Consolidated Financial Statements and Supplementary Information

University of Maryland Medical System Corporation and Subsidiaries
Years Ended June 30, 2024 and 2023
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2024 and 2023

Contents

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Report of Independent Auditors

The Board of Directors
University of Maryland Medical System Corporation

Opinion

We have audited the consolidated financial statements of University of Maryland Medical System Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation at June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor's Responsibilities for the Audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary consolidating and combining/combined information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

October 28, 2024

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Balance Sheets

(In Thousands)

	June 30	
	2024	**2023**
Assets		
Current assets:		
Cash and cash equivalents	**$ 165,649**	$ 274,721
Assets limited as to use, current portion	**150,074**	67,049
Accounts receivable:		
Patient accounts receivable, net	**839,158**	634,459
Other	**127,346**	92,543
Inventories	**98,409**	100,781
Prepaid expenses and other current assets	**84,440**	35,542
Total current assets	**1,465,076**	1,205,095
Investments	**1,612,389**	1,490,962
Assets limited as to use, less current portion	**666,572**	750,672
Property and equipment, net	**2,949,564**	2,876,463
Investments in joint ventures	**145,096**	134,642
Other assets	**577,985**	559,429
Total assets	**$ 7,416,682**	$ 7,017,263
Liabilities and net assets		
Current liabilities:		
Trade accounts payable	**$ 372,943**	$ 294,022
Accrued payroll and benefits	**359,083**	314,725
Advances from third-party payors	**181,919**	186,984
Lines of credit	**–**	80,000
Other current liabilities	**201,160**	160,256
Long-term debt subject to short-term refinancing agreements	**91,390**	–
Current portion of long-term debt	**34,059**	32,115
Total current liabilities	**1,240,554**	1,068,102
Long-term debt, less current portion	**1,736,659**	1,864,194
Other long-term liabilities	**583,405**	547,832
Interest rate swap liabilities	**55,170**	70,350
Total liabilities	**3,615,788**	3,550,478
Net assets:		
Without donor restrictions	**3,445,024**	3,226,247
With donor restrictions	**355,870**	240,538
Total net assets	**3,800,894**	3,466,785
Total liabilities and net assets	**$ 7,416,682**	$ 7,017,263

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

(In Thousands)

	Year Ended June 30	
	2024	**2023**
Operating revenue, gains, and other support:		
Net patient service revenue	**$ 4,863,479**	$ 4,682,343
State and county support	**20,922**	13,700
Other revenue	**359,556**	372,557
Total operating revenue, gains, and other support	**5,243,957**	5,068,600
Operating expenses:		
Salaries, wages, and benefits	**2,736,955**	2,693,388
Expendable supplies	**1,001,582**	924,459
Purchased services	**791,085**	768,454
Contracted services	**365,713**	328,588
Depreciation and amortization	**275,808**	277,955
Interest expense	**65,803**	57,942
Total operating expenses	**5,236,946**	5,050,786
Operating income	**7,011**	17,814
Nonoperating income and expenses, net:		
Unrestricted contributions	**2,122**	7,434
Equity in net income of joint ventures	**7,194**	5,209
Investment income, net	**61,348**	13,378
Change in fair value of investments	**119,536**	108,297
Change in fair value of undesignated interest rate swaps	**13,916**	35,020
Other nonoperating losses, net	**(38,894)**	(25,859)
Excess of revenues over expenses	**$ 172,233**	$ 161,293

Continued on page 6

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2022	$ 3,041,971	$ 234,092	$ 3,276,063
Excess of revenues over expenses	161,293	–	161,293
Investment gains, net	–	4,565	4,565
State support for capital	17,094	–	17,094
Contributions, net	2,027	19,558	21,585
Net assets released from restrictions used for operations and nonoperating activities	–	(9,473)	(9,473)
Net assets released from restrictions used for purchase of property and equipment	3,948	(3,948)	–
Change in economic and beneficial interests in the net assets of related organizations	1,058	(7,672)	(6,614)
Change in funded status of defined benefit pension plans	11,300	–	11,300
Other	(12,444)	3,416	(9,028)
Increase in net assets	184,276	6,446	190,722
Balance at June 30, 2023	3,226,247	240,538	3,466,785
Excess of revenues over expenses	**172,233**	**–**	**172,233**
Investment gains, net	**–**	**17,646**	**17,646**
State support for capital	**27,000**	**75,795**	**102,795**
Contributions, net	**–**	**31,423**	**31,423**
Net assets released from restrictions used for operations and nonoperating activities	**–**	**(8,435)**	**(8,435)**
Net assets released from restrictions used for purchase of property and equipment	**10,265**	**(10,265)**	**–**
Change in economic and beneficial interests in the net assets of related organizations	**114**	**7,355**	**7,469**
Change in funded status of defined benefit pension plans	**6,065**	**–**	**6,065**
Other	**3,100**	**1,813**	**4,913**
Increase in net assets	**218,777**	**115,332**	**334,109**
Balance at June 30, 2024	**$ 3,445,024**	**$ 355,870**	**$ 3,800,894**

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended June 30	
	2024	**2023**
Operating activities		
Increase in net assets	**$ 334,109**	$ 190,722
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**275,808**	277,955
Amortization of bond premium and deferred financing costs	**(2,226)**	(2,366)
Net realized gains and change in fair value of investments	**(180,884)**	(121,675)
Equity in net income of joint ventures	**(7,194)**	(5,209)
Change in economic and beneficial interests in net assets of related organizations	**(5,873)**	6,163
Change in fair value of interest rate swaps	**(13,916)**	(35,020)
Change in funded status of defined benefit pension plans	**(6,065)**	(11,300)
Restricted contributions, grants and other support, net	**(151,864)**	(24,123)
Gain on sale of home health agency	**–**	(3,500)
Change in operating assets and liabilities:		
Patient accounts receivable	**(204,699)**	(62,850)
Other receivables, prepaid expenses, other current assets, and other assets	**(104,463)**	133,453
Inventories	**2,372**	(3,328)
Trade accounts payable, accrued payroll and benefits, other current liabilities, and other long-term liabilities	**155,368**	(104,168)
Advances from third-party payors	**(5,065)**	(79,137)
Net cash provided by operating activities	**85,408**	155,617
Investing activities		
Purchases and sales of investments and assets limited as to use, net	**286,377**	237,903
Purchases of alternative investments	**(144,855)**	(169,987)
Sales of alternative investments	**58,312**	139,103
Purchases of property and equipment	**(357,117)**	(326,313)
Sale of home health agency, net cash proceeds	**–**	4,753
Contributions to joint ventures, net	**(1,054)**	(29,808)
Net cash used in investing activities	**(158,337)**	(144,349)

Continued on page 8

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows (continued)

(In Thousands)

	Year Ended June 30	
	2024	**2023**
Financing activities		
Repayment of long-term debt and finance leases	**$ (31,975)**	$ (39,958)
Repayments of lines of credit, net	**(80,000)**	(1,000)
Restricted contributions, grants, and other support	**151,864**	24,123
Funds administered for others	**57,397**	–
UM Health Plan, LLC earnout proceeds	**–**	939
Net cash provided by (used in) financing activities	**97,286**	(15,896)
Net increase (decrease) in cash, cash equivalents, and restricted cash	**24,357**	(4,628)
Cash, cash equivalents, and restricted cash, beginning of year	**369,795**	374,423
Cash, cash equivalents, and restricted cash, end of year	**$ 394,152**	$ 369,795
Cash and cash equivalents	**$ 165,649**	$ 274,721
Restricted cash included in assets limited as to use	**228,503**	95,074
Cash, cash equivalents, and restricted cash, end of year	**$ 394,152**	$ 369,795
Supplemental disclosures of cash flow information		
Cash paid during the year for interest, net of amounts capitalized	**$ 67,107**	$ 58,809
Amount included in accounts payable for construction in progress	**$ 40,556**	$ 48,764

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is a private, not-for-profit corporation, providing comprehensive healthcare services through an integrated regional network of hospitals and related clinical enterprises. UMMS was created in 1984 when its founding hospital was privatized by the State of Maryland. Prior to that time, the founding hospital was state-owned, operated and financed as part of the University of Maryland, now a part of the University System. As part of the privatization process, the Maryland General Assembly and the University of Maryland's Board of Regents adopted legislation (the Governance Legislation) separating the major health care delivery components from the University System to UMMS. This Governance Legislation provides for a certain level of oversight by the State of Maryland to ensure UMMS' founding purposes are consistently set forth in its functions and operating practices.

Over its history, UMMS evolved into a multi-hospital system with academic, community and specialty service missions reaching across Maryland. In continuing partnership with the University of Maryland School of Medicine, UMMS operates healthcare programs that improve the physical and mental health of thousands of people each day.

The accompanying consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, and entities controlled by the Corporation. In addition, the Corporation maintains equity interests in various unconsolidated joint ventures, which are described in Note 4.

The significant operating divisions of the Corporation are described in further detail below.

All material intercompany balances and transactions have been eliminated in consolidation.

University of Maryland Medical Center (Medical Center)

The Medical Center, which is a major component of UMMS, is a 710-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. As part of the privatization in 1984, only clinical faculty members of the School of Medicine may serve as medical staff of the Medical Center.

1. Organization and Summary of Significant Accounting Policies (continued)

The Medical Center is comprised of two operating divisions: University Hospital, which includes the Greenebaum Cancer Center, and Shock Trauma Center. University Hospital, which generates approximately 85% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing over 70 clinical services and programs. The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research. The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 15% of admissions and patient days. The Medical Center also operates 36 South Paca Street, LLC, a wholly owned subsidiary that operates a residential apartment building.

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2024 and 2023 was approximately $212,707 and $201,509, respectively.

University of Maryland Rehabilitation and Orthopaedic Institute (ROI)

ROI is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 138 licensed beds, which includes rehabilitation beds, chronic care beds, medical/surgical beds, and off-site physical therapy facilities.

A related corporation, The James Lawrence Kernan Endowment Fund, Inc. (Kernan Endowment), is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of ROI. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the Kernan Endowment.

University of Maryland Medical Center Midtown Campus (Midtown)

Midtown is located in Baltimore city and is comprised of University of Maryland Midtown Hospital (UM Midtown), with 138 licensed beds, including 116 acute care beds and 22 chronic care beds and a wholly owned subsidiary providing primary care.

1. Organization and Summary of Significant Accounting Policies (continued)

University of Maryland Baltimore Washington Medical System (Baltimore Washington)

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of University of Maryland Baltimore Washington Medical Center (UM Baltimore Washington), a 307-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

Baltimore Washington Medical Center Foundation, Inc. (BWMC Foundation) is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of UM Baltimore Washington. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the BWMC Foundation.

University of Maryland Shore Regional Health (Shore Regional)

Shore Regional is a health system located on the Eastern Shore of Maryland. Shore Regional owns and operates University of Maryland Shore Medical Center at Easton (UM Easton), a 98-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; University of Maryland Shore Medical Center at Cambridge (UM Cambridge), a freestanding medical facility, providing outpatient services in Cambridge, Maryland; University of Maryland Shore Medical Center at Chestertown (UM Chester River), a 5-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne’s counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a free-standing emergency center; and several other subsidiaries providing various outpatient and home care services.

Dorchester General Hospital Foundation, Inc. (Dorchester Foundation) is governed by a separate, independent board of directors to raise funds to support certain Shore Regional facilities. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation and, accordingly, the accompanying consolidated financial statements reflect a beneficial interest in the net assets of the Dorchester Foundation.

1. Organization and Summary of Significant Accounting Policies (continued)

University of Maryland Charles Regional Health (Charles Regional)

Charles Regional owns and operates University of Maryland Charles Regional Medical Center (UM Charles Regional), which is comprised of a 104-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland.

University of Maryland St. Joseph Health System (St. Joseph)

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UM St. Joseph), a 221-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

University of Maryland Upper Chesapeake Health System (Upper Chesapeake)

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes two acute care hospitals, University of Maryland Upper Chesapeake Medical Center (UM Upper Chesapeake), a 203-bed acute care hospital and University of Maryland Harford Memorial Hospital (UM Harford Memorial), a free-standing emergency and medical facility; a physician practice; and a land holding company. During fiscal year 2024, UM Harford Memorial was closed, and a new freestanding medical facility was opened, with inpatient activity transferring to UM Upper Chesapeake.

University of Maryland Capital Region Health (Capital Region)

Capital Region is a health system located in Prince George's County. Capital Region owns and operates UM Capital Region Medical Center (UM Capital Region), a 233-bed acute care teaching hospital and Level II Trauma Center; UM Laurel Medical Center (UM Laurel), a free standing medical facility providing emergency medicine and outpatient surgery; and UM Bowie Health Center (UM Bowie), a free standing medical facility providing emergency medicine and diagnostic imaging and lab services.

University of Maryland Medical System Foundation (UM Medicine Foundation)

The UM Medicine Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Medical Center and certain other subsidiaries of UMMS.

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents, excluding amounts shown within investments and assets limited as to use, consist of cash and interest-bearing deposits with maturities of three months or less from the date of purchase. Cash and cash equivalent balances may exceed amounts insured by federal agencies and, therefore, bear a risk of loss. The Corporation has not experienced such losses on these funds.

Investments and Assets Limited as to Use

The Corporation's investment portfolios, except alternative investments, are classified as trading and are reported in the consolidated balance sheets as long-term assets at June 30, 2024 and 2023. Investment income earnings on cash and short-term investments associated with business operations are recorded in other operating revenues. Unrealized holding gains and losses on trading securities with readily determinable market values, as well as alternative investments, are included in nonoperating income. Investment income related to long-term investments, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets.

Assets limited as to use include investments set aside for the replacement or acquisition of property and equipment, investments held by trustees under bond indenture agreements and self-insurance trust arrangements, and assets whose use is restricted by donors. Restricted investments are recorded in net assets with donor restrictions unless otherwise required by the donor or state law. UMMS serves as the Paymaster for the Maryland Health Services Cost Review Commission (HSCRC)'s Episode Quality Improvement Program, whereby UMMS receives and disburses awards earned under the Program. At June 30, 2024, the Corporation held $81,024 of funds that are pending disbursement to Program beneficiaries, an amount that is included in current portion of assets limited as to use (Note 2) with an equal and offsetting liability recorded in other current liabilities. Assets limited as to use also includes the Corporation's economic interests in financially interrelated organizations (Note 11).

1. Organization and Summary of Significant Accounting Policies (continued)

Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying consolidated financial statements.

Fair Value Measurements

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

> *Cash and cash equivalents, accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll and benefits, other accrued expenses, and advances from third-party payors* – The carrying amounts reported in the consolidated balance sheets approximate the related fair values. Assets limited as to use and investments include managed funds, which include hedge funds, hedge fund-of-funds, multi-strategy commingled funds, private equity investments and other investments (collectively "alternative investments") which do not have readily ascertainable fair values and may be subject to withdrawal restrictions. The Corporation applies Accounting Standards Update 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its alternative investments and *pension plan assets.* The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. The alternative investments classified within the fair value hierarchy have been recorded using the NAV. These amounts are not required to be categorized in the fair value hierarchy. Fair value is based on the proportionate share of the NAV based on the most recent statements received for the fund managers.

The Corporation discloses its financial assets, financial liabilities, and fair value measurements of nonfinancial items according to the fair value hierarchy required by accounting principles generally accepted in the United States of America that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted

1. Organization and Summary of Significant Accounting Policies (continued)

quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 inputs are unobservable inputs for the asset or liability.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. The Corporation uses techniques consistent with the market approach and the income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

As of June 30, 2024 and 2023, the Level 2 assets and liabilities listed in the fair value hierarchy tables presented in Notes 2 and 10 utilize the following valuation techniques and inputs:

U.S. Government and agency securities

The fair value of investments in U.S. Government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads. U.S. Government and agency securities also include treasury notes that are based on quoted market prices in active markets.

1. Organization and Summary of Significant Accounting Policies (continued)

Corporate obligations

The fair value of investments in U.S. and international corporate bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options. The fair value of collateralized corporate obligations is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes. Corporate obligations also include commercial paper that is based on quoted market prices in active markets.

Derivative liabilities

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Net Patient Service Revenue and Patient Accounts Receivable

In accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, net patient service revenue, which includes hospital inpatient services, hospital outpatient services, physician services, and other patient services revenue, is recorded at the transaction price estimated by the Corporation to reflect the total consideration due from patients and third-party payors (including commercial payors and government programs) and others. Revenue is recognized over time as performance obligations are satisfied in exchange for providing goods and services in patient care. Revenue is recorded as these goods and services are provided. The services provided to a patient during an inpatient stay or outpatient visit represent a bundle of goods and services that are distinct and accounted for as a single performance obligation.

1. Organization and Summary of Significant Accounting Policies (continued)

The Corporation's estimate of the transaction price includes the Corporation's standard charges for the goods and services provided, with a reduction recorded related to explicit price concessions for such items as contractual allowances, charity care, adjustments that may arise from payment and other reviews, and implicit price concessions, such as uncollectible amounts. The price concessions are determined using the portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Based on historical experience, a significant portion of the self-pay population will be unable or unwilling to pay for services and only the amount anticipated to be collected is recognized in the transactions price. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are considered bad debt expense and recorded within operating expenses in the Consolidated Statements of Operations and Changes in Net Assets and was not material for the years ended June 30, 2024 and 2023. Estimates for uncollectible amounts are based on the historical collections experience for similar payors and patients, current market conditions, and other relevant factors. The Corporation recognizes a significant amount of patient service revenue even though it does not assess the patient's ability to pay.

The standard charges for goods and services for the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region reflects actual charges to patients based on rates regulated by the State of Maryland Health Services Cost Review Commission (HSCRC) in effect during the period in which the services are rendered. See Note 17 for further discussion on the HSCRC and regulated rates.

Patient accounts receivable consist primarily of amounts owed by various governmental agencies, insurance companies and patients and are recorded at the net realizable value based on certain assumptions determined by each payor. The Corporation reports patient accounts receivable at an amount equal to the consideration it expects to receive in exchange for providing healthcare services to its patients, which is estimated using contractual provisions associated with specific payors, historical reimbursement rates and analysis of past experience to estimate potential adjustments.

(In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

The Corporation has elected to apply the optional exemption in ASC 606-10-50-14a, as all performance obligations relate to contracts with a duration of less than one year. Under this exemption, the Corporation was not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations at the end of the year are completed within days or weeks of the end of the year.

Net patient service revenue by line of business is as follows:

	Year Ended June 30	
	2024	**2023**
Hospital inpatient and outpatient services	**$ 4,520,934**	$ 4,367,049
Physician services	**326,722**	305,467
Other	**15,823**	9,827
Net patient service revenue	**$ 4,863,479**	$ 4,682,343

Other Accounts Receivable

Other accounts receivable primarily includes receivables related to the hospital outpatient pharmacies, pharmacy rebate accruals, grants, and third-party contracts.

Inventories

Inventories, consisting primarily of drugs and medical/surgical supplies, are carried at the lower of cost or net realizable value.

Economic Interests in Financially Interrelated Organizations

The Corporation recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree 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 these financially interrelated organizations are recognized in the accompanying consolidated statements of changes in net assets.

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or estimated fair value at date of contribution, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets. The estimated useful lives of the assets are as follows:

Buildings	20 to 40 years
Building and leasehold improvements	5 to 15 years
Equipment	3 to 15 years

Interest costs incurred on borrowed funds less interest income earned on the unexpended bond proceeds during the period of construction are capitalized as a component of the cost of acquiring those assets.

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

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

1. Organization and Summary of Significant Accounting Policies (continued)

Investments in Joint Ventures

When the Corporation does not have controlling interest over the operating and financial policies of the investee, but has significant influence over an entity, the Corporation applies the equity method of accounting, and operating results flow through equity in net income of joint ventures in the nonoperating income and expenses, net section of the consolidated Statement of Operations and Changes in Net Assets. Dividends received are recorded as a reduction in the carrying amount of the investment. Investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable.

Other Assets

Other Assets primarily includes reinsurance receivables (Note 15), Operating lease right of use (ROU) assets (Note 5), prepaid expenses, retirement plan assets and intangible assets, net of accumulated amortization.

Accrued Vacation

The Corporation's employees earn vacation days at varying rates depending on years of service. Vacation time accumulates up to certain limits, at which time no additional vacation hours can be earned. The Corporation records a liability within accrued payroll and benefits in the Consolidated Balance Sheets for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Advances From Third-Party Payors

The Corporation receives advances from some of its third-party payors so that those payors can receive the stated prompt pay discount allowed for hospitals in the State of Maryland. Advances are recorded as a current liability in the consolidated balance sheets

Deferred Financing Costs

Costs incurred related to the issuance of long-term debt, which are included in long-term debt, are deferred and are amortized over the life of the related debt agreements or the related letter of credit agreements using the effective-interest method.

1. Organization and Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments

The Corporation records derivative and hedging activities on the consolidated balance sheets at their respective fair values.

The Corporation utilizes derivative financial instruments to manage its interest rate risks associated with long-term debt. The Corporation does not hold or issue derivative financial instruments for trading purposes.

The Corporation's specific goals for its derivative financial instruments are to: (a) manage interest rate sensitivity by modifying the repricing or maturity characteristics of some of its debt, and (b) lower unrealized appreciation or depreciation in the market value of the Corporation's fixed-rate debt when that market value is compared with the cost of the borrowed funds. The effect of this unrealized appreciation or depreciation in market value; however, will generally be offset by the income or loss on the derivative instruments that are linked to the debt.

All derivative instruments are reported as interest rate swap liabilities or other assets in the consolidated balance sheets and measured at fair value. Currently, the Corporation is accounting for its interest rate swaps as economic hedges at fair value, with changes in the fair value recognized in other nonoperating income and expenses.

Self-Insurance

Under the Corporation's self-insurance programs (general and professional liability, workers' compensation, and employee health and long-term disability benefits), incurred claims are estimated primarily based upon actuarial methods which include incurred but not reported claims analysis and reported claims the severity of incidents and the expected timing of claim payments. These estimates are continually reviewed and adjusted as necessary based on experience. These adjustments are recorded within the current period operating income.

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent contributions, gifts, and grants, which have no donor-imposed restrictions or which arise as a result of operations. Net assets with donor restrictions are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes. The restrictions associated with these net assets generally pertain to patient care, specific capital projects, and funding of specific hospital operations and community outreach programs.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise becomes unconditional. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Such amounts are classified as other revenue or transfers and additions to property and equipment. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions on the accompanying consolidated statements of operations and changes in net assets. Contributed nonfinancial assets received from donors are subsequently monetized. Net assets also include endowments that are subject to donor-imposed restrictions that are to be maintained permanently by the Corporation.

Contributions to be received after one year are discounted at a fixed discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management’s judgment, including such factors as prior collection history, type of contributions, and nature of fund-raising activity.

1. Organization and Summary of Significant Accounting Policies (continued)

Charity Care

The Corporation is committed to providing quality healthcare to all, regardless of one's ability to pay. Patients who meet the criteria of the Corporation's charity care policy receive services without charge or at amounts less than its established rates. The criteria for charity care consider the household income in relation to the federal poverty guidelines. The Corporation provides services at no charge for patients with adjusted gross income equal to or less than 200% of the federal poverty guidelines. For uninsured patients with adjusted gross income greater than 200% of the federal poverty guidelines, a sliding scale discount is applied. Income and asset information obtained from patient credit reporting data are used to determine patients' ability to pay. The Corporation maintains records to identify and monitor the level of charity care it furnished under its charity care policy.

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost to charge ratio for each hospital and applied to charity care charges. The Corporation estimates the total direct and indirect costs to provide charity care were approximately $52,818 and $51,325 for the years ended June 30, 2024 and 2023, respectively.

Other Operating Revenue

Other operating revenue consists of pharmacy prescription sales, cafeteria sales, grant revenues, net assets released from restriction, and other non-patient service revenue.

Nonoperating Income and Expenses, Net

Other activities that are only indirectly related to the Corporation's primary business of delivering healthcare services are recorded as nonoperating income and expenses, and include income earned on long-term investments, equity in the net income of joint ventures, general donations and fund-raising activities, changes in fair value of investments, changes in fair value of undesignated interest rate swaps, and settlement payments on interest rate swaps that do not qualify for hedge accounting treatment.

1. Organization and Summary of Significant Accounting Policies (continued)

Excess of Revenue over Expenses

The accompanying consolidated statements of operations and changes in net assets include a performance indicator, excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), changes in the funded status of defined benefit pension plans, state support for capital, and other items that are required by generally accepted accounting principles to be reported separately.

Income Taxes

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code), pursuant to Section 501(a) of the Code. The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements.

The Corporation follows a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management does not believe that there are any unrecognized tax liabilities or benefits that should be recognized.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Going Concern

Management evaluates 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 within one year after the date the consolidated financial statements are issued. As of the date of this report, there are no conditions or events that raise substantial doubt about the Corporation’s ability to continue as a going concern.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Reclassifications

Certain prior year amounts in the footnotes to the consolidated financial statements have been reclassified to conform to the current year presentation.

New and Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. The previous standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. ASU 2016-13 was effective for the Corporation July 1, 2023. There was no significant impact on the Corporation's consolidated financial statements during the year ended June 30, 2024.

(In Thousands)

2. Investments and Assets Limited as to Use

The carrying values of assets limited as to use were as follows:

	June 30 2024	June 30 2023
Investments held for collateral	**$ 4,419**	$ 5,667
Debt service and reserve funds	**55,845**	54,279
Construction funds – held by trustee	**91,906**	195,843
Construction funds – held by the Corporation	**52,262**	102,828
Board designated funds	**–**	30,000
Self-insurance trust funds	**289,634**	245,536
Funds restricted by donors	**182,353**	130,238
Economic and beneficial interests in the net assets of related organizations *(Note 11)*	**59,203**	53,330
Other assets limited as to use	**81,024**	–
Total assets limited as to use	**816,646**	817,721
Less amounts available for current liabilities	**(150,074)**	(67,049)
Total assets limited as to use, less current portion	**$ 666,572**	$ 750,672

Assets limited as to use (short and long term) consisted of the following:

	June 30 2024	June 30 2023
Cash and cash equivalents	**$ 267,578**	$ 183,526
Corporate obligations	**15,336**	73,129
Fixed income funds	**21,904**	21,235
U.S. Government and agency securities	**48,950**	135,043
Common stocks, including mutual funds	**67,483**	61,092
Alternative investments	**49,894**	48,012
Assets held by other organizations	**345,501**	295,684
Total assets limited as to use	**$ 816,646**	$ 817,721

(In Thousands)

2. Investments and Assets Limited as to Use (continued)

Self-insurance trust funds include amounts held by the Maryland Medicine Comprehensive Insurance Program (MMCIP) for payment of malpractice claims. These assets consist primarily of cash, stocks and fixed-income, corporate obligations, and alternative investments. MMCIP is a funding mechanism for the Corporation's malpractice insurance program. As MMCIP is not an insurance provider, transactions with MMCIP are recorded under the deposit method of accounting. Accordingly, the Corporation accounts for its participation in MMCIP by carrying limited-use assets representing the amount of funds contributed to MMCIP and recording a liability for claims, which is included in other current and other long-term liabilities in the accompanying consolidated balance sheets. These assets include the Corporation's portion of the investment pool shared with University of Maryland Faculty Physicians, Inc., which is part of the University of Maryland School of Medicine.

The related restricted cash and cash equivalents included in investments held for collateral, debt service and reserve funds, construction funds (held by trustee), funds restricted by donors, and other restricted use funds are included in the accompanying consolidated statements of cash flows for the years ended June 30, 2024 and 2023.

The carrying values of investments were as follows:

	June 30	
	2024	**2023**
Cash and cash equivalents	**$ 99,805**	$ 204,856
Corporate obligations	**35,604**	41,764
Fixed income funds	**114,145**	51,589
U.S. Government and agency securities	**123,270**	131,370
Common stocks	**488,734**	471,822
Alternative investments:		
Hedge funds/private equity	**62,674**	52,843
Commingled funds	**688,157**	536,718
	$ 1,612,389	$ 1,490,962

2. Investments and Assets Limited as to Use (continued)

Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using NAV as a practical expedient. As of June 30, 2024 and 2023, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. Approximately $229,795 and $91,619 of the alternative investments were subject to 31–60-day notice requirements and can only be redeemed monthly, quarterly, or annually as of June 30, 2024, and 2023, respectively. Other funds as of June 30, 2024, and 2023, totaling approximately $88,985, and $ 75,897, respectively, are subject to over 60-day notice requirements and can only be redeemed quarterly or annually. There is approximately $38,455 and $29,968 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from three to ten years as of June 30, 2024, and 2023, respectively. The Corporation had approximately $76,928 and $53,294 of unfunded commitments in alternative investments as of June 30, 2024 and 2023, respectively.

(In Thousands)

2. Investments and Assets Limited as to Use (continued)

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	$ 99,805	$ –	$ –	$ 99,805
Corporate obligations	–	35,604	–	35,604
Fixed income funds	114,145	–	–	114,145
U.S. Government and agency securities	79,441	43,829	–	123,270
Common stocks, including mutual funds	488,734	–	–	488,734
	$ 782,125	$ 79,433	$ –	861,558
Alternative investments, reported using NAV:				
Hedge funds/private equity				62,674
Commingled funds				688,157
Total investments				$ 1,612,389
Assets limited as to use:				
Cash and cash equivalents	$ 267,578	$ –	$ –	$ 267,578
Corporate obligations	2,027	13,309	–	15,336
Fixed income funds	21,904	–	–	21,904
U.S. Government and agency securities	47,898	1,052	–	48,950
Common stocks, including mutual funds	67,483	–	–	67,483
Economic and beneficial interests	–	–	59,203	59,203
	$ 406,890	$ 14,361	$ 59,203	480,454
Alternative investments, reported using NAV:				
Investments held by other organizations*				286,298
Hedge funds/private equity				13,121
Commingled funds				36,773
				$ 816,646

*"Investments held by other organizations" recorded using the NAV as a practical expedient include assets of the MMCIP Self-insurance Trust, which holds Level 1, Level 2 and alternative investments within its portfolios. Alternative investments include hedge fund, private equity, and commingled investment funds. As of June 30, 2024, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.

(In Thousands)

2. Investments and Assets Limited as to Use (continued)

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	$ 204,856	$ –	$ –	$ 204,856
Corporate obligations	17,960	23,804	–	41,764
Fixed income funds	51,589	–	–	51,589
U.S. Government and agency securities	95,759	35,611	–	131,370
Common stocks, including mutual funds	471,822	–	–	471,822
	$ 841,986	$ 59,415	$ –	901,401
Alternative investments, reported using NAV:				
Hedge funds/private equity				52,843
Commingled funds				536,718
Total investments				$ 1,490,962
Assets limited as to use:				
Cash and cash equivalents	$ 183,526	$ –	$ –	$ 183,526
Corporate obligations	16,945	56,184	–	73,129
Fixed income funds	21,235	–	–	21,235
U.S. Government and agency securities	134,680	363	–	135,043
Common stocks, including mutual funds	61,092	–	–	61,092
Economic and beneficial interests	–	–	53,330	53,330
	$ 417,478	$ 56,547	$ 53,330	527,355
Alternative investments, reported using NAV:				
Investments held by other organizations*				242,354
Hedge funds/private equity				15,643
Commingled funds				32,369
				$ 817,721

*"Investments held by other organizations" recorded using the NAV as a practical expedient include assets of the MMCIP Self-insurance Trust, which holds Level 1, Level 2 and alternative investments within its portfolios. Alternative investments include hedge fund, private equity, and commingled investment funds. As of June 30, 2023, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.

(In Thousands)

2. Investments and Assets Limited as to Use (continued)

Changes to Level 1 and Level 2 securities between June 30, 2024 and 2023 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

The Corporation's total return on its investments and assets limited as to use was as follows:

	Year Ended June 30	
	2024	**2023**
Dividends and interest, net of fees	**$ 44,180**	$ 30,823
Net realized (losses) gains	**37,846**	(13,329)
Change in fair value of trading securities and alternative investments	**120,665**	112,488
Total investment return	**$ 202,691**	$ 129,982

Total investment return is classified in the accompanying consolidated statements of operations and changes in net assets as follows:

	Year Ended June 30	
	2024	**2023**
Other operating revenue	**$ 4,161**	$ 3,742
Nonoperating investment income, net	**61,348**	13,378
Change in fair value of unrestricted investments	**119,536**	108,297
Investment gains (losses) on net assets with donor restrictions	**17,646**	4,565
Total investment return	**$ 202,691**	$ 129,982

Investment return does not include the returns on the economic interests in the net assets of related organizations, the returns on the self-insurance trust funds, returns on undesignated interest rates swaps, or the returns on certain construction funds where amounts have been capitalized.

(In Thousands)

3. Property and Equipment

The following is a summary of property and equipment:

	June 30	
	2024	**2023**
Land	**$ 206,705**	$ 204,676
Buildings	**2,377,325**	2,123,014
Building and leasehold improvements	**1,085,106**	1,265,355
Equipment	**1,892,095**	2,479,644
Construction in progress	**283,363**	367,056
	5,844,594	6,439,745
Less accumulated depreciation and amortization	**(2,895,030)**	(3,563,282)
	$ 2,949,564	$ 2,876,463

During the year ended June 30, 2024 and 2023, the Corporation retired long-lived assets determined to have no future value. During 2024, the original cost and corresponding accumulated depreciation of these long-lived assets was $963,174 and $956,821, respectively. During 2023, the original cost and corresponding accumulated depreciation of these long-lived assets was $10,237 and $6,993, respectively. No proceeds from retirement were received in 2024 or 2023.

Interest cost capitalized was $8,782 and $11,552 for the years ended June 30, 2024 and 2023, respectively. Remaining contractual commitments on construction projects were approximately $185,842 at June 30, 2024.

Construction in progress includes building and renovation costs for assets that have not yet been placed into service. These costs relate to major construction projects as well as routine renovations under way at the Corporation's facilities.

(In Thousands)

4. Investments in Joint Ventures

The Corporation has equity method investments valued at approximately $145,096 and $134,642 at June 30, 2024 and 2023, respectively, in the following unconsolidated joint ventures:

	Ownership %	2024	2023
Mt. Washington Pediatric Hospital, Inc. (Mt. Washington)	50%	**$ 79,581**	$ 76,305
Terrapin Insurance (Terrapin)	50%	**975**	975
Other investments	Various	**64,540**	57,362
		$ 145,096	$ 134,642

The following is a summary of the Corporation's joint ventures' combined unaudited condensed financial information as of and for the years ended June 30:

	2024			
	Mt. Washington	**Terrapin**	**Others**	**Total**
Current assets	**$ 18,051**	**$ 459,871**	**$ 57,141**	**$ 535,063**
Noncurrent assets	**146,477**	**–**	**112,556**	**259,033**
Total assets	**$ 164,528**	**$ 459,871**	**$ 169,697**	**$ 794,096**
Current liabilities	**$ 19,077**	**$ 966**	**$ 13,111**	**$ 33,154**
Noncurrent liabilities	**2,810**	**456,955**	**26,915**	**486,680**
Net assets	**142,641**	**1,950**	**129,671**	**274,262**
Total liabilities and net assets	**$ 164,528**	**$ 459,871**	**$ 169,697**	**$ 794,096**
Total operating revenue	**$ 66,412**	**$ 37,342**	**$ 143,632**	**$ 247,386**
Total operating expenses	**(70,798)**	**(63,193)**	**(120,775)**	**(254,766)**
Total nonoperating (losses) gains, net	**8,647**	**25,851**	**(3,225)**	**31,273**
Contributions from (to) owners	**–**	**–**	**43,484**	**43,484**
Other changes in net assets, net	**1,833**	**–**	**(3,721)**	**(1,888)**
Increase in net assets	**$ 6,094**	**$ –**	**$ 59,395**	**$ 65,489**

(In Thousands)

4. Investments in Joint Ventures (continued)

	2023			
	Mt. Washington	**Terrapin**	**Others**	**Total**
Current assets	$ 15,230	$ 439	$ 50,799	$ 66,468
Noncurrent assets	142,885	417,714	49,590	610,189
Total assets	$ 158,115	$ 418,153	$ 100,389	$ 676,657
Current liabilities	$ 14,754	$ 2,518	$ 7,491	$ 24,763
Noncurrent liabilities	6,659	413,685	22,622	442,966
Net assets	136,702	1,950	70,276	208,928
Total liabilities and net assets	$ 158,115	$ 418,153	$ 100,389	$ 676,657
Total operating revenue	$ 65,570	$ 48,408	$ 111,790	$ 225,768
Total operating expenses	(68,508)	(58,379)	(92,806)	(219,693)
Total nonoperating (losses) gains, net	5,657	9,971	(2,838)	12,790
Contributions from (to) owners	–	–	(8,343)	(8,343)
Other changes in net assets, net	2,675	–	1,077	3,752
Increase in net assets	$ 5,394	$ –	$ 8,880	$ 14,274

5. Leases

The Corporation determines if an arrangement is a lease at inception of the contract. Operating leases are included in other assets, other current liabilities, and other long-term liabilities on the consolidated balance sheets. Finance leases are included in property, plant, and equipment, other current liabilities, and other long-term liabilities on the accompanying consolidated balance sheets. The Corporation's leases primarily consist of real estate leases for medical and administrative office buildings.

(In Thousands)

5. Leases (continued)

Lease liabilities are recognized based on its present value, net of the future minimum lease payments over the lease term using the Corporation's incremental borrowing rate based on the information available at commencement. The ROU asset is derived from the lease liability and also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Certain lease agreements for real estate include payments based on actual common area maintenance expenses, and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in purchased services, net, but are not included in the ROU asset or liability balances. Lease agreements may include one or more renewal options which are at the Corporation's sole discretion. The Corporation does not consider the renewal options to be reasonably likely to be exercised; therefore, they are not included in ROU assets and lease liabilities. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term for operating leases.

In accordance with ASC 842, *Leases*, the Corporation has elected to not recognize ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less. The Corporation recognizes the lease payments associated with its 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.

The following table summarizes the components of operating and finance lease assets and liabilities classified as current and noncurrent on the accompanying consolidated balance sheets:

	Consolidated Balance Sheet Classification	**June 30 2024**	**June 30 2023**
Operating leases			
Operating lease ROU assets	Other assets	**$ 108,621**	$ 92,700
Operating lease obligation current	Other current liabilities	**(16,550)**	(16,092)
Operating lease obligation long-term	Other long-term liabilities	**(94,054)**	(80,473)
Finance leases			
Finance lease ROU assets	Property and equipment, net	**$ 36,581**	$ 37,860
Current finance lease liabilities	Other current liabilities	**(1,083)**	(1,055)
Long-term finance lease liabilities	Other long-term liabilities	**(43,489)**	(44,572)

(In Thousands)

5. Leases (continued)

The components of lease expense were as follows:

	Year Ended June 30	
	2024	**2023**
Finance lease expense:		
Amortization of ROU assets	**$ 1,279**	$ 1,065
Interest on lease liabilities	**1,570**	1,564
Total finance lease expense	**2,849**	2,629
Operating lease expense	**19,928**	19,681
Short-term/variable lease expense	**12,909**	15,370
Total lease expense	**$ 35,686**	$ 37,680

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of June 30, 2024 are as follows:

	Operating	**Finance**
2025	$ 20,091	$ 2,625
2026	19,472	2,522
2027	15,817	2,006
2028	13,430	2,006
2029	11,548	2,006
Thereafter	48,618	43,037
Total	128,976	54,202
Less: Present value discount	(18,372)	(9,630)
Lease liabilities	$ 110,604	$ 44,572

(In Thousands)

5. Leases (continued)

The following table provides the cash paid for amounts included in the measurement of lease obligations:

	Year Ended June 30	
	2024	**2023**
Operating leases	**$ 19,837**	$ 19,222
Financing leases	**2,625**	2,109
Total cash paid	**$ 22,462**	$ 21,331

Other information is as follows:

	Year Ended June 30	
	2024	**2023**
Weighted average remaining lease terms (in years):		
Finance leases	**6.40**	7.34
Operating leases	**8.51**	8.83
Weighted average discount rate:		
Finance leases	**3.50%**	3.48%
Operating leases	**3.52%**	2.79%

During fiscal year 2024, the Corporation entered into a lease agreement with an expected commencement date effective in fiscal year 2025. The lease has a 15-year term with annual base rental payments starting at $4,793 for the initial lease year, increasing at 3% per year.

6. Line of Credit

For the years ended June 30, 2024 and 2023, the Corporation had a $250,000 revolving line of credit in place with a syndicate of banking partners. The line of credit has a three year term, and its current expiration date is August 23, 2025. Interest is calculated based on a variable rate option, at either a daily Base Rate or a 30-day term percentage based on the Secured Overnight Financing Rate (SOFR) plus a credit spread. As of June 30, 2024 and 2023, the amount outstanding on the line of credit was $0 and $80,000, respectively.

(In Thousands)

7. Long-Term Debt and Other Borrowings

Long-term debt consists of the following:

	Interest Rate	Payable in Fiscal Year(s)	June 30 2024	June 30 2023
MHHEFA project revenue bonds:				
Corporation issue, payments due annually:				
Series 2021A/B Bonds	Variable rate	2023–2043[1]	**$ 254,340**	$ 262,405
Series 2020B/D Bonds	3.05%–5.00%	2041–2051[1]	**752,680**	752,680
Series 2017D/E Bonds	4.00%–4.17%	2045–2049	**189,965**	189,965
Series 2017B/C Bonds	1.98%–5.00%	2018–2040	**202,845**	219,405
Series 2016A–F Bonds	Variable rate	2017–2042[1]	**186,180**	190,060
Series 2015 Bonds	3.00%–5.00%	2016–2042	**67,265**	68,965
Series 2013 Bonds	4.00%–5.00%	2014–2044	**115,055**	115,055
Series 2008D/ Bonds	Variable rate	2025–2042	**50,000**	50,000
MHHEFA Pooled Loan Program	Variable rate	2017–2035	**12,350**	13,300
Other long-term debt:				
Other loans, mortgages and notes payable	3.25%–6.50%	Monthly, 2001–2026	**6,892**	7,714
Total debt			**1,837,572**	1,869,549
Less current portion of long-term debt			**(34,059)**	(32,115)
Less long-term debt subject to short-term refinancing, due to mandatory tender in next 12 months			**(91,390)**	–
			1,712,123	1,837,434
Plus unamortized premiums			**34,842**	37,935
Less unamortized deferred financing costs			**(10,306)**	(11,175)
			$ 1,736,659	$ 1,864,194

[1] Mandatory bond tender is scheduled to occur in the following fiscal years, unless extended or refinanced: 2016B (2027), 2016C (2029), 2016E (2027) 2016F (2029), 2020B-1 (2026), 2020B-2 (2028), 2021A (2028) and 2021B (2025).

(In Thousands)

7. Long-Term Debt and Other Borrowings (continued)

Pursuant to an Amended and Restated Master Loan Agreement, dated August 1, 2022 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority). As security for the performance of the bond obligation under the Master Loan Agreement, the The Obligated Group under the UMMS Master Loan Agreement includes the Medical Center, ROI, UM Midtown, UM Baltimore Washington, Shore Health (UM Easton and UM Cambridge), UM Chester River, UM Charles Regional, UM St. Joseph, UM Upper Chesapeake, UM Harford Memorial, UM Capital Region, UM Laurel, UM Bowie, and the UM Medicine Foundation. Each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the UMMS Master Loan Agreement.

The aggregate annual future maturities of long-term debt including mandatory bond tender, according to the original terms of the Master Loan Agreement and all other loan agreements, are as follows for the years ending June 30:

2025	$ 125,449
2026	113,408
2027	162,950
2028	248,575
2029	112,220
Thereafter	1,074,970
	$ 1,837,572

The Corporation's Series 2008D Bonds are variable rate demand bonds requiring a remarketing agent to purchase and remarket any bonds tendered before the stated maturity date. The reimbursement obligations with respect to the letters of credit are evidenced and secured by the bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into a letter-of-credit agreement with a banking institution. The agreement has a term that expires in 2027. If the bonds are not successfully

(In Thousands)

7. Long-Term Debt and Other Borrowings (continued)

remarketed, the Corporation is required to pay an interest rate specified in the letter-of-credit agreement, and the principal repayment of bonds may be accelerated to require repayment in 48 months from the date of the failed remarketing. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements within the consolidated balance sheet according to the maturity of the bond's related letter of credit agreements. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2024 and 2023.

The approximate interest rates on outstanding debt bearing interest at variable rates were as follows:

	June 30	
	2024	**2023**
Series 2008D Bonds	**4.95%**	3.60%
Series 2016B Bonds	**4.79**	4.59
Series 2016C Bonds	**4.78**	4.56
Series 2016E Bonds	**5.02**	4.89
Series 2016F Bonds	**4.78**	4.56
Series 2021A Bonds	**4.42**	4.55
Series 2021B Bonds	**4.16**	4.29
MHHEFA Pooled Loan Program	**3.75**	4.00

8. Interest Rate Risk Management

The Corporation uses a combination of fixed and variable rate debt to finance capital needs. The Corporation maintains an interest rate risk-management strategy that uses interest rate swaps to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates.

(In Thousands)

8. Interest Rate Risk Management (continued)

At June 30, 2024 and 2023, the Corporation's notional values of outstanding interest rate swaps and the corresponding mark-to-market values are as follows:

	Notional Amount	Pay Rate	Receive Rate	Maturity Date	Mark to Market
June 30, 2024					
Swap #1	**$ 59,423**	3.59%	70% of SOFR	7/1/2031	**$ (914)**
Swap #2	**84,000**	3.93	68% of SOFR	7/1/2041	**(9,502)**
Swap #3	**21,000**	4.24	68% of SOFR	7/1/2041	**(3,043)**
Swap #4	**25,275**	3.99	67% of SOFR	7/1/2034	**(1,477)**
Swap #5	**18,470**	3.54	70% of SOFR	7/1/2031	**(260)**
Swap #6	**196,000**	3.93	68% of SOFR	7/1/2041	**(14,327)**
Swap #7	**49,000**	4.24	68% of SOFR	7/1/2041	**(4,486)**
Swap #8	**58,950**	4.00	67% of SOFR	7/1/2034	**(1,395)**
Swap #9	**1,245**	3.63	67% of SOFR	7/1/2032	**(17)**
Swap #10	**82,500**	3.92	67% of SOFR	1/1/2043	**(4,267)**
Swap #11	-	0.51	67% of SOFR + 0.5133%	1/1/2038	**–**
Swap #12	**196,000**	4.02	68% of SOFR	10/1/2028	**(8,495)**
Swap #13	**49,000**	4.33	68% of SOFR	10/1/2028	**(2,781)**
Swap #14	**58,950**	4.09	67% of SOFR	10/1/2028	**(2,235)**
Swap #15	**82,500**	3.99	67% of SOFR	11/3/2028	**(3,420)**
					(56,619)
Valuation adjustments					**1,449**
Total					**$ (55,170)**
June 30, 2023					
Swap #1	$ 70,512	3.59%	70% of SOFR	7/1/2031	$ (1,465)
Swap #2	84,000	3.93	68% of SOFR	7/1/2041	(12,758)
Swap #3	21,000	4.24	68% of SOFR	7/1/2041	(3,907)
Swap #4	27,225	3.99	67% of SOFR	7/1/2034	(2,004)
Swap #5	21,870	3.54	70% of SOFR	7/1/2031	(424)
Swap #6	196,000	3.93	68% of SOFR	7/1/2041	(18,612)
Swap #7	49,000	4.24	68% of SOFR	7/1/2041	(5,539)
Swap #8	63,550	4.00	67% of SOFR	7/1/2034	(1,722)
Swap #9	1,375	3.63	67% of SOFR	7/1/2032	(27)
Swap #10	85,950	3.92	67% of SOFR	1/1/2043	(5,452)
Swap #11	67,490	0.51	67% of SOFR + 0.5133%	1/1/2038	(467)
Swap #12	196,000	4.02	68% of SOFR	10/1/2028	(11,948)
Swap #13	49,000	4.33	68% of SOFR	10/1/2028	(3,780)
Swap #14	63,550	4.09	67% of SOFR	10/1/2028	(3,183)
Swap #15	85,950	3.99	67% of SOFR	11/3/2028	(4,883)
					(76,171)
Valuation adjustments					5,821
Total					$ (70,350)

8. Interest Rate Risk Management (continued)

Swaps #6, #7, #8 and #10 are forward starting swaps, whereas cash settlements do not commence until their effective dates in October and November 2028.

As of July 1, 2023, swap payments based on the 1-month London Interbank Offered Rate (LIBOR) have transitioned to the applicable SOFR fallback rate. For 1-month LIBOR, the fallback rate is calculated as daily SOFR compounded over 30 days plus 0.11448%. UMMS implemented this transition with all of its swap counterparties by adhering to the International Swap and Derivatives Association 2020 LIBOR fallbacks protocol.

The mark-to-market values of the Corporation’s interest rate swaps include a valuation adjustment representing the creditworthiness of the counterparties to the swaps.

The Corporation recorded a net nonoperating gain on changes in the fair value of nonqualifying interest rate swaps of $13,916 and $35,020 for the years ended June 30, 2024 and 2023, respectively.

The swap agreements are included in the consolidated balance sheets at their fair value of $55,170 and $70,350 as of June 30, 2024 and 2023, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy).

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation’s long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was $4,419 and $5,667 at June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, the Corporation met its collateral posting requirement through the use of collateralized investments and cash equivalents, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily and is accounted for as a component of the Corporation’s assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation’s unrestricted investment portfolio and is included in investments on the accompanying consolidated balance sheets as of that date.

9. Retirement Plans

Employees of the Corporation are included in various retirement plans established by the Corporation, the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region. Participation by employees in their specific plan(s) has evolved based upon the organization by which they were first employed and the elections that they made at the times when their original employers became part of the Corporation. The following is a brief description of each of the retirement plans in which employees of the Corporation participate:

Defined Benefit Plans

The Corporation's defined benefit plans include the following:

University of Maryland Medical Center Midtown Campus Retirement Plan for Non-Union Employees (Midtown Plan) – A noncontributory defined benefit plan covering substantially all nonunion employees. In 2006, Midtown froze the defined benefit pension plan.

Civista Health Inc. Retirement Plan and Trust (Charles Regional Plan) – A noncontributory defined benefit pension plan covering employees that have worked at least one thousand hours per year during three or more plan years.

Baltimore Washington Medical Center Pension Plan (Baltimore Washington Plan) – A noncontributory defined benefit pension plan covering full-time employees who have been employed for at least one year and have reached 21 years of age.

On June 30, 2015, the Corporation amended the Baltimore Washington Medical Center Pension Plan to provide for the merger of the Midtown Plan and the Charles Regional Plan into the Baltimore Washington Plan and to change the name of the newly consolidated plan to the University of Maryland Medical System Corporate Pension Plan (the Corporate Plan). All provisions of the respective previous plans shall continue to apply to the respective applicable participants. All of the assets of the three formerly separate plans are now available to pay benefits for all participants under the newly consolidated Corporate Plan. In 2018, Baltimore Washington closed the defined benefit pension plan to new hires.

Effective December 31, 2022, the benefit accruals in both the Baltimore Washington and Charles Regional (non-union only) plans were frozen.

9. Retirement Plans (continued)

Dimensions Health Corporation Pension Plan (Capital Region Pension Plan) – A noncontributory defined benefit pension plan covering substantially all employees. For employees not covered under collective-bargaining agreements and employees who are represented by the 1199 SEIU Health Care Workers East – Health Care Workers union (formerly District 1199E-DC, SEIU union and formerly Local No. 63 union), the Plan operates as a cash balance plan. On December 31, 2007, the Capital Region Pension Plan was frozen. Effective August 30, 2023, all non-union Capital Region Pension Plan participants were spun off into a separate plan. In February 2024, UMMS terminated the non-union Capital Region Pension Plan and incurred a $11,100 settlement charge recorded in other nonoperating losses on the consolidated statement of operations and changes in net assets.

The Corporation recognizes the funded status (i.e., the difference between the fair value of plan assets and projected benefit obligations) of its defined benefit pension plans as an asset or liability in its consolidated balance sheets. The Corporation recognizes changes in the funded status in the year in which the changes occur as changes in unrestricted net assets. All defined benefit pension plans use a June 30 measurement date.

(In Thousands)

9. Retirement Plans (continued)

The following tables set forth the combined benefit obligations and assets of the defined benefit plans:

	June 30	
	2024	**2023**
Change in projected benefit obligations		
Benefit obligations at beginning of year	**$ 331,858**	$ 360,582
Settlements	**(182,243)**	(1,258)
Service cost	**331**	1,333
Interest cost	**14,407**	17,214
Actuarial (gain) and other	**(240)**	(21,770)
Benefit payments	**(17,417)**	(24,243)
Projected benefit obligations at end of year	**$ 146,696**	$ 331,858
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 355,759**	$ 374,003
Actual return on plan assets	**6,440**	(1,114)
Settlements	**(184,797)**	–
Employer contributions	**4,308**	7,114
Benefit payments	**(17,417)**	(24,244)
Fair value of plan assets at end of year	**$ 164,293**	$ 355,759

(In Thousands)

9. Retirement Plans (continued)

The funded status of the plans and amounts recognized as other assets in the accompanying consolidated balance sheets are as follows:

	June 30	
	2024	**2023**
Funded status, end of period:		
Fair value of plan assets	**$ 164,293**	$ 355,759
Projected benefit obligations	**146,696**	331,858
Net funded status	**$ 17,597**	$ 23,901
Accumulated benefit obligation at end of year	**$ 146,538**	$ 331,767
Amounts recognized in consolidated balance sheets at June 30:		
Accrued pension asset	**$ 17,597**	$ 23,901
	$ 17,597	$ 23,901
Amounts recognized in net assets without donor restrictions at June 30:		
Net actuarial loss	**$ (36,190)**	$ (42, 255)
Prior service cost	**–**	–
	$ (36,190)	$ (42,255)

The estimated amounts that will be amortized from net assets without donor restrictions into net periodic pension cost in fiscal year 2025 are as follows:

Net actuarial loss	$ 3,877
Prior service cost	–
	$ 3,877

(In Thousands)

9. Retirement Plans (continued)

The components of net periodic benefit cost are as follows:

	Year Ended June 30	
	2024	**2023**
Service cost	**$ 331**	$ 1,333
Interest cost	**14,407**	17,214
Expected return on plan assets	**(11,661)**	(15,051)
Prior service cost recognized	**–**	841
Recognized losses	**13,601**	3,596
Net periodic benefit cost	**$ 16,678**	$ 7,933

Components of net benefit cost other than the service cost of $331 and $1,333 in 2024 and 2023, respectively, were recorded in other nonoperating losses, net in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2024 and 2023. Service cost is included as a component of fringe benefits, which is recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

The following table presents the weighted average assumptions used to determine benefit obligations for the plans:

	June 30	
	2024	**2023**
Discount rate	**5.49–5.78%**	5.53%–5.67%
Rate of compensation increase (for nonfrozen plan)	**–**	3.00%
Interest crediting rate	**3.00–5.05%**	3.00%–5.00%

(In Thousands)

9. Retirement Plans (continued)

The following table presents the weighted average assumptions used to determine net periodic benefit cost for the plans:

	Year Ended June 30	
	2024	**2023**
Discount rate	**5.53–5.67%**	4.37%–5.55%
Rate of compensation increase (for nonfrozen plan)	**0.00–3.00%**	0.00–3.00%
Expected long-term return on plan assets	**4.00–4.50%**	4.15%

The investment policies of the Corporation's pension plans incorporate asset allocation and investment strategies designed to earn superior returns on plan assets consistent with reasonable and prudent levels of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of loss. The Corporation uses investment managers specializing in each asset category, and regularly monitors performance and compliance with investment guidelines. In developing the expected long-term rate of return on assets assumption, the Corporation considers the current level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2024 and 2023, by asset category, are as follows:

		Percentage of Plan Assets as of June 30	
Asset Category	**Target Allocation**	**2024**	**2023**
Cash and cash equivalents	0%–20%	**14.59%**	18.15%
Fixed income securities	75%–90%	**80.13**	76.93
Equity securities	0%–10%	**5.27**	4.87
Hedge funds/private equity	0%–20%	**0.01**	0.05
		100.00%	100.00%

(In Thousands)

9. Retirement Plans (continued)

The target allocations for equity and fixed income securities include investments in commingled funds that are categorized in accordance with each fund's respective investment holdings.

The table below presents the Corporation's combined investable assets of the defined benefit pension plans aggregated by the fair value hierarchy as described in Note 1:

	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
June 30, 2024					
Cash and cash equivalents	**$ 24,945**	**$ –**	**$ –**	**$ –**	**$ 24,945**
Fixed income funds	**5,570**	**–**	**–**	**–**	**5,570**
Common stocks, including mutual funds	**7,691**	**–**	**–**	**–**	**7,691**
Alternative investments:					
Hedge funds/private equity	**–**	**–**	**–**	**22**	**22**
Commingled funds	**–**	**–**	**–**	**126,065**	**126,065**
	$ 38,206	**$ –**	**$ –**	**$ 126,087**	**$ 164,293**
June 30, 2023					
Cash and cash equivalents	$ 66,776	$ –	$ –	$ –	$ 66,776
Common stocks, including mutual funds	14,900	–	–	–	14,900
Alternative investments:					
Hedge funds/private equity	–	–	–	188	188
Commingled funds	–	–	–	273,895	273,895
	$ 81,676	$ –	$ –	$ 274,083	$ 355,759

*Fund investments reported at NAV as practical expedient.

(In Thousands)

9. Retirement Plans (continued)

Alternative investments include hedge funds and commingled investment funds. The majority of these alternative investments held as of June 30, 2024 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. The Corporation had no unfunded commitments as of June 30, 2024 and 2023.

The Corporation expects to contribute $195 to its defined benefit pension plans for the fiscal year ended June 30, 2025.

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid from plan assets in the following years ending June 30:

2025	$ 11,816
2026	12,087
2027	11,849
2028	11,944
2029	11,588
2030–2034	52,479

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2024.

Defined Contribution Plans

The Corporation offers a number of defined contribution benefits through 403(b) and 401(k) programs that were established by its affiliate hospitals. These plans allow for deferral of compensation or employer matching of compensation, subject to vesting requirements.

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were $60,810 and $54,237 for the years ended June 30, 2024 and 2023, respectively. Such amounts are included in salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

(In Thousands)

10. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30 are restricted to:

	2024	2023
Subject to expenditures for a specified purpose:		
Facility construction and renovations, research, education, and other	**$ 241,308**	$ 131,849
Economic and beneficial interests in the net assets of related organizations	**59,203**	53,330
Total subject to expenditure for a specified purpose	**300,511**	185,179
Funds, cash and securities held into perpetuity:		
Health care services	**55,359**	55,359
Total held into perpetuity	**55,359**	55,359
Total net assets with donor restrictions	**$ 355,870**	$ 240,538

Net assets were released from donor restrictions by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	Year Ended June 30	
	2024	2023
Purchases of equipment and construction costs	**$ 10,265**	$ 3,948
Research, education, uncompensated care, and other	**8,435**	9,473
	$ 18,700	$ 13,421

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Corporation has interpreted Uniform Prudent Management of Institutional Funds Act (UPMIFA) in the State of Maryland as requiring the preservation of the fair value of the original gift as 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

(In Thousands)

11. Economic and Beneficial Interests in the Net Assets of Related Organizations

endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Corporation is supported by several related organizations that were formed to raise funds on behalf of the Corporation and certain of its subsidiaries. These interests are accounted for as either economic or beneficial interests in the net assets of such organizations.

The following is a summary of economic and beneficial interests in the net assets of financially interrelated organizations:

	June 30	
	2024	**2023**
Economic interests in:		
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	**$ 43,028**	$ 37,636
Baltimore Washington Medical Center Foundation, Inc.	**10,491**	10,316
Total economic interests	**53,519**	47,952
Beneficial interest in the net assets of:		
Dorchester General Hospital Foundation, Inc.	**4,355**	4,049
University of Maryland Capital Region Health Foundation, Inc.	**1,267**	1,267
Laurel Regional Hospital Auxiliary, Inc.	**62**	62
	$ 59,203	$ 53,330

At the discretion of its board of trustees, the Kernan Endowment Fund may pledge securities to satisfy various collateral requirements on behalf of ROI and may provide funding to ROI to support various clinical programs or capital needs.

11. Economic and Beneficial Interests in the Net Assets of Related Organizations (continued)

BWMC Foundation was formed in July 2000 and supports the activities of UM Baltimore Washington by soliciting charitable contributions on its behalf.

Shore Regional maintains a beneficial interest in the net assets of Dorchester Foundation, a nonprofit corporation organized to raise funds on behalf of Dorchester Hospital. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation.

University of Maryland Capital Region Health Foundation, Inc. and the Laurel Regional Hospital Auxiliary, Inc. were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated Capital Region hospitals. Capital Region does not have control over the policies or decisions of these entities.

12. State and County Support

The Corporation received $9,910 and $3,700 in support for the Shock Trauma Center operations from the State of Maryland for the years ended June 30, 2024 and 2023, respectively.

The Corporation received $11,012 and $10,000 in support for Capital Region operations from the State of Maryland for the years ended June 30, 2024 and 2023, respectively.

The State of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recorded $102,795 and $17,094 during the years ended June 30, 2024 and 2023, respectively within state support for capital on the statement of changes in net assets.

(In Thousands)

13. Functional Expenses

The Corporation provides healthcare services to residents within its geographic location. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows:

	Healthcare Services			Shared		
	Hospital & Ambulatory	**Retail Pharmacy**	**Physician Practices**	**Services and Other**	**Eliminations**	**Total**
Year ended June 30, 2024						
Operating expenses:						
Salaries, wages, and benefits	**$ 2,005,243**	**$ 9,714**	**$ 351,770**	**$ 599,426**	**$ (229,198)**	**$ 2,736,955**
Expendable supplies	**756,100**	**171,555**	**67,695**	**13,667**	**(7,435)**	**1,001,582**
Purchased services:						
Purchased services	**1,083,383**	**18,209**	**74,861**	**339,353**	**(724,721)**	**791,085**
Contracted services	**392,175**	**–**	**35,650**	**66**	**(62,178)**	**365,713**
Depreciation and amortization	**267,634**	**–**	**2,057**	**6,117**	**–**	**275,808**
Interest expense	**65,803**	**–**	**–**	**–**	**–**	**65,803**
Total operating expenses	**$ 4,570,338**	**$ 199,478**	**$ 532,033**	**$ 958,629**	**$(1,023,532)**	**$ 5,236,946**

	Healthcare Services			Shared		
	Hospital & Ambulatory	**Retail Pharmacy**	**Physician Practices**	**Services and Other**	**Eliminations**	**Total**
Year ended June 30, 2023						
Operating expenses:						
Salaries, wages, and benefits	$ 2,003,080	$ 8,846	$ 334,076	$ 567,457	$ (220,071)	$ 2,693,388
Expendable supplies	716,372	145,694	54,466	10,650	(2,723)	924,459
Purchased services:						
Purchased services	1,010,343	17,515	71,724	337,978	(669,106)	768,454
Contracted services	353,736	–	31,344	8	(56,500)	328,588
Depreciation and amortization	264,626	–	2,305	11,024	–	277,955
Interest expense	57,942	–	–	–	–	57,942
Total operating expenses	$ 4,406,099	$ 172,055	$ 493,915	$ 927,117	$ (948,400)	$ 5,050,786

Shared services are allocated primarily using a percentage of net patient service revenue.

(In Thousands)

14. Liquidity and Availability of Resources

The Corporation had financial assets available to management for general expenditure within one year of the financial reporting date, or June 30, 2024 and 2023, as follows:

	2024	2023
Cash and cash equivalents	**$ 165,649**	$ 274,721
Receivables, net	**966,504**	727,002
Assets limited as to use – board designated	**–**	30,000
Investments	**1,612,389**	1,490,962
Total financial assets available within one year	**2,744,542**	2,522,685
Less:		
Amounts unavailable for general expenditures within one year due to:		
Alternative investments subject to lockup restrictions	**38,455**	29,968
Total financial assets available to management for general expenditure within one year	**$ 2,706,087**	$ 2,492,717

15. Insurance

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation with accrued liabilities included in other liabilities on the accompanying consolidated balance sheets. The accrued liabilities for these programs were as follows:

	June 30	
	2024	**2023**
Professional and general liabilities	**$ 451,024**	$ 425,660
Employee health	**23,870**	14,417
Employee long-term disability	**1,645**	2,185
Workers' compensation	**24,576**	26,854
Total self-insured liabilities	**501,115**	469,116
Less: current portion	**(63,335)**	(56,295)
	$ 437,780	$ 412,821

15. Insurance (continued)

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include $321,739 and $297,272 as of June 30, 2024 and 2023, respectively, for which related insurance receivables have been recorded within other assets on the accompanying consolidated balance sheets.

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of $1,000 on individual claims and $3,000 in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to Terrapin, an unconsolidated joint venture. Terrapin provides insurance for claims in excess of $1,000 individually and $3,000 in the aggregate up to $164,000 individually and $227,000 in the aggregate under claims made policies between the Corporation and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

As discussed in Note 4, Terrapin is a joint venture corporation in which a 50% equity interest is owned by the Corporation and a 50% equity interest is owned by University of Maryland Faculty Physicians, Inc.

Total malpractice insurance expense, net of investment return on self-insurance trust funds, for the Corporation during the years ended June 30, 2024 and 2023, was approximately $44,492 and $63,970, respectively.

16. Business and Credit Concentrations

The Corporation provides healthcare services through its inpatient and outpatient care facilities, located in the State of Maryland. 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 (HMOs), and commercial insurance policies).

(In Thousands)

16. Business and Credit Concentrations (continued)

The Corporation maintains cash accounts with highly rated financial institutions, which generally exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits and, as such, management does not believe the Corporation is subject to any significant credit risks related to this practice.

The Corporation had receivables from patients and third-party payors as follows:

	June 30	
	2024	**2023**
Medicare	**32%**	29%
Medicaid	**26**	29
Commercial insurance and HMOs	**32**	33
Self-pay and others	**10**	9
	100%	100%

The Corporation recorded net patient service revenues from patients and third-party payors as follows:

	Year Ended June 30	
	2024	**2023**
Medicare	**42%**	42%
Medicaid	**23**	23
Commercial insurance and HMOs	**31**	30
Self-pay and others	**4**	5
	100%	100%

17. Certain Significant Risks and Uncertainties

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

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs;

- Regulation of hospital rates by the State of Maryland HSCRC;

- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes; and

- Lawsuits alleging malpractice and related claims.

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. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Corporation.

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

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

17. Certain Significant Risks and Uncertainties (continued)

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid antifraud and abuse laws and physician self-referral laws (STARK law and regulation). Recent federal initiatives have prompted a national review of federally funded healthcare programs. In addition, 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 has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists.

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

In February 2024, one of the Corporation's vendors, Change Healthcare, experienced a cybersecurity event. Change Healthcare provides billing process assistance to the Corporation. Upon learning of this event, the Corporation immediately ceased all digital communications and connections with Change Healthcare, which hindered the Corporation's ability to transmit billing information to its patients and relevant third-party payors. Consequently, this disruption led to an increase in the Corporation's accounts receivables and a decline in cash flows.

To mitigate the impact on operational cash flows, the Corporation accessed its revolving line of credit periodically during the disruption, ensuring that all disbursements were made in a timely manner. As of June 30, 2024, no outstanding balances remained on the revolving line of credit. The Corporation has included provisions for the financial impact of these events in its consolidated financial statements and, while the Corporation incurred operational interruptions associated with the event, it believes that the resolution of this matter, based on the facts available to us at this

17. Certain Significant Risks and Uncertainties (continued)

time, will not have a material adverse effect on the consolidated financial statements. This disclosure does not account for any potential future developments, such as fines, claims, or other unforeseen issues related to this event.

18. Maryland Health Services Cost Review Commission

Effective July 1, 2013, the Health System and the HSCRC agreed to implement the Global Budget Revenue (GBR) methodology for the following hospitals: Medical Center, ROI, UM Midtown, UM Baltimore Washington, UM Charles Regional, UM St. Joseph, UM Easton, UM Cambridge, UM Chester River, Shore Emergency Center, UM Upper Chesapeake, UM Harford Memorial, UM Upper Chesapeake Medical Center Aberdeen, UM Capital Region, UM Laurel, and UM Bowie. The agreements will continue each year and on July 1 of each year thereafter; the agreements will renew for a one-year period unless they are canceled by the HSCRC or by the Corporation. The agreements were in place for the years ended June 30, 2024 and 2023. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Corporation’s mission to provide the highest value of care possible to its patients and the communities it serves.

The GBR agreements establish a prospective, fixed revenue base “GBR cap” for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital’s revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year-end. Any overcharge or undercharge versus the GBR cap is prospectively subtracted from the subsequent year’s GBR cap. Although the GBR cap is fixed each year, it does not adjust for changes in volume or service mix. The GBR cap is also adjusted annually for inflation, and for changes in payor mix and uncompensated care. The Corporation will receive an annual adjustment to its cap for the change in population in the Corporation’s service areas. GBR is designed to encourage hospitals to operate efficiently by reducing excess utilization and managing patients in the appropriate care delivery setting. The HSCRC also may impose various other revenue adjustments, which could be significant in the future.

19. Subsequent Events

The Corporation evaluated all events and transactions that occurred after June 30, 2024 and through October 28, 2024, the date the consolidated financial statements were issued. The Corporation did not have any material subsequent events during the period.

Supplementary Information

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet by Division

(In Thousands)

June 30, 2024

	Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Baltimore Washington	Shore Regional	St. Joseph	Charles Regional	Upper Chesapeake	Capital Region	Shared Services and Other	Eliminations	Consolidated Total
Assets											
Current assets:											
Cash and cash equivalents	$ 19,896	$ 6,802	$ 3,337	$ 56,630	$ 4,081	$ 11,108	$ 3,041	$ 4,151	$ 56,603	$ –	$ 165,649
Assets limited as to use, current portion	81,024	–	–	–	–	–	–	–	69,050	–	150,074
Accounts receivable:											
Patient accounts receivable, net	476,888	19,986	66,976	54,434	65,536	26,367	67,386	63,433	–	(1,848)	839,158
Other	60,065	–	2,448	4,137	3,218	1,997	3,244	16,364	345,468	(309,595)	127,346
Inventories	56,724	1,815	6,591	4,003	4,929	1,743	8,560	8,292	5,752	–	98,409
Prepaid expenses and other current assets	4,952	319	2,436	332	493	163	503	14,720	60,522	–	84,440
Total current assets	699,549	28,922	81,788	119,536	78,257	41,378	82,734	106,960	537,395	(311,443)	1,465,076
Investments	543,523	55,279	223,267	215,626	21,832	32,837	385,623	3,459	130,943	–	1,612,389
Assets limited as to use, less current portion	132,096	51,994	10,491	85,929	27,352	8,878	55,953	3,906	298,135	(8,162)	666,572
Property and equipment, net	811,427	36,763	256,485	176,159	243,058	111,836	441,252	626,172	246,412	–	2,949,564
Investments in joint ventures	–	16,977	–	960	15,399	4,600	6,396	15,010	86,276	(522)	145,096
Other assets	173,686	10,486	1,710	36,682	33,210	5,846	74,132	7,234	411,095	(176,096)	577,985
Total assets	$ 2,360,281	$ 200,421	$ 573,741	$ 634,892	$ 419,108	$ 205,375	$ 1,046,090	$ 762,741	$ 1,710,256	$ (496,223)	$ 7,416,682
Liabilities and net assets											
Current liabilities:											
Trade accounts payable	$ 84,746	$ 6,643	$ 11,551	$ 9,094	$ 15,502	$ 6,733	$ 16,792	$ 26,915	$ 194,967	$ –	$ 372,943
Accrued payroll and benefits	32,116	1,011	8,200	8,029	12,984	2,961	10,688	6,200	276,894	–	359,083
Advances from third-party payors	105,352	5,558	14,366	9,064	13,231	5,263	11,356	17,730	(1)	–	181,919
Lines of credit	–	–	–	–	–	–	–	–	–	–	–
Other current liabilities	246,576	1,277	4,306	14,002	29,795	13,302	39,313	108,829	55,725	(311,965)	201,160
Long-term debt subject to short-term refinancing agreements	–	–	–	–	–	–	–	–	91,390	–	91,390
Current portion of long-term debt	13,118	377	4,261	2,547	4,772	1,024	9,112	5,028	–	(6,180)	34,059
Total current liabilities	481,908	14,866	42,684	42,736	76,284	29,283	87,261	164,702	618,975	(318,145)	1,240,554
Long-term debt, less current portion	573,370	16,477	186,260	111,312	190,849	40,148	398,302	207,602	12,339	–	1,736,659
Other long-term liabilities	16,760	38	7,287	32,792	125,669	4,324	9,385	65,893	497,353	(176,096)	583,405
Interest rate swap liabilities	–	–	–	–	–	–	–	–	55,170	–	55,170
Total liabilities	1,072,038	31,381	236,231	186,840	392,802	73,755	494,948	438,197	1,183,837	(494,241)	3,615,788
Net assets:											
Without donor restrictions	1,125,922	124,006	325,119	388,063	(10,131)	130,262	526,289	319,440	516,054	–	3,445,024
With donor restrictions	162,321	45,034	12,391	59,989	36,437	1,358	24,853	5,104	10,365	(1,982)	355,870
Total net assets	1,288,243	169,040	337,510	448,052	26,306	131,620	551,142	324,544	526,419	(1,982)	3,800,894
Total liabilities and net assets	$ 2,360,281	$ 200,421	$ 573,741	$ 634,892	$ 419,108	$ 205,375	$ 1,046,090	$ 762,741	$ 1,710,256	$ (496,223)	$ 7,416,682

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations by Division

(In Thousands)

Year Ended June 30, 2024

	Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Baltimore Washington	Shore Regional	St. Joseph	Charles Regional	Upper Chesapeake	Capital Region	Shared Services and Other	Eliminations	Consolidated Total
Operating revenue, gains and other support:											
Net patient service revenue	$ 2,139,151	$ 124,908	$ 551,474	$ 395,233	$ 510,083	$ 179,623	$ 502,094	$ 434,788	$ 30,742	$ (4,617)	$ 4,863,479
State support	9,910	–	–	–	–	–	–	11,012	–	–	20,922
Other revenue	291,224	1,388	5,756	9,977	10,380	1,358	11,361	6,983	934,583	(913,454)	359,556
Total operating revenue, gains, and other support	2,440,285	126,296	557,230	405,210	520,463	180,981	513,455	452,783	965,325	(918,071)	5,243,957
Operating expenses:											
Salaries, wages and fringe benefits	916,475	72,643	305,332	219,092	284,874	81,408	268,235	228,644	588,307	(228,055)	2,736,955
Expendable supplies	607,866	14,338	84,408	46,779	77,806	20,708	85,606	53,691	17,815	(7,435)	1,001,582
Purchased services	543,528	24,534	110,841	97,399	116,105	45,982	97,090	103,789	330,300	(678,483)	791,085
Contracted services	217,540	10,283	21,246	27,272	8,459	14,793	22,458	47,758	2	(4,098)	365,713
Depreciation and amortization	102,625	7,615	31,846	19,807	27,278	9,026	32,306	42,000	3,305	–	275,808
Interest expense	20,439	453	7,830	4,878	9,304	1,713	15,131	8,011	(1,956)	–	65,803
Total operating expenses	2,408,473	129,866	561,503	415,227	523,826	173,630	520,826	483,893	937,773	(918,071)	5,236,946
Operating income (loss)	31,812	(3,570)	(4,273)	(10,017)	(3,363)	7,351	(7,371)	(31,110)	27,552	–	7,011
Nonoperating income and expenses, net:											
Unrestricted contributions	2,932	–	–	(705)	(160)	101	(74)	–	28	–	2,122
Equity in net income of joint ventures	492	439	–	185	2,052	38	804	1,254	1,930	–	7,194
Investment income, net	21,071	2,117	7,880	6,416	796	1,906	13,505	218	7,439	–	61,348
Change in fair value of investments	38,347	4,415	16,908	19,022	1,262	2,763	26,513	262	10,044	–	119,536
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	13,916	–	13,916
Other nonoperating gains and losses, net	(11,595)	(2)	(3,090)	(6,341)	(3,012)	(1,168)	(2,936)	(12,105)	1,355	–	(38,894)
Excess (deficiency) of revenues over expenses	$ 83,059	$ 3,399	$ 17,425	$ 8,560	$ (2,425)	$ 10,991	$ 30,441	$ (41,481)	$ 62,264	$ –	$ 172,233

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet – Obligated Group
(In Thousands)

June 30, 2024

	Medical Center & Affiliates*	Rehabilitation & Orthopaedic Institute	UM Baltimore Washington	Shore Regional Hospitals**	UM St. Joseph	UM Charles Regional	Upper Chesapeake Hospitals***	UM Capital Region	Shared Services****	Eliminations	Obligated Group Total
Assets											
Current assets:											
Cash and cash equivalents	$ 13,900	$ 6,802	$ 5,504	$ 50,277	$ 369	$ 9,450	$ 194	$ –	$ 56,673	$ –	$ 143,169
Assets limited as to use, current portion	81,024	–	–	–	–	–	–	–	69,050	–	150,074
Accounts receivable:											
Patient accounts receivable, net	475,695	19,986	57,877	49,707	57,210	25,293	62,242	61,031	68	–	809,109
Other	59,383	–	33,611	22,198	580	1,818	522	11,241	443,167	(287,510)	285,010
Inventories	56,724	1,815	6,558	4,003	4,859	1,743	7,553	8,292	5,236	–	96,783
Prepaid expenses and other current assets	4,367	319	2,319	70	205	159	140	14,155	60,522	–	82,256
Total current assets	691,093	28,922	105,869	126,255	63,223	38,463	70,651	94,719	634,716	(287,510)	1,566,401
Investments	543,463	55,279	223,267	161,928	20,192	31,318	360,409	3,459	130,943	–	1,530,258
Assets limited as to use, less current portion	132,096	51,994	10,491	150,793	37,271	13,431	87,352	3,906	298,135	(8,162)	777,307
Property and equipment, net	802,751	36,763	235,996	173,028	231,187	85,029	411,013	624,027	242,603	–	2,842,397
Investments in joint ventures	4,002	16,977	–	960	15,399	4,860	–	11,223	79,581	(522)	132,480
Other assets	169,885	10,486	1,711	33,481	23,873	4,658	66,418	7,234	405,716	(175,574)	547,888
Total assets	$ 2,343,290	$ 200,421	$ 577,334	$ 646,445	$ 391,145	$ 177,759	$ 995,843	$ 744,568	$ 1,791,694	$ (471,768)	$ 7,396,731
Liabilities and net assets											
Current liabilities:											
Trade accounts payable	$ 84,317	$ 6,643	$ 7,083	$ 7,929	$ 12,925	$ 6,292	$ 15,065	$ 24,719	$ 191,074	$ –	$ 356,047
Accrued payroll and benefits	32,094	1,011	4,043	4,415	5,308	1,929	7,293	6,022	276,661	–	338,776
Advances from third-party payors	105,352	5,558	14,366	9,064	13,231	5,263	11,356	17,730	–	–	181,920
Lines of credit	–	–	–	–	–	–	–	–	–	–	–
Other current liabilities	243,480	1,277	2,663	5,252	27,222	12,880	35,021	107,687	48,594	(287,510)	196,566
Long-term debt subject to short-term refinancing agreements	–	–	–	–	–	–	–	–	91,390	–	91,390
Current portion of long-term debt	13,118	377	4,261	2,547	4,234	916	9,112	4,745	–	(6,180)	33,130
Total current liabilities	478,361	14,866	32,416	29,207	62,920	27,280	77,847	160,903	607,719	(293,690)	1,197,829
Long-term debt, less current portion	573,370	16,477	186,260	111,312	185,048	40,130	398,302	207,457	12,341	–	1,730,697
Other long-term liabilities	16,759	38	1,110	32,793	125,668	4,182	9,381	65,893	490,393	(176,096)	570,121
Interest rate swap liabilities	–	–	–	–	–	–	–	–	55,170	–	55,170
Total liabilities	1,068,490	31,381	219,786	173,312	373,636	71,592	485,530	434,253	1,165,623	(469,786)	3,553,817
Net assets:											
Without donor restrictions	1,112,479	124,006	345,157	414,408	(18,618)	105,462	460,206	305,224	615,707	–	3,464,031
With donor restrictions	162,321	45,034	12,391	58,725	36,127	705	50,107	5,091	10,364	(1,982)	378,883
Total net assets	1,274,800	169,040	357,548	473,133	17,509	106,167	510,313	310,315	626,071	(1,982)	3,842,914
Total liabilities and net assets	$ 2,343,290	$ 200,421	$ 577,334	$ 646,445	$ 391,145	$ 177,759	$ 995,843	$ 744,568	$ 1,791,694	$ (471,768)	$ 7,396,731

* Includes Medical Center, UM Midtown and UM Medicine Foundation
** Includes Shore Health System and UM Chester River
*** Includes UM Upper Chesapeake and UM Harford Memorial
**** Includes University of Maryland Medical System Corporation (Parent)

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statements of Operations and Changes in Net Assets Without Donor Restrictions – Obligated Group

(In Thousands)

June 30, 2024

	Medical Center & Affiliates*	Rehabilitation & Orthopaedic Institute	UM Baltimore Washington	Shore Regional Hospitals**	UM St. Joseph	UM Charles Regional	Upper Chesapeake Hospitals***	UM Capital Region	Shared Services****	Eliminations	Obligated Group Total
Operating revenue, gains, and other support:											
Net patient service revenue	$ 2,132,495	$ 124,892	$ 463,393	$ 336,365	$ 416,346	$ 167,272	$ 424,907	$ 422,692	$ 2,191	$ (4,617)	$ 4,485,936
State and county support	9,910	–	–	–	–	–	–	1,012	–	–	10,922
Other revenue	289,046	1,345	3,375	12,239	4,125	1,193	3,431	6,137	922,056	(900,832)	342,115
Total operating revenue, gains, and other support	2,431,451	126,237	466,768	348,604	420,471	168,465	428,338	429,841	924,247	(905,449)	4,838,973
Operating expenses:											
Salaries, wages, and benefits	911,804	72,570	217,776	150,816	169,863	70,452	192,255	212,670	567,396	(228,055)	2,337,547
Expendable supplies	607,446	14,338	58,330	39,804	73,929	20,102	54,902	53,037	5,542	–	927,430
Purchased services	539,469	24,487	104,649	86,343	85,942	42,936	97,200	108,580	315,672	(677,394)	727,884
Contracted services	212,892	10,283	31,048	31,246	34,194	14,513	24,851	32,441	–	–	391,468
Depreciation and amortization	102,052	7,615	30,166	19,292	25,936	8,639	28,960	41,721	2,390	–	266,771
Interest expense	20,272	453	7,830	4,878	9,035	1,704	13,967	7,991	(1,955)	–	64,175
Total operating expenses	2,393,935	129,746	449,799	332,379	398,899	158,346	412,135	456,440	889,045	(905,449)	4,715,275
Operating income	37,516	(3,509)	16,969	16,225	21,572	10,119	16,203	(26,599)	35,202	–	123,698
Nonoperating income and expenses, net:											
Unrestricted contributions	2,932	–	–	–	–	15	–	–	–	–	2,947
Equity in net income of joint ventures	492	439	–	185	2,052	(55)	–	259	1,693	–	5,065
Investment income, net	21,071	2,117	7,880	4,767	700	1,803	12,748	120	7,438	–	58,644
Change in fair value of investments	38,347	4,415	16,908	13,210	1,531	2,377	26,388	262	10,042	–	113,480
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	13,916	–	13,916
Other nonoperating losses, net	(11,595)	(2)	(2,331)	(31)	(174)	(930)	(13,540)	(10,994)	(2)	–	(39,599)
Excess (deficiency) of revenues over expenses	88,763	3,460	39,426	34,356	25,681	13,329	41,799	(36,952)	68,289	–	278,151
State support for capital	–	–	–	–	–	–	–	27,000	–	–	27,000
Net assets released from restrictions used for purchase of property and equipment	70	–	–	–	–	–	–	–	10,195	–	10,265
Change in economic and beneficial interests in the net assets of related organizations	–	–	–	1,701	–	–	–	–	115	–	1,816
Capital transfers (to) from member organization	(2,081)	(48)	(23,703)	(16,628)	(27,730)	(5,189)	(16,327)	(12,422)	(18,060)	–	(122,188)
Change in funded status of defined benefit pension plans	872	–	1,624	–	–	(1,880)	–	5,449	–	–	6,065
Other	(943)	(100)	(251)	305	3,142	(100)	(244)	(2,651)	5,325	–	4,483
Increase (decrease) net assets without donor restrictions	$ 86,681	$ 3,312	$ 17,096	$ 19,734	$ 1,093	$ 6,160	$ 25,228	$ (19,576)	$ 65,864	$ –	$ 205,592

* Includes Medical Center, UM Midtown and UM Medicine Foundation
** Includes Shore Health System and UM Chester River
*** Includes UM Upper Chesapeake and UM Harford Memorial
**** Includes University of Maryland Medical System Corporation (Parent)

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet – Hospital Format

(In Thousands)

June 30, 2024

									Upper Chesapeake Hospitals					
	Medical Center	**Rehabilitation & Orthopaedic Institute**	**UM Midtown**	**UM Baltimore Washington**	**Shore Health System**	**UM Chester River**	**UM St. Joseph**	**UM Charles Regional**	**UM Upper Chesapeake**	**UM Harford Memorial**	**UM Capital Region**	**All Other Entities**	**Eliminations**	**Consolidated Total**
Assets														
Current assets:														
Cash and cash equivalents	$ 5,381	$ 6,802	$ 1,210	$ 5,504	$ –	$ 50,277	$ 369	$ 9,450	$ 194	$ –	$ –	$ 86,462	$ –	$ 165,649
Assets limited as to use, current portion	81,024	–	–	–	–	–	–	–	–	–	–	69,050	–	150,074
Accounts receivable:														
Patient accounts receivable, net	440,858	19,986	34,837	57,877	47,461	2,246	57,210	25,293	60,703	1,539	61,031	30,117	–	839,158
Other	45,659	–	9,047	36,365	475	6,173	580	1,818	438	84	11,241	305,353	(289,887)	127,346
Inventories	52,838	1,815	3,886	6,558	3,436	567	4,859	1,743	7,553	–	8,292	6,862	–	98,409
Prepaid expenses and other current assets	2,362	319	2,005	2,319	70	–	205	159	140	–	14,155	62,706	–	84,440
Total current assets	628,122	28,922	50,985	108,623	51,442	59,263	63,223	38,463	69,028	1,623	94,719	560,550	(289,887)	1,465,076
Investments	532,162	55,279	5,365	223,267	158,196	3,732	20,192	31,318	214,029	146,380	3,459	219,010	–	1,612,389
Assets limited as to use, less current portion	156,490	51,994	1,029	10,491	142,108	8,685	37,271	13,431	87,352	–	3,906	467,034	(313,219)	666,572
Property and equipment, net	664,803	36,763	137,947	235,996	165,189	7,839	231,187	85,029	411,013	–	624,027	349,771	–	2,949,564
Investments in joint ventures	3,479	16,977	–	–	960	–	15,399	4,860	–	–	11,223	98,133	(5,935)	145,096
Other assets	161,123	10,486	556	1,711	33,480	–	23,873	4,658	66,418	–	7,234	444,542	(176,096)	577,985
Total assets	$ 2,146,179	$ 200,421	$ 195,882	$ 580,088	$ 551,375	$ 79,519	$ 391,145	$ 177,759	$ 847,840	$ 148,003	$ 744,568	$ 2,139,040	$ (785,137)	$ 7,416,682
Liabilities and net assets														
Current liabilities:														
Trade accounts payable	$ 74,555	$ 6,643	$ 9,258	$ 7,083	$ 6,399	$ 1,529	$ 12,925	$ 6,292	$ 15,007	$ 58	$ 24,719	$ 208,475	$ –	$ 372,943
Accrued payroll and benefits	27,728	1,011	4,040	4,043	4,098	317	5,308	1,929	7,293	–	6,022	297,294	–	359,083
Advances from third-party payors	98,311	5,558	7,041	14,366	8,358	706	13,231	5,263	9,109	2,247	17,730	(1)	–	181,919
Lines of credit	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other current liabilities	238,822	1,277	3,706	2,663	13,534	425	26,644	12,731	30,986	1,731	101,455	57,073	(289,887)	201,160
Long-term debt subject to short-term refinancing agreements	–	–	–	–	–	–	–	–	–	–	–	91,390	–	91,390
Current portion of long-term debt	12,536	377	582	4,261	2,473	75	4,234	916	9,112	–	4,745	–	(5,252)	34,059
Total current liabilities	451,952	14,866	24,627	32,416	34,862	3,052	62,342	27,131	71,507	4,036	154,671	654,231	(295,139)	1,240,554
Long-term debt, less current portion	547,922	16,477	25,448	186,260	108,087	3,225	185,048	40,130	398,302	–	207,457	18,303	–	1,736,659
Other long-term liabilities	16,425	38	333	1,110	32,480	311	125,668	4,182	8,185	1,196	65,893	503,680	(176,096)	583,405
Interest rate swap liabilities	–	–	–	–	–	–	–	–	–	–	–	55,170	–	55,170
Total liabilities	1,016,299	31,381	50,408	219,786	175,429	6,588	373,058	71,443	477,994	5,232	428,021	1,231,384	(471,235)	3,615,788
Net assets:														
Without donor restrictions	991,766	124,006	99,102	347,911	324,018	66,133	(18,040)	105,611	319,739	142,771	311,456	707,187	(76,636)	3,445,024
With donor restrictions	138,114	45,034	46,372	12,391	51,928	6,798	36,127	705	50,107	–	5,091	200,469	(237,266)	355,870
Total net assets	1,129,880	169,040	145,474	360,302	375,946	72,931	18,087	106,316	369,846	142,771	316,547	907,656	(313,902)	3,800,894
Total liabilities and net assets	$ 2,146,179	$ 200,421	$ 195,882	$ 580,088	$ 551,375	$ 79,519	$ 391,145	$ 177,759	$ 847,840	$ 148,003	$ 744,568	$ 2,139,040	$ (785,137)	$ 7,416,682

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations – Hospital Format

(In Thousands)

June 30, 2024

	Medical Center					Shore Regional						Upper Chesapeake Hospitals				Capital Region Hospitals					
						Shore Health System						UM Upper Chesapeake									
	University Hospital	Shock Trauma Center	Rehabilitation & Orthopaedic Institute	UM Midtown	UM Baltimore Washington	UM Easton	UM Cambridge	QAEC	UM Chester River	UM St. Joseph	UM Charles Regional	Medical Center	Behavioral Health Center	Aberdeen Medical Center	UM Harford Memorial	UM Capital Region	UM Laurel	UM Bowie	All Other Entities	Eliminations	Consolidated Total
Operating revenue, gains and other support:																					
Net patient service revenue	$ 1,665,894	$ 232,656	$ 124,908	$ 233,945	$ 463,393	$ 264,856	$ 16,635	$ 7,402	$ 47,473	$ 416,346	$ 167,272	$ 351,653	$ 4,301	$ 12,066	$ 56,887	$ 369,690	$ 33,535	$ 19,468	$ 382,448	$ (7,349)	$ 4,863,479
State support	–	9,910	–	–	–	–	–	–	–	–	–	–	–	–	–	1,012	–	–	10,000	–	20,922
Other revenue	257,208	572	1,388	31,265	3,374	10,904	815	–	520	4,126	1,193	3,032	–	128	270	6,129	7	–	1,163,019	(1,124,394)	359,556
Total operating revenue, gains, and other support	1,923,102	243,138	126,296	265,210	466,767	275,760	17,450	7,402	47,993	420,472	168,465	354,685	4,301	12,194	57,157	376,831	33,542	19,468	1,555,467	(1,131,743)	5,243,957
Operating expenses:																					
Salaries, wages and fringe benefits	709,213	84,325	72,643	118,266	217,776	117,161	10,103	5,348	18,203	169,863	70,452	146,314	4,719	8,663	32,559	187,704	17,127	7,839	967,875	(229,198)	2,736,955
Expendable supplies	527,285	32,686	14,338	47,475	58,330	35,255	1,103	968	2,479	73,929	20,102	48,968	578	1,070	4,286	46,729	4,870	1,438	87,128	(7,435)	1,001,582
Purchased services	428,651	51,619	24,532	59,199	104,649	64,907	5,883	1,407	14,148	85,943	42,936	74,082	4,259	4,103	14,755	89,414	13,311	5,855	426,154	(724,722)	791,085
Contracted services	162,010	16,590	10,283	37,573	55,769	46,924	222	173	9,546	59,697	16,738	42,312	261	1,172	2,103	30,532	7,212	560	36,424	(170,388)	365,713
Depreciation and amortization	79,330	6,778	7,616	15,943	30,166	14,509	2,650	37	2,096	25,936	8,639	25,267	801	769	2,123	35,996	4,748	977	11,427	–	275,808
Interest expense	19,191	–	453	1,081	7,830	4,446	320	112	–	9,035	1,704	11,767	886	851	463	7,991	–	–	(327)	–	65,803
Total operating expenses	1,925,680	191,998	129,865	279,537	474,520	283,202	20,281	8,045	46,472	424,403	160,571	348,710	11,504	16,628	56,289	398,366	47,268	16,669	1,528,681	(1,131,743)	5,236,946
Operating income (loss)	(2,578)	51,140	(3,569)	(14,327)	(7,753)	(7,442)	(2,831)	(643)	1,521	(3,931)	7,894	5,975	(7,203)	(4,434)	868	(21,535)	(13,726)	2,799	26,786	–	7,011
Nonoperating income and expenses, net:																					
Unrestricted contributions	212	–	–	–	–	–	–	–	–	–	15	–	–	–	–	–	–	–	1,895	–	2,122
Equity in net income of joint ventures	491	–	439	–	–	185	–	–	–	2,052	(55)	–	–	–	–	259	–	–	3,823	–	7,194
Investment income, net	20,279	–	2,117	187	7,880	4,246	–	–	521	700	1,803	8,222	–	–	4,526	120	–	–	10,747	–	61,348
Change in fair value of investments	36,898	–	4,415	409	16,908	12,934	–	–	276	1,531	2,377	16,235	–	–	10,153	262	–	–	17,138	–	119,536
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	13,916	–	13,916
Other nonoperating gains and losses, net	(3,384)	–	(3)	(1,077)	(2,330)	(654)	–	–	623	(174)	(930)	(7,656)	–	–	(5,884)	(9,718)	(872)	(404)	(6,431)	–	(38,894)
Excess (deficiency) of revenues over expenses	$ 51,918	$ 51,140	$ 3,399	$ (14,808)	$ 14,705	$ 9,269	$ (2,831)	$ (643)	$ 2,941	$ 178	$ 11,104	$ 22,776	$ (7,203)	$ (4,434)	$ 9,663	$ (30,612)	$ (14,598)	$ 2,395	$ 67,874	$ –	$ 172,233

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