4.90 %
CBRP	5.50	4.95
MedStar St. Mary's Hospital Pension Plan	4.90	4.40
Expected long-term rate of return on plan assets:		
PEP and CBRP	7.25 %	7.25 %
MedStar St. Mary's Hospital Pension Plan	7.00	7.00
Cash balance interest crediting rate:		
PEP	N/A	N/A
CBRP	5.10 %	5.10 %
MedStar St. Mary's Hospital Pension Plan	3.50	3.50

Mortality assumptions for the plans are periodically updated to reflect the most recently published general industry mortality tables.

The Corporation also has various contributory, tax deferred annuity and savings plans with participation available to certain employees. The Corporation matches employee contributions up to 3.0% of compensation in certain plans. The Corporation contributed approximately $59.0 and $55.9 during the years ended June 30, 2024 and 2023, respectively.

(9) Business and Credit Concentrations

The Corporation provides healthcare services through its inpatient and outpatient care facilities located in the State of Maryland, the District and Northern Virginia. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross, workers' compensation, health maintenance organizations and commercial insurance policies).

(Dollars in millions)

A summary of net patient service revenue by major category of payor for the years ended June 30 is as follows:

	2024	2023
Medicare and Medicare HMO	33 %	33 %
Medicaid and Medicaid HMO	17	18
Carefirst Blue Cross Blue Shield	18	19
Other commercial and managed care payors	26	24
Self-pay	6	6
	100 %	100 %

A summary of net patient receivables by major category of payor as of June 30 is as follows:

	2024	2023
Medicare and Medicare HMO	24 %	23 %
Medicaid and Medicaid HMO	18	20
Carefirst Blue Cross Blue Shield	15	15
Other commercial and managed care payors	37	36
Self-pay	6	6
	100 %	100 %

For several years, government initiatives have focused on curtailing fraud, waste, and abuse in government funded healthcare programs. The federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. The Corporation's hospitals and providers have periodically received audit requests from the Medicare and Medicaid programs. These audit requests have targeted, among other things, provider documentation and coding practices. The Corporation's hospitals and providers have cooperated with each of these audit requests and implemented a program to track and manage their effects.

As a result of federal healthcare reform legislation, rules and regulations, substantial changes are occurring in the United States healthcare system. These include numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers, the privacy and security of health information, and the legal obligations of health insurers, providers, and employers. Certain Maryland-based hospital charges are subject to review and approval by the Health Services Cost Review Commission (HSCRC). The HSCRC has jurisdiction over hospital reimbursement in Maryland by agreement with the Centers for Medicare and Medicaid Services (CMS). This agreement is based on a waiver from the Medicare Prospective Payment System reimbursement principles granted under Section 1814(b) of the Social Security Act. In 2018, Maryland entered into a new ten-year Total Cost of Care Model with CMS to include total cost of care benchmarks and savings, which took effect January 1,

(Continued)

2019, and runs through December 31, 2026. The waiver ties hospital per capita revenue growth to the state's average economic growth of 3.58% and requires Medicare Total Cost of Care savings targets be met each year. The waiver also imposes quality measures and encouraged population health management and is intended to shift care into lower cost settings, improve care coordination, and align incentives among various healthcare providers.

Under the Maryland HSCRC rate methodology, amounts payable for services to Maryland hospital patients under the Medicare and Medicaid insurance programs were computed at 92.3% of regulated charges until March 31, 2023 and 91.3% for those periods thereafter. This discount amount does not include managed care organization granted discounts for medical education or adjustments made to Medicare performance under total cost of care. Hospital patients under Blue Cross and approved HMO insurance programs are computed at 98% of regulated charges. Maryland accounts receivable from these third-party payors have been adjusted to reflect the difference between charges and the payable amounts.

In connection with the waiver, the HSCRC introduced the Global Budget Revenue (GBR) methodology, which covers the Corporation's seven Maryland hospitals. The GBR methodology provides each hospital in Maryland with a fixed amount of revenue for inpatient and outpatient services per year. As a result, the model removes the financial incentive to increase volume and provides incentives to work with partners to provide care in appropriate settings, to increase overall population health, and improve health care affordability. The GBR model has the potential of including both prospective and retrospective rate adjustments.

The Budget Control Act of 2011 mandated significant reductions and spending caps on the federal budget for fiscal years 2012 through 2021. As part of this legislation, a 2% reduction in Medicare spending, known as Sequestration, was implemented beginning April 1, 2013 and the Corporation's Medicare payments subsequent to that date were reduced by the mandatory 2%. The Bipartisan Budget Act of 2015, enacted on November 2, 2015, continued the 2% reductions to Medicare reimbursement imposed under the 2011 Act. The CARES Act revised Medicare policies in order to temporarily boost Medicare reimbursement for added regulatory flexibility, including suspending the annual 2% Medicare sequestration revenue reduction through March 31, 2022, and reducing revenue by 1% from April 1, 2022 through June 30, 2023 (see note 10). It is not possible to determine how future congressional actions to reduce the federal deficit in order to end Sequestration will impact the Corporation's revenues.

Through its MFC subsidiary, the Corporation enters into agreements with state Medicaid programs to provide managed care services to eligible Medicaid enrollees in exchange for a premium per member from the state program. This subsidiary participates in an annual rate setting process with the State of Maryland and the District. During the process, the revenues and expenses for all members are evaluated to ensure adequate funding is provided to deliver contracted services. Premium revenue primarily consists of the following at June 30:

(Dollars in millions)

		2024	2023
Maryland Medicaid	$	570.6	602.3
District of Columbia Medicaid		409.7	426.2
Total Medicaid	$	980.3	1,028.5

Medical and clinical expenses from these agreements include claim payments, capitation payments, and estimates of outstanding claims liabilities for services provided prior to the balance sheet date. The estimates of outstanding claims liabilities of $89.8 and $96.9 as of June 30, 2024 and 2023, respectively, are based on management’s analysis of historical claims paid reports and review of health services utilization during the period and are included in accounts payable and accrued expenses on the consolidated balance sheets. Changes in these estimates are recorded in the period of change. Claims payments and capitation payments are expensed in the period services are provided to eligible enrollees. Annually, as of December 31, MFC is required to be in compliance with risk-based capital (RBC) statutory funding requirements, and as of the most recent measurement period, MFC is in compliance.

MFC has been serving as a D.C. Medicaid managed care organization (MCO) under a contract with the District since October 2020. In response to requests for proposals issued by the District for a new procurement of Medicaid MCO contracts, MFC submitted its proposals to the District in early 2022. In October 2022, the D.C. City Council approved a new five-year contract for MFC and two other successful bidders. An unsuccessful bidder filed a number of bid protests before the D.C. Contract Appeals Board, but the Contract Appeals Board has denied each of these protests. Although the unsuccessful bidder continues to bring legal challenges to the procurement process before D.C. Superior Court, the District implemented new contracts starting April 1, 2023.

(10) Certain Significant Risks and Uncertainties

As a healthcare system, the Corporation is subject to certain significant inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs;
- Regulation of hospital rates by the State of Maryland HSCRC;
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes, and;
- Lawsuits alleging malpractice or other claims; and
- Cybersecurity threats and attacks that negatively affect operations.

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

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Corporation's revenues and the Corporation's operations are subject to a variety of other federal, state and local regulatory requirements. In addition, changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation. Similarly, failure by the Corporation to maintain required regulatory approvals and licenses and/or changes in related regulatory requirements could have a significant adverse effect.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. 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. During 2024 and 2023, certain of the Corporation's prior year third-party estimates were adjusted, which resulted in gains of approximately $21.9 and $14.0, respectively.

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The federal government has increased enforcement of Medicare and Medicaid anti-fraud and abuse laws, as well as the physician self-referral law (Stark Law). The Corporation's compliance with these laws and regulations is subject to periodic government review and interpretation, which can result in regulatory action unknown or unasserted at this time. The Corporation is also subject to class action lawsuits, employment-related claims and other legal actions in the ordinary course of business. The Corporation is aware of certain asserted and unasserted legal claims and regulatory matters arising in the normal course of business but cannot reasonably predict any particular outcome or operations or financial effects from these matters at this time. The Corporation will continue to monitor all claims and inquiries and respond appropriately.

(a) Public Health and Social Services Emergency Fund (PHSS Emergency Fund)

The PHSS Emergency Fund (also known as the Provider Relief Fund or PRF) was created to compensate providers for lost revenue and healthcare related expenses attributable to the COVID-19 pandemic and to ensure uninsured Americans have access to testing and treatment for COVID-19. Payments from the PHSS Emergency Fund are not subject to repayment so long as providers attest to and satisfy certain terms and conditions required by the U.S. Department of Health and Human Services (HHS), including, among other things, that the funds are being used for lost operating revenue and COVID-19 related expenses, limitations on balance billing, and agreeing that PHSS Emergency Funds will not be used to reimburse expenses or losses that other sources are obligated to reimburse. HHS has reserved the right to audit PHSS Emergency Fund recipients and may pursue collection activity for any funds not used in accordance with program requirements or applicable law. Generally, providers have 12 to 18 months following receipt of the distributions to use the funds.

Through June 30, 2024, MedStar Health received PHSS Emergency Fund distributions of $405.8. Of the total distributions received, $372.2 was received and recognized as other operating revenue through June 30, 2022, and $33.6 was received and recognized as other operating revenue on the consolidated statement of operations and changes in net assets during the fiscal year ended June 30, 2023. Payments are recognized as revenue when there is reasonable assurance that the terms and conditions associated with the distributions have been met. Amounts recognized as revenue could change in the future based on continuing analysis of lost operating revenue and COVID-19 related expenses, as well as evolving compliance guidance provided by HHS, which could impact MedStar Health's ability to retain some or all of the distributions received.

(b) Medicare Accelerated and Advance Payment Program

To increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program (Program), which allowed for eligible health care facilities to request up to six months of advance Medicare payments. MedStar Health received $703.4 of payments under this program, which represent contract liabilities under ASC 606. Recoupment of these amounts began in April 2021 in accordance with the Program's repayment terms, which specify that for the first 11 months after repayment begins, repayment will occur through an automatic recoupment of 25% of Medicare payments otherwise owed to the provider. In March 2022, recoupment increased to 50% which will continue for six months and at the end of the six months, Medicare will issue a letter for full repayment of any remaining balance, as applicable. As of June 30, 2022, Program advances of $138.7 were recorded within amounts due to third-party payors, net on the consolidated balance sheets as a current liability. The remaining Program advances were recouped as of October 31, 2022.

(c) Federal Emergency Management Agency (FEMA) Funding

As a result of increased costs incurred as a part of the response to the COVID-19 pandemic, MedStar Health requested funding from FEMA for reimbursement of certain eligible costs. In fiscal years 2024 and 2023, FEMA obligated to MedStar Health total funding of $76.0 and $118.9, respectively, of which $69.6 and $107.0 is recorded as other operating revenue on the consolidated statement of operations and changes in net assets for the fiscal years ended June 30, 2024 and 2023, respectively. Cash proceeds of $83.5 and $98.7 were received in fiscal years 2024 and 2023, respectively. Obligated funds outstanding are recorded within other receivables on the consolidated balance sheet as of June 30, 2024 and 2023. Obligated amounts not recognized as revenue are recorded within other current liabilities on the consolidated balance sheet as of June 30, 2024 and 2023. Currently, the timing of FEMA's close-out process for a final award determination, as well as any additional procedures that FEMA may need to complete prior to close-out, including the finalization of potential deductions to the obligated amount, is unknown.

(11) Self-Insurance Programs

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

(Dollars in millions)

		2024	2023
Professional and general liability	$	412.8	389.6
Employee health		34.1	36.3
Workers' compensation		33.2	36.1
Total self-insurance liabilities		480.1	462.0
Less current portion		(117.4)	(126.3)
Total self-insurance liabilities, net of current portion	$	362.7	335.7

Assets available to fund these liabilities are held in separate accounts (see note 2). Contributions required to fund professional and general liability, employee health benefits and workers' compensation programs are determined by the plans' administrators based on appropriate actuarial assumptions. The professional and general liability programs are administered through an offshore wholly owned captive insurance company, Greenspring Financial Insurance, LTD.

For professional liability during the fiscal years ended June 30, 2024 and 2023, MedStar Health is responsible for the below described retentions:

(a) Effective January 1, 2024, the Corporation is responsible for the first $20.0 exposure for each and every claim plus an additional inner aggregate. For this period, the inner aggregate exposes the Corporation up to $5.0 per claim with an aggregate of $10.0 above the $20.0 per claim self-insured retention for all claims incurred.

(b) Effective January 1, 2023, the Corporation is responsible for the first $15.0 exposure for each and every claim plus an additional inner aggregate. For this period, the inner aggregate exposes the Corporation up to $10.0 per claim with an aggregate of $15.0 above the $15.0 per claim self-insured retention for all claims incurred.

(c) Effective January 1, 2022, the Corporation is responsible for the first $15.0 exposure for each and every claim plus an additional inner aggregate. For this period, the inner aggregate exposes the Corporation up to $5.0 per claim with an aggregate of $5.0 above the $15.0 per claim self-insured retention for all claims incurred.

(d) For fiscal years ended June 30, 2024 and 2023, for general liability, except for MMMC and MSMH, the Corporation is responsible for the first $3.0 exposure for each claim. For MMMC and MSMH, the Corporation is responsible for the first $2.0 exposure for each claim. General liability claims are not subject to the inner aggregate excess retention as described above.

Commercial excess re-insurance has been purchased above the self-insured retentions described above in multiple layers and in twin towers; one tower for professional liability and one tower for general liability. Effective January 1, 2016, each tower provides excess re-insurance coverage of up to $175.0 per claim and $175.0 annual aggregate.

The professional and general liabilities as of June 30, 2024 and 2023 have been discounted at a rate of 2.75% and 2.75%, respectively. The workers' compensation liabilities as of June 30, 2024 and 2023 have been discounted at a rate of 2.50% and 2.50%, respectively.

(12) Endowment Net Assets

The Corporation's endowments consist of individual donor restricted funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Corporation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Corporation and the donor restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Corporation

(7) The investment policies of the Corporation

(b) Endowment Net Assets

Donor restricted endowment funds within net assets with donor restrictions whose use is restricted into perpetuity were $47.7 and $47.2 as of June 30, 2024 and 2023, respectively. Investment returns and other income from these endowment funds whose use is restricted as to time or purpose were $13.1 and $9.7 as of June 30, 2024 and 2023, respectively.

(Continued)

(c) Underwater Endowments

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Corporation to retain as a fund of perpetual duration. No material deficiencies existed as of June 30, 2024 and 2023.

(d) Investment Strategies

The Corporation has adopted policies for corporate investments, including endowment assets, that seek to maximize risk-adjusted returns with preservation of principal. The endowment assets are invested in a manner that is intended to hold a mix of investment assets designed to meet the objectives of the account. The Corporation expects its endowment funds, over time, to provide an average rate of return that generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation employs a diversified asset allocation structure to achieve its long-term return objectives within prudent risk constraints.

The Corporation monitors the endowment funds returns and appropriates average returns for use. In establishing this practice, the Corporation considered the long-term expected return on its endowment. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(13) Charity Care and Other Community Benefits

MedStar Health is committed to ensuring that patients within the communities it serves who lack financial resources have access to necessary hospital services. MedStar Health and its healthcare facilities serve the emergency health care needs of everyone who visits the facilities regardless of a patient's ability to pay for care; and assist those patients who are admitted through the admissions process for nonurgent and urgent, medically necessary care who cannot pay for the care they receive.

In meeting this commitment, MedStar Health's facilities work with uninsured patients to gain an understanding of each patient's financial resources prior to admission (for scheduled services) or prior to billing (for emergency services). Based on this information and patient eligibility, the Corporation's facilities assist uninsured and certain underinsured patients that meet medical hardship criteria who reside within the communities served. This assistance is provided in one or more of the following ways:

- Assist with enrollment in publicly funded entitlement programs (e.g., Medicaid and Medicare programs).
- Assist with consideration of funding that may be available from other charitable organizations.
- Provide charity care and financial assistance according to applicable guidelines, including considerations for patients that may be underinsured and for those that may be suffering from a medical hardship.
- Provide financial assistance for payment of facility charges using a sliding scale based on patient family income and financial resources.

- Offer periodic payment plans to assist patients with financing their healthcare services.

Eligibility criteria for financial assistance consider patient's household income in relation to the federal poverty guidelines and the equity value of real property and/or other assets. By definition, free care is available to uninsured patients in households between 0% and 200% of the federal poverty line. Reduced cost-care is based on a sliding-scale and is available to uninsured patients in households between 200% and 400% of the federal poverty line. The Corporation's hospitals utilize a cost to charge ratio methodology to convert charity care to cost. The estimated cost of services provided is determined based on the relationship of total operating costs to gross charges. Total operating costs for purposes of this ratio exclude costs associated with community benefit activities. Total gross patient charges are then offset with any related reimbursements. The Corporation provided $76.9 and $74.8 of charity care at cost during the years ended June 30, 2024 and 2023, respectively, based on the cost to charge ratio.

In addition to charity care, the Corporation also funds costs of services provided to persons covered by publicly funded programs and numerous programs designed to benefit the healthcare interests of the communities it serves. Examples of these programs are health professional education, community health services, and research to advance care. The costs associated with these programs are recorded in the appropriate operating expense categories. In 2023, the most current period for which the Corporation's community benefits report is available, the total cost of these programs, including charity care services provided and certain other implicit price concessions, was approximately $474.5.

(14) Leases

The Corporation's leases are primarily for real estate, including medical office buildings, and corporate and other administrative offices, as well as medical, IT and office equipment. Real estate lease agreements typically have initial terms of three to ten years, and equipment lease agreements typically have initial terms between two and five years. The Corporation also has a long-term land lease whose original term was ninety-eight years (see note 16).

Real estate leases may include one or more options to renew, with renewals that can extend the lease term from one to ten years. The exercise of lease renewal options is typically at the Corporation's sole discretion. Renewal options are assessed at the commencement date, modification date and when a reassessment event has occurred. The renewal option is included in the lease term when it is reasonably certain to be exercised. The Corporation's lease agreements do not contain any transfer of title or purchase options.

Certain lease agreements for real estate include variable payments based on actual common area maintenance and other operating expenses. These variable lease payments are recognized in other operating expenses but are not included in the right of use asset or liability balances. Real estate leases generally include rental escalation clauses that are factored into our determination of lease payments when appropriate.

In determining the present value of lease payments, the Corporation uses the implicit rate noted within the contract, unless unknown in which case the Corporation's estimated incremental borrowing rate is used. The incremental borrowing rates for the portfolio of leases are based upon indicative borrowing rates for taxable, corporate, investment grade debt with terms that correspond to the various lease terms.

(Continued)

(Dollars in millions)

The following table presents the components of the right-of-use assets and liabilities related to leases and their classification in the consolidated balance sheet:

			2024	2023
Assets:				
Total operating lease assets	Operating lease right-of-use assets, net	$	238.4	242.3
Finance lease assets	Property and equipment, net		1.9	2.3
Total leased assets			240.3	244.6
Liabilities:				
Operating lease liabilities:				
Current	Current portion of operating lease liabilities		55.0	51.6
Long-term	Operating lease liabilities, net of current portion		198.4	207.4
Total operating lease liabilities			253.4	259.0
Finance lease liabilities:				
Current	Current portion of long-term debt		0.3	0.3
Long-term	Long-term debt, net of current portion		2.7	3.1
Total finance lease liabilities			3.0	3.4
Total lease liabilities		$	256.4	262.4

The following table presents the components of lease expense, which is recorded within purchased services and other operating expenses in the consolidated statements of operations and changes in net assets for the years ended June 30, 2024 and 2023:

		2024	2023
Operating lease expense	$	61.7	67.5
Variable and short-term lease expense		43.0	33.7
Total lease expenses	$	104.7	101.2

Supplemental cash flow and other information related to operating leases as of June 30, 2024 and 2023 is as follows:

		2024	2023
Weighted average remaining lease term for operating leases (years)		8.0	7.6
Weighted average discount rate for operating leases		3.82 %	3.51 %
Cash paid for amounts included in measurement of lease liabilities	$	65.7	69.7
Right-of-use assets obtained in exchange for lease obligations	$	16.9	22.8

(Dollars in millions)

The following table reconciles the undiscounted cash flows to the operating lease liabilities recorded on the consolidated balance sheet as of June 30, 2024:

2025	$	65.1
2026		60.1
2027		43.8
2028		35.1
2029		23.5
2030 and thereafter		67.2
Total future minimum lease payments		294.8
Less amount of lease payments representing interest		(41.4)
Present value of future minimum lease payments		253.4
Less current obligations under leases		(55.0)
Long-term lease obligations	$	198.4

Certain leases include provisions allowing the minimum rental payments to be adjusted annually for increases in operating costs and, in some cases, real estate taxes attributable to leased property.

(15) Agreements with Georgetown University

In 2000, the Corporation and Georgetown University (the University) signed certain definitive agreements whereby the Corporation received substantially all of the assets owned by the University that constitutes the MGUH, the Community Practice Network, the Faculty Practice Group and certain office buildings and a parking lot on the campus (collectively referred to as the Transferred Businesses). These agreements became effective July 1, 2000 and transferred control of the identified physical plant and other real property assets of the Transferred Businesses to the Corporation for use as an academic medical center for a minimum of ninety-eight years. At the end of the one hundred and fifty year lease term (including a fifty-two year renewal), the University shall convey all leased assets, excluding the underlying land, to the Corporation for a nominal amount and enter into a rent-free ground lease for the Corporation’s use.

The Corporation also entered into an Academic Affiliation and Operations Agreement (Affiliation Agreement) with the University in 2000. Under this agreement, the University makes payments to the Corporation determined by multiplying the University School of Medicine’s (SOM) total undergraduate tuition revenue by 36% for providing teaching services. The Corporation recognized $16.7 and $16.2 of tuition revenue during the years ended June 30, 2024 and 2023, respectively, which is recorded within other operating revenue on the consolidated statements of operations and changes in net assets.

In June 2017, the Corporation and the University entered into a revised and extended partnership agreement to expand the partnership across MedStar Health, provide enhanced clinical and academic alignment for the next 50 years, and support the construction of the new surgical pavilion at MGUH. On December 10, 2024, the Verstandig Pavilion at MedStar Georgetown University Hospital opened for patient care. The Pavilion includes a new emergency department, 156 new private rooms, 31 new state-of-the-art operating rooms, as well as a rooftop helipad. As part of the new agreement, an Asset Purchase Agreement (2017 APA) between the Corporation and the University, which amended and extended several existing agreements, went into effect for the fiscal year ended June 30, 2017. Additionally, the Corporation signed a Conditional Pledge Agreement and amended the existing lease agreement to include an additional parcel of land for construction of the new surgical pavilion.

The following are components of the 2017 transaction:

- Under the terms of the 2017 APA, the Corporation acquired the right to use the University's trade name and trademarks system-wide for a period of 50 years in connection with the following service lines: oncology, neurology, cardiac, rehabilitation, behavioral health/psychiatry, orthopedics, radiology and neurosurgery. In exchange for these rights, the Corporation will pay the University a total of $200.0, payable in equal installments over 20 years. As a result of this transaction, in fiscal year 2017, the Corporation recorded an intangible asset of approximately $135.0 in goodwill and other intangible assets, net and a corresponding liability for the same amount in other long-term liabilities. Amortization of the intangible asset is recorded on a straight-line basis over the 50-year term.
- Under an amendment to the existing agreement, the Affiliation Agreement was extended through June 30, 2066 and the original gain-sharing provision was eliminated. Commencing after the close of the 6th year of the amended agreement, the Corporation's fiscal year ending June 30, 2022, the Corporation shall pay the University an annual gain-sharing payment based on the Corporation's audited consolidated earnings from operations margin for the prior fiscal year. No payment shall be required for a fiscal year if in the prior fiscal year, the Corporation's consolidated earnings from operations margin is less than 1.5%. For the fiscal years ended June 30, 2024 and 2023, the Corporation achieved the required operating margin, and recorded liabilities of $5.0 each year, which is reflected in accounts payable and accrued expenses and other operating expenses within the consolidated balance sheets and consolidated statements of operations and changes in net assets. The liability recorded for the fiscal year ended June 30, 2023 was paid during the first quarter of fiscal 2024.
- To support the purpose and operations of the University's School of Medicine (SOM), including research, academics, and the training of medical students, the Corporation also entered into a 50-year Conditional Pledge Agreement with the University. For the fiscal years ended June 30, 2024 and 2023, the SOM met all of the annual conditions, and as a result, the Corporation made payments of $14.4 and $14.3, respectively, to the University, which were recorded in other nonoperating activities, net within the consolidated statements of operations and changes in net assets.

Additionally, MGUH and the University are parties to a fixed fee shared services agreement, under which the University provides the following services to MGUH: utilities, telephone/IT services, transportation services and library services. Expenses charged for all shared services were $19.5 and $17.3 for the years ended June 30, 2024 and 2023, respectively, which is recorded within other operating expenses on the consolidated statements of operations and changes in net assets.

(Dollars in millions)

(16) Commitments and Contingencies

The MWHC campus is subject to the lien of a Permitted Encumbrance in the amount of $21.5 to the United States government. This encumbrance was created in the deed of the hospital property from the United States government to MWHC in February 1960. There is no repayment date for this lien stated in the deed. Under enabling legislation, repayment could be required after a determination that the property is no longer required for hospital services, or the property is disposed of, in which event all or a portion of the lien may be payable to the government. This lien is subordinated to the Deed of Trust on the MWHC campus.

(17) Functional Expenses

The Corporation considers integrated health services, research and management and general to be its primary functional categories for purposes of expense classification. Management and general include information systems, general corporate management, advertising and marketing. The functional breakdown of expenses incurred by the Corporation are as follows:

	Program activities				
2024	**Integrated health services**	**Research**	**Fundraising**	**Management and general**	**Total**
Personnel	$ 3,802.0	47.1	6.5	702.5	4,558.1
Supplies	1,334.6	1.5	—	11.8	1,347.9
Purchased services and other	1,404.0	20.1	3.3	447.7	1,875.1
Interest	13.2	—	—	53.7	66.9
Depreciation and amortization	151.7	0.8	—	95.0	247.5
	$ 6,705.5	69.5	9.8	1,310.7	8,095.5

	Program activities				
2023	**Integrated health services**	**Research**	**Fundraising**	**Management and general**	**Total**
Personnel	$ 3,616.4	44.3	7.6	656.6	4,324.9
Supplies	1,181.7	1.0	0.1	9.4	1,192.2
Purchased services and other	1,383.0	17.1	4.1	394.7	1,798.9
Interest	12.5	—	—	38.4	50.9
Depreciation and amortization	133.1	0.8	—	89.4	223.3
	$ 6,326.7	63.2	11.8	1,188.5	7,590.2

(18) Subsequent Events

Management evaluated all events and transactions that occurred after June 30, 2024 and through October 1, 2024. The Corporation did not have any events that were required to be recognized or disclosed.

SUPPLEMENTARY SCHEDULES

Schedule 1

MEDSTAR HEALTH, INC.

Consolidating Balance Sheet Information

June 30, 2024

(Dollars in millions)

Assets	**MedStar Franklin Square Medical Center**	**MedStar Good Samaritan Hospital**	**MedStar Harbor Hospital**	**MedStar Montgomery Medical Center**	**MedStar Southern Maryland Hospital**	**MedStar St. Mary's Hospital**	**MedStar Union Memorial Hospital**	**All other MedStar entities**	**Eliminations**	**Consolidated**
Current assets:										
Cash and cash equivalents	$ —	—	—	0.4	—	0.7	—	833.9	—	835.0
Investments	—	—	—	—	—	—	—	166.9	—	166.9
Assets whose use is limited or restricted	—	—	—	—	—	—	—	75.2	—	75.2
Receivables:										
Patient accounts receivable, net	80.1	34.2	20.5	22.8	34.2	24.3	57.6	804.1	(29.2)	1,048.6
Other receivables	3.7	1.5	2.8	3.2	0.1	0.5	3.8	152.0	(14.7)	152.9
Intercompany receivables	7.4	3.4	0.4	3.1	—	6.0	0.7	—	(21.0)	—
	91.2	39.1	23.7	29.1	34.3	30.8	62.1	956.1	(64.9)	1,201.5
Inventories	15.1	2.2	2.4	3.5	5.7	4.3	7.1	63.7	—	104.0
Prepaids and other current assets	1.0	0.3	0.2	0.5	0.7	0.5	0.6	65.2	(2.0)	67.0
Total current assets	107.3	41.6	26.3	33.5	40.7	36.3	69.8	2,161.0	(66.9)	2,449.6
Investments, net of current portion	—	—	—	(2.7)	—	1.4	—	1,744.8	—	1,743.5
Assets whose use is limited or restricted, net of current portion	4.3	2.8	0.3	6.7	0.8	(0.6)	86.7	570.5	—	671.5
Property and equipment, net	224.8	69.0	66.3	77.1	113.6	75.4	90.1	1,600.8	—	2,317.1
Operating lease right-of-use assets, net	5.6	1.4	0.3	(2.4)	—	1.7	10.3	221.5	—	238.4
Interest in net assets of foundation	—	84.0	—	—	—	—	—	—	—	84.0
Goodwill and other intangible assets, net	—	—	—	—	14.9	—	—	460.0	—	474.9
Other assets	—	—	2.0	0.6	—	32.2	0.2	774.5	(478.3)	331.2
Total assets	$ 342.0	198.8	95.2	112.8	170.0	146.4	257.1	7,533.1	(545.2)	8,310.2

(Continued)

Schedule 1

MEDSTAR HEALTH, INC.

Consolidating Balance Sheet Information

June 30, 2024

(Dollars in millions)

Liabilities and Net Assets	MedStar Franklin Square Medical Center	MedStar Good Samaritan Hospital	MedStar Harbor Hospital	MedStar Montgomery Medical Center	MedStar Southern Maryland Hospital	MedStar St. Mary's Hospital	MedStar Union Memorial Hospital	All other MedStar entities	Eliminations	Consolidated
Current liabilities:										
Accounts payable and accrued expenses	$ 13.5	4.2	4.0	5.6	11.2	4.8	11.8	611.1	(36.4)	629.8
Accrued salaries, benefits, and payroll taxes	16.1	9.9	6.9	6.5	8.0	6.1	12.0	427.4	—	492.9
Current portion of amounts due to third-party payors, net	18.4	6.4	6.1	5.8	8.4	4.6	12.1	(12.9)	—	48.9
Current portion of long-term debt	—	—	—	—	—	—	—	166.8	(1.9)	164.9
Current portion of self-insurance liabilities	1.3	0.8	0.4	0.3	—	—	0.7	113.9	—	117.4
Current portion of operating lease liabilities	2.0	0.6	0.1	0.1	—	0.6	1.4	50.2	—	55.0
Other current liabilities	8.1	4.0	9.4	1.9	7.1	2.1	5.4	163.3	(8.0)	193.3
Intercompany payables	—	—	—	—	0.5	—	—	20.1	(20.6)	—
Total current liabilities	59.4	25.9	26.9	20.2	35.2	18.2	43.4	1,539.9	(66.9)	1,702.2
Long-term debt, net of current portion	—	—	—	—	—	—	—	1,616.3	—	1,616.3
Self-insurance liabilities, net of current portion	3.1	1.9	0.8	0.8	—	—	1.6	354.5	—	362.7
Operating lease liabilities, net of current portion	4.1	1.1	0.3	—	—	1.1	9.2	182.6	—	198.4
Pension liabilities	—	—	—	—	—	—	—	17.2	—	17.2
Other long-term liabilities	—	3.2	13.2	—	—	0.3	—	312.5	—	329.2
Total liabilities	66.6	32.1	41.2	21.0	35.2	19.6	54.2	4,023.0	(66.9)	4,226.0
Net assets:										
Common stock	—	—	—	—	—	—	—	10.5	(10.5)	—
Additional paid in capital	0.5	—	—	6.1	—	—	—	264.3	(270.9)	—
Without donor restrictions - attributable to MedStar Health, Inc.	271.8	79.2	53.7	76.3	134.0	124.9	163.1	3,030.9	(196.7)	3,737.2
Without donor restrictions - noncontrolling interest	—	—	—	—	—	—	—	58.1	—	58.1
With donor restrictions	3.1	87.5	0.3	9.4	0.8	1.9	39.8	146.3	(0.2)	288.9
Total net assets	275.4	166.7	54.0	91.8	134.8	126.8	202.9	3,510.1	(478.3)	4,084.2
Total liabilities and net assets	$ 342.0	198.8	95.2	112.8	170.0	146.4	257.1	7,533.1	(545.2)	8,310.2

See accompanying independent auditors' report.

Schedule 2

MEDSTAR HEALTH, INC.

Consolidating Statement of Operations and Summary of Changes in Net Assets Information

Year ended June 30, 2024

(Dollars in millions)

	MedStar Franklin Square Medical Center	MedStar Good Samaritan Hospital	MedStar Harbor Hospital	MedStar Montgomery Medical Center	MedStar Southern Maryland Hospital	MedStar St. Mary's Hospital	MedStar Union Memorial Hospital	All other MedStar entities	Eliminations	Consolidated
Operating revenues:										
Net patient service revenue	$ 586.8	269.4	189.9	184.1	275.3	197.4	423.0	5,020.6	(293.7)	6,852.8
Premium revenue	—	—	—	—	—	—	—	999.8	—	999.8
Other operating revenue	25.6	22.8	20.1	6.2	13.4	5.9	20.5	1,343.4	(1,055.7)	402.2
Net operating revenues	612.4	292.2	210.0	190.3	288.7	203.3	443.5	7,363.8	(1,349.4)	8,254.8
Operating expenses:										
Personnel	257.3	150.1	107.3	96.1	148.2	92.5	186.5	3,519.3	0.8	4,558.1
Supplies	107.8	26.8	21.1	34.2	40.9	35.0	98.3	984.2	(0.4)	1,347.9
Purchased services	99.1	47.6	38.0	29.9	57.0	25.2	81.9	1,605.4	(768.9)	1,215.2
Other operating	97.1	47.8	35.9	31.9	51.7	34.7	70.4	871.3	(580.9)	659.9
Interest expense	8.8	1.9	1.5	1.0	7.2	0.6	2.5	43.5	(0.1)	66.9
Depreciation and amortization	27.8	11.7	10.0	10.3	15.1	10.9	14.9	146.8	—	247.5
Total operating expenses	597.9	285.9	213.8	203.4	320.1	198.9	454.5	7,170.5	(1,349.5)	8,095.5
Earnings (loss) from operations	14.5	6.3	(3.8)	(13.1)	(31.4)	4.4	(11.0)	193.3	0.1	159.3
Nonoperating gains (losses):										
Investment gains, net	0.5	0.4	0.1	0.5	0.1	—	8.1	349.7	—	359.4
Income tax provision	—	—	—	—	—	—	—	(10.6)	—	(10.6)
Other nonoperating activities, net	(0.1)	(0.1)	(0.1)	(0.3)	—	1.7	(0.2)	(21.3)	—	(20.4)
Total nonoperating gains	0.4	0.3	—	0.2	0.1	1.7	7.9	317.8	—	328.4
Excess (deficit) of revenues over expenses	14.9	6.6	(3.8)	(12.9)	(31.3)	6.1	(3.1)	511.1	0.1	487.7
Change in funded status of defined benefit plans	—	—	—	—	—	3.0	—	93.8	—	96.8
Investments gains on restricted investments, net	0.1	—	—	—	—	—	3.9	2.6	—	6.6
Increase in net assets of foundation	—	8.2	—	—	—	—	—	—	—	8.2
Restricted contributions, net assets released from restrictions and other	0.6	1.2	(0.1)	2.4	0.1	0.5	0.7	18.0	(0.1)	23.3
Transfer (to) from parent, net	(4.2)	(6.2)	5.7	19.8	31.1	3.9	15.6	(65.7)	—	—
Total changes in net assets	$ 11.4	9.8	1.8	9.3	(0.1)	13.5	17.1	559.8	—	622.6

See accompanying independent auditors' report.