



**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements and Supplementary Information

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information	
Schedule 1 – Consolidating Balance Sheet Information	37
Schedule 2 – Consolidating Statement of Operations Information	39
Schedule 3 – Consolidating Statement of Changes in Net Assets Information	41
Schedule 4 – Health Department Funding	43



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

Independent Auditors' Report

The Board of Trustees
Sheppard and Enoch Pratt Foundation, Inc.:

Opinion

We have audited the consolidated financial statements of Sheppard and Enoch Pratt Foundation, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Baltimore, Maryland
October 16, 2025

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidated Balance Sheets

June 30, 2025 and 2024

Assets	2025	2024
Current assets:		
Cash and cash equivalents	\$ 91,184,492	101,765,890
Investments limited or restricted as to use	4,587,738	2,817,921
Accounts receivable, net	63,447,128	44,879,137
Prepaid expenses and other current assets	12,456,928	12,199,930
Total current assets	171,676,286	161,662,878
Investments limited or restricted as to use, less current portion	216,435,659	196,668,673
Property and equipment, net	332,155,711	325,738,396
Third-party payor settlements receivable	2,302,310	5,234,719
Operating right-of-use assets	9,287,925	15,934,587
Other assets	2,681,791	3,091,638
Total assets	\$ 734,539,682	708,330,891
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt	\$ 5,723,069	6,174,834
Current portion of obligations under finance leases	696,125	239,239
Current portion of obligations under operating leases	1,743,401	3,661,478
Accounts payable	7,388,124	9,703,202
Accrued salaries, wages, and employee benefits	46,044,783	44,315,629
Self-insurance liabilities	9,483,241	9,715,205
Other accrued expenses	16,258,485	22,075,911
Total current liabilities	87,337,228	95,885,498
Long-term liabilities:		
Long-term debt, less current portion	143,952,815	151,441,924
Obligations under finance leases, less current portion	12,348,869	5,283,983
Obligations under operating leases, less current portion	8,591,096	13,742,836
Self-insurance liabilities, less current portion	5,263,839	2,628,224
Other long-term liabilities	4,462,174	4,576,810
Total liabilities	261,956,021	273,559,275
Net assets:		
Without donor restrictions	447,340,141	410,053,729
With donor restrictions	25,243,520	24,717,887
Total net assets	472,583,661	434,771,616
Total liabilities and net assets	\$ 734,539,682	708,330,891

See accompanying notes to consolidated financial statements.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues, gains, and other support:		
Patient service revenue	\$ 199,861,944	193,522,791
Residential and educational service revenue	<u>218,769,389</u>	<u>214,094,965</u>
Net service revenue	418,631,333	407,617,756
Net assets released from restrictions used for operations	903,550	1,141,108
Other operating revenue	<u>82,405,335</u>	<u>77,776,595</u>
Total revenues, gains, and other support	<u>501,940,218</u>	<u>486,535,459</u>
Expenses:		
Salaries and wages	285,309,757	271,403,704
Employee benefits	61,536,522	55,751,999
Expendable supplies	16,420,271	16,112,275
Purchased services	91,935,022	95,003,897
Interest	4,887,902	5,268,057
Repairs and maintenance	11,236,006	8,774,745
Depreciation and amortization	<u>25,101,368</u>	<u>28,124,520</u>
Total expenses	<u>496,426,848</u>	<u>480,439,197</u>
Operating income	<u>5,513,370</u>	<u>6,096,262</u>
Other income:		
Investment income, net	1,482,296	364,262
Realized gains on investments, net	2,661,908	1,197,817
Unrealized gains on investments, net	22,008,327	15,599,905
Other	<u>1,972,132</u>	<u>2,529,343</u>
Total other income	<u>28,124,663</u>	<u>19,691,327</u>
Excess of revenues over expenses	33,638,033	25,787,589
Other changes in net assets:		
Net assets released from restrictions used for purchases of property and equipment	3,648,381	552,528
Capital grants and other	<u>—</u>	<u>350,000</u>
Increase in net assets without donor restrictions	<u>\$ 37,286,414</u>	<u>26,690,117</u>

See accompanying notes to consolidated financial statements.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net assets without donor restrictions:		
Excess of revenues over expenses	\$ 33,638,033	25,787,589
Other changes in net assets:		
Net assets released from restrictions used for purchases of property and equipment	3,648,381	552,528
Capital grants and other	<u>—</u>	<u>350,000</u>
Increase in net assets without donor restrictions	<u>37,286,414</u>	<u>26,690,117</u>
Net assets with donor restrictions:		
Gifts and grants	4,079,439	502,791
Investment income, net	77,063	28,794
Realized gains on investments, net	107,003	51,717
Unrealized gains on investments, net	814,057	672,222
Net assets released from restrictions for operations	(903,550)	(1,141,108)
Net assets released from restrictions for purchases of property and equipment	(3,648,381)	(552,528)
Other	<u>—</u>	<u>(1,065,094)</u>
Increase (decrease) in net assets with donor restrictions	<u>525,631</u>	<u>(1,503,206)</u>
Increase in net assets	37,812,045	25,186,911
Net assets, beginning of year	<u>434,771,616</u>	<u>409,584,705</u>
Net assets, end of year	<u>\$ 472,583,661</u>	<u>434,771,616</u>

See accompanying notes to consolidated financial statements.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Increase in net assets	\$ 37,812,045	25,186,911
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	25,101,368	28,124,520
Gifts and grants, net	(3,175,889)	1,703,411
Net realized gains on investments	(2,768,911)	(1,249,534)
Net unrealized gains on investments	(22,822,384)	(16,272,127)
Restricted investment gains on restricted net assets	(77,063)	(28,794)
Capital grants and other	—	(350,000)
Increase in accounts receivable, net	(18,567,991)	(622,771)
Increase in prepaid expenses and other assets	(256,998)	(2,047,741)
Decrease in third-party payor settlements receivable	2,932,409	2,026,358
Decrease in operating right-of-use assets, net	2,208,550	2,860,206
Decrease in obligations under operating leases	(2,382,688)	(2,837,948)
(Decrease) increase in accounts payable, accrued salaries, accrued expenses and other	(6,482,995)	18,931,880
Increase in self-insurance liabilities	2,403,651	428,328
Net cash provided by operating activities	<u>13,923,104</u>	<u>55,852,699</u>
Cash flows from investing activities:		
Purchases of property and equipment	(24,154,722)	(18,331,914)
Increase in other assets and notes receivable	377,173	300,850
Proceeds from sale of property and equipment	145,714	1,050,351
Purchases of alternative investments	(6,411,801)	(30,670,228)
Sales of alternative investments	12,327,599	36,773,372
(Increase) decrease in investments limited or restricted as to use, net	(5,492,824)	2,038,185
Net cash used in investing activities	<u>(23,208,861)</u>	<u>(8,839,384)</u>
Cash flows from financing activities:		
Payment of long-term debt principal	(7,940,871)	(11,037,388)
Payment on finance lease obligations	(239,238)	(698,017)
Capital grants and other	—	350,000
Gifts and grants, net	3,856,888	(916,425)
Net cash used in financing activities	<u>(4,323,221)</u>	<u>(12,301,830)</u>
Net (decrease) increase in cash and cash equivalents	(13,608,978)	34,711,485
Cash and cash equivalents, beginning of year	<u>109,804,689</u>	<u>75,093,204</u>
Cash and cash equivalents, end of year	<u>\$ 96,195,711</u>	<u>109,804,689</u>
Supplemental disclosure of noncash investing and financing activities:		
Noncash purchases of property and equipment	\$ 1,195,573	1,230,564
Restricted cash included in investments limited or restricted as to use, net	5,011,219	8,038,800
Hunt Valley lease modification	—	(189,971)
Mosaic lease modifications	7,511,993	—

See accompanying notes to consolidated financial statements.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(1) Summary of Significant Accounting Policies

(a) Organization

Sheppard and Enoch Pratt Foundation, Inc. (Foundation or the Company), a not-for-profit, nonstock Company, was organized on June 15, 1984 to engage in activities necessary to provide mental health services to the public through the planning and implementation of programs provided by its various subsidiaries. Subsidiary companies, controlled by Foundation, include Sheppard Pratt Health System, Inc. (Health System), Sheppard Pratt Physicians, P.A. (Physicians), Sheppard Pratt Investment, Inc. (Investment Company), Sheppard Pratt Properties, LLC (Properties), and the community services organizations (Community Services), collectively, comprised of Mosaic Community Services, Inc. (Mosaic), Way Station, Inc. (Way Station), and Family Services, Inc. (Family Services). Mosaic is comprised of Alliance, Inc., Behavioral Health Partners of Frederick, Inc., Revisions Community Housing Development Organization, Inc., and Dulaney Station Community Housing Development Organization, Inc. Behavioral Health Partners of Frederick, Inc. was dissolved effective July 25, 2025.

Health System is a not-for-profit, nonstock company that operates two inpatient hospitals, day hospitals, residential and educational services for children and adolescents, and outpatient programs.

Physicians is a not-for-profit professional company of licensed medical professionals organized on July 1, 1985 exclusively to carry out the charitable, educational, and scientific purposes of Foundation. The common stock of Physicians is held solely by the President and Chief Executive Officer of the system and subject to the terms of a stock agreement. Under the terms of the agreement, the stockholder is required to consult with Foundation regarding views on any matter with respect to which the stockholder is entitled to vote, and the stockholder may not transfer shares (by sale or gift) without the permission of Foundation. The stock agreement does not allow for the stockholder to receive dividends or any other benefit for having held the stock. If the stockholder ceases to be employed by Foundation, Health System, or Physicians, Physicians shall require the stockholder to sell and transfer all of the stock such stockholder owns to a person designated by Foundation. The purchase price for each share of stock of the Company is \$1 per share.

Investment Company is a not-for-profit, nonstock company that manages the investments of the organization.

Sheppard Pratt Properties, LLC that is formed to acquire, own, operate, and manage properties on behalf of the organization.

Mosaic and its subsidiaries, Way Station, and Family Services are not-for-profit, nonstock Maryland companies that provide residential, rehabilitation, vocational, and outpatient mental health services across the state of Maryland.

(b) Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). All controlled and affiliated member entities are consolidated. All entities where Foundation exercises significant influence but for which it does not have control are accounted for under the equity method. All other entities are accounted for under the cost method. All significant intercompany accounts and transactions have been eliminated.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Board-designated funds are included within this category of net assets.

Net assets with donor restrictions – Net assets whose use by Foundation has been limited by donors to a specific time or purpose. Also included in this category are net assets that have been restricted by donors to be maintained by the Foundation in perpetuity. Generally, donors of assets to be held in perpetuity permit Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Contributions with no donor-imposed restrictions are recognized as other operating revenue in the period received as increases in net assets without donor restrictions.

Unconditional promises to give cash and other assets to Foundation with donor-imposed restrictions are reported as increases in net assets with donor restrictions 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 condition is met. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions for operations. Donor-restricted contributions whose restrictions are met within the same year as received are reported as other operating revenue without donor restrictions in the accompanying consolidated financial statements.

Net assets with donor restrictions are available for the purposes of providing indigent care, health and educational programs, and the purchase of property and equipment. The income from net assets with donor restrictions that are restricted in perpetuity is expendable to provide health and educational programs.

(c) Charity Care

Foundation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Foundation does not pursue collection of amounts determined to qualify for charity care, such amounts are not reported as patient service revenue.

(d) Cash and cash equivalents

Foundation considers all highly liquid investments with a maturity date of three months or less when purchased as cash equivalents. Cash and cash equivalents balances may exceed amounts insured by federal agencies, and therefore, bear risk of loss.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(e) *Investments Limited or Restricted as to Use*

Investments limited or restricted as to use, primarily recorded at fair value, represent assets that have been designated by the board of trustees for special purposes restricted by donors. The principal, income and capital appreciation of the Moses Sheppard and Enoch Pratt bequests are legally unrestricted but are classified, for financial reporting purposes, as board-designated and limited as to use. Assets designated by the board of trustees for particular purposes are controlled by the board of trustees, who at their discretion may subsequently use the assets for other purposes.

Investments of board-designated and funds restricted by donors are maintained in a combined investment pool or in a related investment account. Related income and realized and unrealized gains and losses on sales of investments are apportioned on the basis of the shares held by each of the respective funds and in accordance with donor restrictions on the use of investment earnings.

Foundation classifies its investment portfolio as trading securities with unrealized gains and losses included in other income, which is included in the excess of revenues over expenses. Investment income and realized gains and losses from all other investments are reported as other income, unless the income is restricted by donors, which is reported as previously described above. The investment portfolio is classified as current or noncurrent assets based on management's intention as to use.

Alternative investments represent both subscriptions in private equity venture capital funds and subscriptions in funds-of-funds utilized to diversify the portfolio of Foundation. Annual audited financial statements for these funds are submitted to Foundation and reviewed by management. Foundation's alternative investments are accounted for under the equity method of accounting. The investment balance is equal to Foundation's proportionate interest in the fund's net equity. Individual investment holdings within the investment portfolio may, in turn, include investments in both nonmarketable and market-traded securities. Valuations of these investments are primarily based on financial data supplied by the underlying investee funds. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Certain of these investments contain additional capital call requirements, based upon the provisions of the investment agreements.

The investment portfolio includes cash and cash equivalents, which are classified as investments limited or restricted as to use funds on the consolidated balance sheets and the cash equivalent amounts are excluded from the cash balance on the consolidated statements of cash flows.

Investment income from unrestricted cash equivalents and the self-insurance trust are reported as other operating revenue since such income is considered to be a part of Foundation's ongoing central operations of providing healthcare services.

(f) *Pledges*

Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the year the pledge is made unless the pledge carries conditions that have not been met. Conditional pledges are recorded as contributions when the conditions of the pledge have been satisfied. Pledges receivable are recorded at net realizable value, which is calculated using an average discount rate of 3% at June 30, 2025 and 2024.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(g) *Property and equipment, net*

Property and equipment acquisitions are recorded at cost (except donated property and equipment that are recorded at their fair market value at the date of receipt). Depreciation is computed on the straight-line method and charged to operations over estimated useful lives ranging from 20 to 40 years for buildings and improvements and 3 to 10 years for furniture, equipment, information systems hardware and software and motor vehicles. Property and equipment under finance lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the property and equipment. Interest costs incurred on borrowed funds 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 other changes in net assets without donor restrictions, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit 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.

(h) *Costs of Borrowing*

Deferred financing costs and debt premiums, which are a direct deduction to long-term debt, are amortized using the effective-interest method and charged to operations as a component of interest expense over the term of the related debt.

(i) *Estimated Self-Insurance Liability Claims*

The estimated self-insured professional liability claims are reflected as a liability and include actuarially determined estimates of the ultimate costs for both reported claims and claims incurred but not reported. Costs under self-insurance programs for employee health benefits and workers' compensation include estimates for both reported claims and claims incurred but not reported, based on an evaluation of pending claims and past experience. These estimates are based on actuarial analysis of historical trends, claims asserted, and reported incidents. Reinsurance receivables for amounts in excess of self-insurance retention limits are recorded at their net realizable value and are due from highly rated commercial insurance companies.

(j) *Patient Service Revenue and Patient Accounts Receivable*

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

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

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

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

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are recorded as bad debt expense. Subsequent changes in the estimated transaction prices for the years ended June 30, 2025 and 2024 were not significant to the consolidated financial statements.

The Company has agreements with third-party payors that provide for payments to Foundation at amounts different from its established rates. Payment arrangements include prospectively determined rates per day, reimbursed costs, discounted charges, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with certain third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Differences between the estimated amounts and final settlements are reported in operations in the year of settlement.

The Company's revenues may be subject to adjustment as a result of examination by government agencies or contractors, and as a result of differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services were rendered (note 12).

(k) Residential and Educational Service Revenue

Foundation also operates residential treatment center services for adolescents. Substantially all of the residential treatment centers services are reimbursed by the State of Maryland Medicaid Program on a cost basis subject to annual ceilings. Foundation receives an interim per diem rate during the year and ultimately settles final payment based upon an audited cost report filing.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Foundation provides educational services to special needs children under arrangements with the Maryland State Department of Education (MSDE). On an annual basis, a prospective rate per student is set with MSDE based upon an approved operating budget. Subsequently, as services are provided, invoices are submitted to each student's local school district for payment on a monthly basis.

(l) Other Operating Revenue

Other operating revenue is primarily comprised of grant revenues without donor restrictions and business service revenue, which is recognized when earned.

(m) Impairment of Long-Lived Assets

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of FASB ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, if there is an indication that the carrying amount of an asset is not recoverable, Foundation estimates the projected undiscounted cash flows, excluding interest, to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives.

In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, Foundation groups its assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. The Company recorded no impairment charges for the years ended June 30, 2025 and 2024, respectively.

(n) Excess of Revenues over Expenses

The consolidated statements of operations include a performance indicator, the excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets) and grants for capital purposes.

(o) Income Taxes

Foundation and its subsidiaries have been recognized as tax-exempt organizations under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are not subject to income taxes on related income pursuant to Section 501(a) of the IRC.

Investment Company recognizes taxable unrelated business income from alternative investment funds held in a combined investment pool. Investment Company will utilize available losses incurred to offset taxable income as allowed under the related tax regulations.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(p) Leases

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

(q) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

(r) Going Concern

ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, requires management to evaluate an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued, when applicable). Through the date of this report, management determined that there were no conditions or events that raise substantial doubt about the Company's ability to continue as a going concern and the Company will continue to meet its obligations through October 17, 2026.

(2) Charity Care and Community Services

Foundation maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy and equivalent service statistics. The estimated cost of charity care provided during the years ended June 30, 2025 and 2024 was \$7,305,782 and \$6,065,202, respectively.

Foundation also provides the community with other healthcare services and programs, including teaching of psychiatric residents, providing programs and facilities for teaching other medical health professionals, providing behavioral health educational programs for the general public, and conducting research to improve treatment of behavioral health problems.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(3) Investments Limited or Restricted as to Use

Investments limited or restricted as to use, stated at fair value, except for the real estate investment, which is recorded at cost and investments in partnerships and alternative investments, which are recorded under the equity method, include the following at June 30:

	<u>2025</u>	<u>2024</u>
Board designated, without restrictions:		
Portion of pooled investments	\$ 188,899,267	170,925,264
Other investments	18,519,383	16,277,478
Held by Trustee	3,900,991	2,162,630
With donor restrictions:		
Pooled investments	8,355,153	7,821,655
Restricted investments	<u>1,348,603</u>	<u>2,299,567</u>
Total investments limited or restricted as to use	221,023,397	199,486,594
Current portion	<u>4,587,738</u>	<u>2,817,921</u>
Total investments limited or restricted as to use, less current portion	<u>\$ 216,435,659</u>	<u>196,668,673</u>

Foundation manages a significant component of its investments limited or restricted as to use in a combined investment pool. The combined investment pool has been allocated based on donor restrictions, where applicable, as follows at June 30:

	<u>2025</u>	<u>2024</u>
Board designated, without restrictions:	\$ 188,899,267	170,925,264
With donor restrictions	<u>8,355,153</u>	<u>7,821,655</u>
Total	<u>\$ 197,254,420</u>	<u>178,746,919</u>

The combined investment pool is comprised of the following at June 30:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 7,657,853	3,858,337
Government and corporate bonds	23,046,602	12,710,142
Other (primarily alternative funds under equity method)	<u>166,549,965</u>	<u>162,178,440</u>
Total	<u>\$ 197,254,420</u>	<u>178,746,919</u>

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Other board designated investments consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 4,901,700	7,028,596
Mutual funds	5,498,733	5,050,653
Real estate held for future development, at cost	3,022,786	3,022,786
Other	<u>5,096,164</u>	<u>1,175,443</u>
Total	\$ <u>18,519,383</u>	<u>16,277,478</u>

The funds held by trustees are comprised of the following at June 30:

	<u>2025</u>	<u>2024</u>
Equity Investments	\$ —	190,706
Fixed income investments	<u>3,900,991</u>	<u>1,971,924</u>
Total	\$ <u>3,900,991</u>	<u>2,162,630</u>

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The total investment return, net of investment fees, including the return from the combined investment pool, is summarized as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Investment income, net:		
Without donor restrictions	\$ 1,482,296	364,262
With donor restrictions	<u>77,063</u>	<u>28,794</u>
Total investment income	<u>1,559,359</u>	<u>393,056</u>
Realized gains on investments, net:		
Without donor restrictions	2,661,908	1,197,817
With donor restrictions	<u>107,003</u>	<u>51,717</u>
Total realized gains	<u>2,768,911</u>	<u>1,249,534</u>
Unrealized gains on investments, net:		
Without donor restrictions	22,008,327	15,599,905
With donor restrictions	<u>814,057</u>	<u>672,222</u>
Total unrealized gains	<u>22,822,384</u>	<u>16,272,127</u>
Total investment income, net excluding other unrestricted investments and cash and cash equivalents	27,150,654	17,914,717
Investment income on other unrestricted investments and cash and cash equivalents	<u>140,283</u>	<u>263,356</u>
Total investment income, net	<u>\$ 27,290,937</u>	<u>18,178,073</u>

(4) Fair Value of Financial Instruments

Foundation accounts for its financial assets and liabilities, in accordance with FASB ASC Subtopic 820-10 as discussed in note 1. FASB ASC Subtopic 820-10 defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and expands disclosures about fair value measurements. Specifically, the guidance provides for the following:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;
- Establishes a three-level hierarchy for fair value measurement;
- Requires consideration of Foundation's nonperformance risk when valuing liabilities; and
- Expands disclosures about instruments measured at fair value.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The three-level valuation hierarchy for fair value measurements is based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Foundation's market assumptions. The three-level valuation hierarchy is defined as follows:

- *Level 1* – Quoted prices for identical instruments in active markets;
- *Level 2* – Quoted prices for similar instruments in active markets; quoted prices for identical or similar investments in markets that are not active; and model-derived valuations whose significant inputs are observable; and
- *Level 3* – Instruments whose significant inputs are unobservable.

The table below presents Foundation's assets and liabilities as of June 30, 2025, aggregated by the three-level valuation hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 16,644,249	—	—	16,644,249
Equities:				
Mutual funds	6,105,230	10,254,683	—	16,359,913
Fixed income:				
Collateralized mortgage obligations	—	3,977	—	3,977
Government and corporate bonds	—	12,913,851	—	12,913,851
Total assets	\$ <u>22,749,479</u>	<u>23,172,511</u>	<u>—</u>	<u>45,921,990</u>

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The table below presents Foundation's assets and liabilities as of June 30, 2024, aggregated by the three-level valuation hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 12,559,369	—	—	12,559,369
Equities:				
Mutual funds	5,706,303	10,308,811	—	16,015,114
Fixed income:				
Collateralized mortgage obligations	—	3,979	—	3,979
Government and corporate bonds	—	12,706,163	—	12,706,163
Total assets	<u>\$ 18,265,672</u>	<u>23,018,953</u>	<u>—</u>	<u>41,284,625</u>
Liabilities:				
Interest rate swap	\$ —	(29,121)	—	(29,121)

Foundation did not have any transfers between fair value hierarchy levels, nor did it hold any Level 3 assets or liabilities during the reported period.

Foundation's Level 1 securities primarily consist of common stock, exchange traded mutual funds, and cash. Foundation determines the estimated fair value for its Level 1 securities using quoted (unadjusted) prices for identical assets or liabilities in active markets.

Foundation's Level 2 securities consist of collateralized mortgage obligations, corporate bonds, government issued bonds, mutual funds, and derivative instruments, which are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active or model derived valuations whose significant inputs are observable. Valuation models require a variety of inputs, including contractual terms, market fixed prices, inputs from forward price yield curves, notional quantities, measures of volatility, and correlations of such inputs.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The classification of a financial instrument within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

The carrying amount of cash and cash equivalents, accounts receivable, third-party payor settlements receivable or payable, other current assets, investments in alternative investments, accounts payable and accrued expenses approximate fair value because of the short term maturity of these instruments. The fair value of Foundation's long-term debt is estimated to approximate the carrying amount because interest rates are variable and determined frequently based on prevailing market conditions. Due to the subjective nature of the terms of the Foundation's notes receivable and finance lease obligations, their fair values cannot be estimated.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(5) Donor Restricted Net Assets

Donor restricted net assets consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Pledges receivable, net of unamortized discount of \$26,000 at June 30, 2025 and \$64,000 at June 30, 2024	\$ 826,747	1,467,746
Less allowance for uncollectible pledges	<u>86,000</u>	<u>46,000</u>
Net pledges receivable	740,747	1,421,746
Other investments (primarily property)	15,539,764	14,596,666
Pooled investments (note 3)	8,355,153	7,821,655
Restricted cash and investments	<u>607,856</u>	<u>877,820</u>
	<u>\$ 25,243,520</u>	<u>24,717,887</u>

The net realizable value of the unconditional pledges receivable at June 30, 2025 was calculated using an average discount rate of 3%. The net present value of pledges receivable and the expected collection period at June 30, 2025 are as follows:

2026	\$ 775,482
2027	49,010
2028	1,144
2029	<u>1,111</u>
	<u>\$ 826,747</u>

(6) Property and Equipment

Property and equipment at June 30 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 26,237,425	26,237,425
Land improvements	48,008,049	41,650,083
Buildings and building improvements	505,357,609	484,495,594
Furniture and equipment	96,877,336	98,024,989
Vehicles	12,113,224	11,342,141
Construction in Progress	<u>8,087,954</u>	<u>12,232,700</u>
Total	696,681,597	673,982,932
Less accumulated depreciation	<u>364,525,886</u>	<u>348,244,536</u>
	<u>\$ 332,155,711</u>	<u>325,738,396</u>

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Assets under finance lease at June 30, 2025 and 2024 of \$11,515,420 and \$10,331,386, respectively, were included in buildings and building improvements and furniture and equipment in the table above. Accumulated depreciation of assets under finance leases totaled \$6,327,959 and \$5,965,797 at June 30, 2025 and 2024, respectively.

Certain buildings, improvements, and equipment are pledged as collateral for the debt described in note 8.

Depreciation expense for the years ended June 30, 2025 and 2024 was \$25,017,951 and \$25,196,400, respectively.

In June 2001, the Health System entered into a 40-year ground lease with MEDCO, whereby MEDCO leases certain parcels of land from Foundation. The base year rental income, included in other operating revenue in the accompanying consolidated statements of operations is \$885,500 and increases by 3.00% per annum over the life of the lease. MEDCO has constructed student housing on the leased parcels of land (the MEDCO lease). Unpaid accrued rent bears interest at 12.65% per annum.

The payment of ground rent is subordinate to the payment of debt on the MEDCO loan. Foundation has recorded a reserve on the unpaid accrued rent. As of June 30, 2025 and 2024, Foundation has recorded total ground rent receivable in the accompanying consolidated balance sheets of \$26,680,487 and \$22,180,110, respectively, with a related reserve of \$26,680,487 and \$22,180,110, respectively.

(7) Other Assets

The other assets are composed of the following at June 30:

	<u>2025</u>	<u>2024</u>
Workers compensation excess insurance receivable	\$ 493,362	196,875
Notes Receivable & Net Ground Rent	823,523	1,449,399
Intangible assets	1,307,000	1,307,000
Unemployment trust	652,046	728,060
Other	<u>174,758</u>	<u>146,527</u>
	3,450,689	3,827,861
Less: Accumulated amortization	<u>(768,898)</u>	<u>(736,223)</u>
	<u>\$ 2,681,791</u>	<u>3,091,638</u>

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(8) Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2025</u>	<u>2024</u>
Maryland Health and Higher Educational Facilities Authority (MHHEFA) Revenue Bonds, Series 2017	\$ 147,070,000	151,737,000
MHHEFA Revenue Bonds Series – 2013	—	2,167,044
MHHEFA Revenue Bonds Series – 2016	—	1,025,000
Mortgages on real estate	<u>2,992,273</u>	<u>3,230,594</u>
	150,062,273	158,159,638
Less deferred financing costs	(386,389)	(542,880)
Less current portion	<u>(5,723,069)</u>	<u>(6,174,834)</u>
	<u>\$ 143,952,815</u>	<u>151,441,924</u>

In December 2017, Health System, Physicians, Foundation, and Investment Company (Obligated Group) acquired new financing to fund a portion of the construction costs of a new hospital in Elkridge, Maryland and other capital improvements and equipment, to refinance certain outstanding indebtedness and to fund-transaction-related costs. The 2017 Series bonds were issued by the Maryland Health and Higher Educational Facilities Authority (MHHEFA) and purchased by a bank in a direct placement loan arrangement.

The 2017 Series bonds are tax-exempt fixed rate bonds with an original principal amount of \$178,748,000 bearing a fixed interest rate of 2.88% at June 30, 2025 and 2024. The final scheduled maturity of the bonds is June 1, 2048. The Series 2017 bonds are secured by a trust indenture and Obligated Group has granted the bank and MHHEFA a security interest in its revenues. The Series 2017 bonds require Obligated Group to satisfy certain measures of financial performance as long as the bonds are outstanding.

The 2013 Series bonds are bank qualified tax-exempt revenue bonds with an original principal amount of \$7,200,000 issued for the purpose of reimbursing Way Station for certain capital expenditures associated with the acquisition and development of two properties in Frederick, Maryland, a property in Hagerstown, Maryland, and a property in Columbia, Maryland. The bonds were purchased by a bank, and Way Station was scheduled to make payments to Capital One over 15 years, at a fixed interest rate of 3.11%. The tax-exempt loan is secured by a deed of trust covering six of the Company's properties in Frederick, Hagerstown, and Columbia, Maryland. Way Station's ability to obtain additional borrowings is limited without the bank's consent. In May 2025, Way Station paid off the tax-exempt revenue bond.

The 2016 Series bonds are variable rate debt with an original principal amount of \$4,066,000 via a tax-exempt nonbank qualified direct purchase. The bonds accrue interest at a variable rate at 83% of the 30 Day London Interbank Offered Rate (LIBOR) plus 142 basis points and are being amortized over 10 years and have principal payments beginning November 2016 and terminating October 2026. The loan was amended in May 2023 to reflect the replacement of LIBOR with the Secured Overnight Financing Rate

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(SOFR) as the benchmark. The loan is secured by collateral, including, but not limited to, gross revenue, fixed assets (excluding buildings), and cash accounts. In conjunction with the refinance, Mosaic entered into a 10-year interest rate swap agreement with a third party under which the Company will make monthly payments at a fixed rate of 0.92% in exchange for payments based on LIBOR. The interest rate swap was recorded as a liability of \$0 and (\$29,121) as of June 30, 2025 and 2024, respectively. In May 2025, Mosaic paid off the tax-exempt revenue bond at which time the interest rate swap was terminated.

The Company has mortgages on multiple properties with a total outstanding balance of \$2,992,273 in FY25 and \$3,230,594 in FY24, respectively. The interest rates and years of maturity range from 0% to 6.50%, and 2026 to 2037.

As of June 30, 2025 and 2024, Sheppard and Enoch Pratt Foundation, Inc. holds a \$30 million variable rate line of credit. The available amount on the original line of credit has been reduced by \$7.4 million related to letters of credit issued on behalf of the Health System. As of June 30, 2025 and 2024, there were no outstanding balances on the lines of credit.

Repayment of long-term debt, including mandatory sinking fund redemptions, in each of the next five fiscal years is as follows:

2026	\$ 5,723,069
2027	5,142,849
2028	5,260,497
2029	5,405,634
2030	5,538,693
2031 and thereafter	<u>122,991,531</u>
	<u>\$ 150,062,273</u>

Interest payments were \$4,887,902 and \$5,115,390 in 2025 and 2024, respectively.

(9) Employees' Thrift Plan and Life, Accident and Health Plan

Foundation employees participate in a defined contribution plan. The employees defined contribution plan expense for Sheppard Pratt employees was \$6,889,197 and \$10,522,224 in 2025 and 2024, respectively. Foundation may provide a discretionary contribution to these employees' defined contribution plan beginning January 1, 2021 and the Foundation contributed to the eligible participants of the defined contribution plan \$2,202,092 and \$2,171,137 in 2025 and 2024, respectively. Effective July 1, 2023, Foundation provides a matching contribution to the employees' defined contribution plan.

Foundation maintains a self-insured life, accident and health plan for employees of Health System, Physicians, Mosaic, Family Services and Way Station, which provides for monthly contributions in amounts sufficient to cover the costs of basic hospital, surgical and diagnostic benefits and administrative expenses. The life, accident, and health plan expense was \$26,205,506 in 2025 and \$19,274,995 in 2024.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(10) Leases

The Company's leases are primarily for real estate, including schools, residential properties, and corporate and other administrative offices, as well as other various equipment. Real estate lease agreements typically have initial terms of one to fifteen years, and equipment lease agreements typically have initial terms between three and five years.

Real estate leases may include one or more options to renew, with renewals that can extend the lease term from one to twelve years. The exercise of lease renewal options is typically at the Company's sole discretion. Renewal options are assessed at the commencement date, modification date and when a reassessment event has occurred. The renewal option is included in the lease term when it is reasonably certain to be exercised.

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

In determining the present value of lease payments, the Company uses the implicit rate noted within the contract, unless unknown in which case the Company uses a risk-free discount rate. The risk-free discount rate is based upon the published rates of the Treasury bonds that corresponds to the lease term.

The Company elected the practical expedient package to not reassess at adoption (i) existing contracts for whether they include a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. Additionally, the Company elected not to recognize the lease assets and liabilities for leases with a term of twelve months or less.

During the fiscal year ended June 30, 2025, the Company modified certain lease agreements which resulted in three existing Mosaic operating leases to be finance leases. This modification was due to changes in the lease term and expansion of leased space for one of the leases. As a result of the modification, the Company recognized ROU assets and lease liabilities on the balance sheet for the modified leases. As of June 30, 2025, the carrying amount of the ROU assets was \$7,461,659, and the corresponding lease liabilities were \$7,761,010. The modification resulted in the recognition of interest expense on the lease liabilities and amortization of the ROU assets. For the year ended June 30, 2025, the company recognized \$21,719 as interest expense and \$50,335 as amortization expense. The modification impacted the presentation of lease-related cash flows. Cash payments for the principal portion of the lease liabilities are now classified as financing activities, while interest payments are classified as operating activities.

The Company reassessed the lease term based on an extension of 5 years in the lease terms for all three leases and an expansion of the space in one of the leased premises. The discount rate applied to the reclassified leases was 4.39% for two of the leases and 4.29% for one lease, based on the risk-free discount rate at the time of modification.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The following table presents the components of the assets and liabilities related to leases and their classification in the consolidated balance sheets:

		<u>2025</u>	<u>2024</u>
Assets:			
Total operating lease assets	Operating right-of-use assets	\$ 9,287,925	15,934,587
Finance lease assets	Property and equipment, net	<u>11,515,420</u>	<u>4,365,589</u>
Total leased assets		<u>\$ 20,803,345</u>	<u>20,300,176</u>
Liabilities:			
Operating lease liabilities:			
Current	Current portion of obligations under operating leases	\$ 1,743,401	3,661,478
Long-term	Obligations under operating leases, less current portion	<u>8,591,096</u>	<u>13,742,836</u>
Total operating lease liabilities		<u>10,334,497</u>	<u>17,404,314</u>
Finance lease liabilities:			
Current	Current portion of obligations under finance leases	696,125	239,239
Long-term	Obligations under finance leases, less current portion	<u>12,348,869</u>	<u>5,283,983</u>
Total finance lease liabilities		<u>13,044,994</u>	<u>5,523,222</u>
Total lease liabilities		<u>\$ 23,379,491</u>	<u>22,927,536</u>

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

	<u>2025</u>	<u>2024</u>
Finance lease expense:		
Amortization of ROU assets	\$ 362,162	311,828
Interest on lease liabilities	177,647	161,626
Operating lease expense	3,394,107	4,101,733
Variable and short-term lease expense	<u>1,384,608</u>	<u>1,398,523</u>
Total lease expenses	<u>\$ 5,318,524</u>	<u>5,973,710</u>

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term for operating leases (years)	6.7	7.0
Weighted average remaining lease term for finance leases (years)	12.1	14.0
Weighted average discount rate for operating leases	2.89 %	2.90 %
Weighted average discount rate for finance leases	3.77	2.88

The following table reconciles the undiscounted cash flows to the operating lease liabilities recorded on the consolidated balance sheets as of June 30, 2025:

	<u>Operating leases</u>	<u>Finance leases</u>
2026	\$ 2,012,900	1,169,335
2027	1,814,460	1,233,972
2028	1,559,730	1,260,244
2029	1,532,565	1,287,167
2030	1,457,068	1,314,758
2031 and thereafter	<u>3,008,283</u>	<u>10,151,233</u>
Total future minimum lease payments	11,385,006	16,416,709
Less amount of lease payments representing interest	<u>(1,050,509)</u>	<u>(3,371,715)</u>
Present value of future minimum lease payments	10,334,497	13,044,994
Less current obligations under leases	<u>(1,743,401)</u>	<u>(696,125)</u>
Long-term lease obligations	<u>\$ 8,591,096</u>	<u>12,348,869</u>

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

	Operating leases	Finance leases
2025	\$ 4,106,143	395,166
2026	2,528,712	407,022
2027	2,333,774	419,232
2028	2,082,537	431,809
2029	1,984,041	444,763
2030 and thereafter	6,232,425	4,725,828
Total future minimum lease payments	19,267,632	6,823,820
Less amount of lease payments representing interest	<u>(1,863,318)</u>	<u>(1,300,598)</u>
Present value of future minimum lease payments	17,404,314	5,523,222
Less current obligations under leases	<u>(3,661,478)</u>	<u>(239,239)</u>
Long-term lease obligations	<u>\$ 13,742,836</u>	<u>5,283,983</u>

(11) Self-insurance Programs and Litigation

Foundation is from time to time subject to claims and suits arising in the ordinary course of business. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the consolidated financial statements. In this regard, Foundation maintains a self-insurance program for professional liability claims, and a related trust fund had been established for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreement, the assets could only be used for the payment of professional and general liability claims, related expenses, and the cost of administering the trust. Professional and occurrence based general liability insurance coverages have been purchased to provide protection for claims in excess of the self-insured amounts. The assets of the trust are classified as investments limited as to use in the accompanying consolidated balance sheets in the amount of \$0 and \$190,706 at June 30, 2025 and 2024, respectively. The related claims liabilities of \$3,964,839 and \$3,580,184 as of June 30, 2025 and 2024, respectively, are recorded in current and long-term self-insurance liabilities on an undiscounted basis and represent estimates for asserted and unasserted claims arising from reported incidents and unreported incidents. Management believes that the provision for loss is adequate at June 30, 2025 and 2024; however, the ultimate liability may differ significantly. Management is aware of certain asserted and unasserted legal claims, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits.

Health System and Physicians are also self-insured for unemployment claims and have established a letter of credit arrangement of \$1,438,537 and \$1,426,132 for 2025 and 2024, respectively, in accordance with the requirements of the Maryland Department of Employment and Training.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Also, Foundation is self-insured for workers' compensation claims up to \$550,000 for both 2025 and 2024. A letter of credit arrangement has been established for \$5,200,000 for both 2025 and 2024. The related liabilities of \$4,317,725 and \$3,787,945 as of June 30, 2025 and 2024, respectively, are recorded in current and long-term self-insurance liabilities in the accompanying consolidated balance sheets. Foundation records outstanding losses and loss expenses for workers' compensation liability claims based on the estimates of the amount of reported losses together with a provision for losses incurred but not reported, the recommendations of an independent actuary, and management's judgment using its past experience and industry experience.

Foundation offers employees a self-insured health plan. Foundation maintains an accrual for claims that have been incurred but not reported to the plan administrator. The accrued liability for claims incurred but not reported is based on the historical claim lag period and current payment trends of health insurance claims. The accrued liability for health claims is \$6,464,516 and \$4,975,300, respectively, as of June 30, 2025 and 2024, and recorded in current self-insurance liabilities in the accompanying consolidated balance sheets.

Sheppard Pratt created Sheppard Pratt Assurance Company for the principal activity of primary professional liability and general liability coverage, to the Company and its subsidiaries, employed physicians, and affiliates. The primary policy for medical professional liability is limited to \$3,000,000 each loss event, primary policy for general liability is limited to \$1,000,000 for each loss event, subject to an annual aggregate of \$3,000,000. The Company issued a policy to cover Excess Umbrella Liability which will provide \$25,000,000 limits of liability excess of scheduled underlying coverages. The Excess Umbrella Liability coverage is 100% reinsured with carriers that are A.M. Best rated A- or better. Additionally, a deductible policy was issued to cover executive risk, crime, property and cyber liability. It is limited to \$1,000,000 per occurrence and subject to an annual aggregate of \$1,000,000.

(12) Rate Setting Matters and Business and Credit Concentrations

Foundation provides healthcare services through its inpatient and outpatient care facilities located throughout Maryland. Foundation grants credit to patients and 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/Blue Shield, health maintenance organizations (HMOs), and commercial insurance policies).

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Revenues from contracts with customers by line of business are as follows for the years ended:

	<u>2025</u>	<u>2024</u>
Hospital and Physician Services	\$ 199,861,944	193,522,791
Retreat Services	25,166,757	24,225,843
Adolescent residential treatment centers	11,160,639	10,996,635
Special Education	65,211,484	64,001,527
Community Services	<u>117,230,509</u>	<u>114,870,960</u>
Total Revenue from Contract with Customers	418,631,333	407,617,756
Other Nonpatient Care	<u>83,308,885</u>	<u>78,917,703</u>
Total Operating Revenue	<u>\$ 501,940,218</u>	<u>486,535,459</u>

The mix of receivables and total net service revenue from patients and third parties as of June 30 was as follows:

	<u>Accounts Receivable</u>		<u>Revenue</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Medicare	6 %	8 %	6 %	5 %
Medicaid	47 %	35 %	50 %	50 %
Commercial insurers and HMO's	12 %	27 %	13 %	15 %
Local Government	6 %	4 %	17 %	16 %
Blue Cross/Blue Shield	6 %	6 %	8 %	9 %
Self-pay and other	<u>23 %</u>	<u>20 %</u>	<u>6 %</u>	<u>5 %</u>
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Foundation accepts all patients covered by the Medicare and Medicaid programs. These programs reimburse Foundation at amounts less than charges. The difference between the charges for healthcare services and the related reimbursement amounts for these and other third-party payors are recorded as a reduction of revenues.

Patient charges of the Health System (other than Medicare and Medicaid) are recorded at rates established by the State of Maryland Health Services Cost Review Commission (HSCRC), reviewed on an annual basis and adjusted prospectively giving effect to, among other things, the anticipated impact of inflation on operating expenses, variances between actual volume of patient services and the volume budgeted for such services, and variances between actual unit rates and approved unit rates during the previous rate year. Such rate adjustments are reflected in revenue of Health System in the subsequent rate year, which coincides with Health System's fiscal year.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The Foundation is reimbursed for certain services to their Medicare and Medicaid program beneficiaries based upon cost reimbursement methodologies. The Maryland Medicaid program's inpatient reimbursement methodology is a prospective payment system, which is set at 94% of HSCRC rates. Medicaid outpatient services continue to be reimbursed on a cost report basis. Effective July 1, 2005, the Medicare program changed its reimbursement methodology to a prospective payment system. Health System has received either the final settlement or the notice of final settlement on Medicare cost reports through June 30, 2018, and on Medicaid cost reports for all programs through June 30, 2018. As of June 30, 2025 and 2024, the Company has recorded third-party payor settlements receivable of \$2,302,310 and \$5,234,719, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. Management periodically reviews recorded amounts receivable from or payable to third party payors and may adjust these balances as new information becomes available. In addition, revenue received under certain third party agreements are subject to audit.

During 2025 and 2024, some of Foundation's prior year third party cost reports were audited and settled, or tentatively settled, by third-party payors. Adjustments resulting from such audits and management reviews of unaudited years and open claims are reflected as adjustments to revenue in the year the adjustment becomes known. Although certain other prior year cost reports submitted to third-party payors remain subject to audit and retroactive adjustment, management does not expect any material adverse settlements.

As a result of federal healthcare reform legislation, rules and regulations, substantial changes are occurring in the United States healthcare system. These include numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers, the privacy and security of health information, and the legal obligations of health insurers, providers, and employers. Certain Maryland-based hospital charges are subject to review and approval by the Health Services Cost Review Commission (HSCRC). The HSCRC has jurisdiction over hospital reimbursement in Maryland by agreement with the Centers for Medicare and Medicaid Services (CMS). This agreement is based on a waiver from the Medicare Prospective Payment System reimbursement principles granted under Section 1814(b) of the Social Security Act. In 2018, Maryland entered into a new ten-year Total Cost of Care Model with CMS to include total cost of care benchmarks and savings, which took effect January 1, 2019, and runs through December 31, 2026. The waiver ties hospital per capita revenue growth to the state's average economic growth of 3.58% and requires Medicare Total Cost of Care savings targets be met each year. The waiver also imposes quality measures and encouraged population health management and is intended to shift care into lower cost settings, improve care coordination, and align incentives among various healthcare providers.

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

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

adjustments. The State of Maryland and CMS are in current negotiations regarding the next phase of the waiver.

(13) Functional Expenses

Members of Foundation provide healthcare, educational, and residential and psychiatric rehabilitative services to the communities they serve. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows for the years ended June 30, 2025 and 2024:

		2025								
		Program services								Total
		Healthcare services	Residential services	Education services	Rehabilitation and recovery	Community treatment	Families and communities	Community development	Program services	
Salaries and wages	\$ 107,441,239	14,740,596	36,166,510	47,003,189	13,136,638	13,986,831	13,671,617	246,146,620	39,163,137	285,309,757
Employee benefits	23,812,227	2,871,665	7,934,341	10,772,251	2,891,332	3,197,147	3,061,187	54,540,150	6,996,372	61,536,522
Expendable supplies	7,659,393	1,088,570	1,352,863	4,200,537	97,156	468,943	852,811	15,720,273	699,998	16,420,271
Purchased services	21,797,953	2,154,998	4,993,334	16,370,509	1,856,906	2,921,931	4,637,552	54,733,183	37,201,839	91,935,022
Interest	3,978,646	432,758	155,927	48,537	10,145	—	—	4,626,013	261,889	4,887,902
Repairs and maintenance	4,909,383	577,153	802,604	2,345,468	166,311	32,979	108,515	8,942,413	2,293,593	11,236,006
Depreciation and amortization and impairment	13,324,949	1,525,064	1,576,845	2,724,522	393,591	100,606	183,545	19,829,122	5,272,246	25,101,368
	<u>\$ 182,923,790</u>	<u>23,390,804</u>	<u>52,982,424</u>	<u>83,465,013</u>	<u>18,552,079</u>	<u>20,708,437</u>	<u>22,515,227</u>	<u>404,537,774</u>	<u>91,889,074</u>	<u>496,426,848</u>

		2024								
		Program services								Total
		Healthcare services	Residential services	Education services	Rehabilitation and recovery	Community treatment	Families and communities	Community development	Program services	
Salaries and wages	\$ 93,718,867	14,337,570	32,322,650	45,084,842	16,163,678	14,830,977	14,109,967	230,568,551	40,835,153	271,403,704
Employee benefits	17,750,731	2,726,184	6,676,365	8,646,057	3,039,547	2,493,739	2,979,210	44,311,833	11,440,166	55,751,999
Expendable supplies	7,062,536	1,102,180	1,389,051	4,028,432	99,319	666,387	1,027,632	15,375,537	736,738	16,112,275
Purchased services	26,230,840	3,333,652	5,473,300	15,009,046	1,722,668	3,249,470	4,035,949	59,054,925	35,948,972	95,003,897
Interest	4,148,057	437,579	162,921	87,248	7,498	40,971	—	4,884,274	383,783	5,268,057
Repairs and maintenance	3,974,702	510,998	635,867	1,406,295	117,159	20,347	81,769	6,747,137	2,027,608	8,774,745
Depreciation and amortization	13,594,678	1,546,398	1,524,925	3,045,263	298,884	119,008	185,912	20,315,068	7,809,452	28,124,520
	<u>\$ 166,480,411</u>	<u>23,994,561</u>	<u>48,185,079</u>	<u>77,307,183</u>	<u>21,448,753</u>	<u>21,420,899</u>	<u>22,420,439</u>	<u>381,257,325</u>	<u>99,181,872</u>	<u>480,439,197</u>

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(14) Certain Significant Risks and Uncertainties

Foundation provides psychiatric healthcare services in the State of Maryland. Foundation and other healthcare providers are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the Federal Medicare and state Medicaid programs
- Regulation of hospital rates by the State of Maryland HSCRC
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes
- Lawsuits alleging malpractice or other claims

Such inherent risks require the use of certain management estimates in the preparation of Foundation'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 Foundation's revenues and Foundation'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 Foundation.

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

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments, and the government has aggressively increased enforcement of Medicare and Medicaid anti-fraud and abuse laws. Foundation's compliance with these laws and regulations is subject to periodic governmental review, which could result in enforcement actions unknown or unasserted at this time. The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse laws and physician self-referral laws (STARK law and regulation). 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.

As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the U.S. healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over the next decade.

The Company recognizes the increasing importance of cybersecurity in today's digital landscape. As a result, we have implemented various measures to mitigate the risk of cyber threats and protect our systems and data. However, it is important to note that no system is completely immune to cyberattacks, and there is always a possibility of unauthorized access, data breaches, or other cybersecurity incidents. In the event of a significant cyber incident, such as a data breach, there may be potential financial, operational, and reputational impacts on the Company. While we believe our cybersecurity measures are robust, there can

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

be no assurance that they will prevent all cyber threats or that any future cyber incidents will not have a material adverse effect on our business, financial condition, or results of operations. Additionally, we maintain cyber insurance coverage to help mitigate the financial impact of potential cyber incidents.

(15) Endowment Net Assets

Foundation's endowments consist of both individual donor restricted funds established for a variety of purposes and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

(a) Interpretation of Relevant Law

Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Foundation classifies its permanently restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Foundation and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Foundation
- (7) The investment policies of Foundation

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(b) Net Asset Classification by Type of Endowment as of June 30, 2025

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	4,642,655	4,642,655
Board-designated endowment funds	173,509,755	—	173,509,755
	<u>\$ 173,509,755</u>	<u>4,642,655</u>	<u>178,152,410</u>

Changes in endowment net assets for the year ended June 30, 2025:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 157,771,271	4,603,443	162,374,714
Investment return:			
Net investment income	1,244,322	—	1,244,322
Net appreciation (realized and unrealized gains and losses)	20,016,238	23,423	20,039,661
Total investment return	21,260,560	23,423	21,283,983
Contributions	—	15,789	15,789
Appropriation of endowment assets for expenditure	(5,522,076)	—	(5,522,076)
	<u>\$ 173,509,755</u>	<u>4,642,655</u>	<u>178,152,410</u>

(c) Net Asset Classification by Type of Endowment as of June 30, 2024

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	4,603,443	4,603,443
Board-designated endowment funds	157,771,271	—	157,771,271
	<u>\$ 157,771,271</u>	<u>4,603,443</u>	<u>162,374,714</u>

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Changes in endowment net assets for the year ended June 30, 2024:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 148,129,687	4,401,987	152,531,674
Investment return:			
Net investment income	292,387	—	292,387
Net appreciation (realized and unrealized gains and losses)	<u>14,682,393</u>	<u>19,315</u>	<u>14,701,708</u>
Total investment return	14,974,780	19,315	14,994,095
Contributions	—	282,141	282,141
Appropriation of endowment assets for expenditure	<u>(5,333,196)</u>	<u>(100,000)</u>	<u>(5,433,196)</u>
	<u>\$ 157,771,271</u>	<u>4,603,443</u>	<u>162,374,714</u>

(d) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires Foundation to retain as a fund of perpetual duration as a result of unfavorable market fluctuations. During the years ended June 30, 2025 and 2024, the fair value did not fall below the specified amounts.

(e) Investment Strategies

Foundation has adopted policies for corporate investments, including endowment assets that seek to maximize risk-adjusted returns with preservation of principal. Endowment assets include those assets of donor-restricted funds that Foundation must hold in perpetuity or for a donor-specified period(s). The endowment assets are invested in a manner that is intended to hold a mix of investment assets designed to meet the objectives of the account. Foundation expects its endowment funds, over time, to provide an average rate of return that generates earnings to achieve the endowment purpose.

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

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

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(16) Liquidity

Foundation funds its operations through cash and investments. Foundation maintains a policy of structuring its financial assets to be available to meet its general expenditures and liabilities. Foundation has access to variable rate lines of credit in the amount of \$30,000,000 less \$7,400,000 used for the letters of credit referenced in note 8 to support liquidity.

Foundation's endowment funds consist of donor and board restricted endowments. Donor restricted endowments are restricted for specific purposes and, therefore, are not available for general expenditure. While it is not the intent of Foundation to utilize board restricted endowments to fund operations (other than spending policy), these funds, amounting to approximately \$194,400,000, could be available to fund operations if needed. Foundation has an endowment spending rate policy of 4%. Approximately \$5,700,000 of appropriations from this endowment will be available within the next 12 months to support liquidity.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The following is a reconciliation of current financial assets as of June 30, 2025 to financial assets available to fund general expenditures for the following fiscal year. General expenditures include all programmatic and supporting operating expenses.

	<u>2025</u>	<u>2024</u>
Financial assets at year end:		
Current assets:		
Cash	\$ 91,184,492	101,765,890
Investments limited or restricted as to use	4,587,738	2,817,921
Accounts receivable, net	63,447,128	44,879,137
Prepaid expenses and other current assets	<u>12,456,928</u>	<u>12,199,930</u>
Total current assets	171,676,286	161,662,878
Other:		
Investments	15,472,780	13,820,585
Borrowings available under lines of credit	<u>22,600,000</u>	<u>22,500,000</u>
Subtotal	209,749,066	197,983,463
Less assets unavailable for general expenditures within one year:		
Investments limited or restricted as to use	(4,587,738)	(2,817,921)
Prepaid expenses	<u>(11,153,861)</u>	<u>(10,198,092)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>194,007,467</u>	<u>184,967,450</u>

(17) Subsequent Events

Foundation has evaluated subsequent events through October 16, 2025, which is the date the financial statements were available to be issued. Effective July 25, 2025, Behavioral Health Partners of Frederick, Inc. was dissolved.

SUPPLEMENTARY INFORMATION

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidating Balance Sheet Information

June 30, 2025

	Obligated group								
Assets	Sheppard Pratt Health System, Inc.	Sheppard Pratt Physicians, P.A.	Sheppard Pratt Investment, Inc.	Sheppard and Enoch Pratt Foundation, Inc.	Obligated Group combining eliminations	Combined Obligated Group subtotal	Sheppard Pratt Properties, LLC	Eliminations	Subtotal
Current assets:									
Cash and cash equivalents	\$ 59,678,872	446,682	—	3,887,956	—	64,013,510	1,020,193	—	65,033,703
Investments limited or restricted as to use	3,900,991	—	—	686,747	—	4,587,738	—	—	4,587,738
Accounts receivable, net	41,476,255	1,966,928	—	—	—	43,443,183	—	—	43,443,183
Due from affiliates	22,299,752	7,505,625	5,477,002	1,155,872	(15,883,102)	20,555,149	28,595	(3,075,617)	17,508,127
Prepaid expenses and other current assets	10,969,222	37,958	—	—	—	11,007,180	—	—	11,007,180
Total current assets	138,325,092	9,957,193	5,477,002	5,730,575	(15,883,102)	143,606,760	1,048,788	(3,075,617)	141,579,931
Investments limited or restricted as to use, less current portion	41,406,029	—	169,403,722	10,699,914	(9,117,296)	212,392,369	—	(11,950,126)	200,442,243
Property and equipment, net	253,327,855	—	—	—	—	253,327,855	13,436,030	—	266,763,885
Third-party payor settlements receivable	2,302,310	—	—	—	—	2,302,310	—	—	2,302,310
Operating right-of-use assets	5,656,470	—	—	—	—	5,656,470	—	—	5,656,470
Other assets	728,671	—	823,523	—	—	1,552,194	—	—	1,552,194
Total assets	\$ 441,746,427	9,957,193	175,704,247	16,430,489	(25,000,398)	618,837,958	14,484,818	(15,025,743)	618,297,033
Liabilities and Net Assets									
Current liabilities:									
Current maturities of long-term debt	\$ 4,786,000	—	—	—	—	4,786,000	121,502	—	4,907,502
Current portion of obligations under finance leases	258,234	—	—	—	—	258,234	—	—	258,234
Current portion of obligations under operating leases	976,007	—	—	—	—	976,007	—	—	976,007
Accounts payable	5,602,133	49,385	—	—	—	5,651,518	6,938	—	5,658,456
Accrued salaries, wages, and employee benefits	29,561,393	3,451,866	—	—	—	33,013,259	—	—	33,013,259
Due to affiliates	4,334,758	9,061,850	2,047,326	1,372,785	(15,883,102)	933,617	3,136,211	(3,075,617)	994,211
Self-insurance liabilities	6,879,326	561,132	—	—	—	7,440,458	—	—	7,440,458
Other accrued expenses	12,340,366	154,740	147,166	—	—	12,642,272	54,321	—	12,696,593
Total current liabilities	64,738,217	13,278,973	2,194,492	1,372,785	(15,883,102)	65,701,365	3,318,972	(3,075,617)	65,944,720
Long-term liabilities:									
Long-term debt, less current portion	141,897,611	—	—	—	—	141,897,611	1,364,402	—	143,262,013
Obligations under finance leases, less current portion	5,025,750	—	—	—	—	5,025,750	—	—	5,025,750
Obligations under operating leases, less current portion	5,469,296	—	—	—	—	5,469,296	—	—	5,469,296
Self-insurance liabilities	4,530,236	—	—	—	—	4,530,236	—	—	4,530,236
Other long-term liabilities	—	—	—	37	—	37	—	—	37
Total liabilities	221,661,110	13,278,973	2,194,492	1,372,822	(15,883,102)	222,624,295	4,683,374	(3,075,617)	224,232,052
Net assets (deficit):									
Without donor restrictions	208,968,021	(3,321,780)	173,509,755	5,573,911	—	384,729,907	9,801,444	(11,950,126)	382,581,225
With donor restrictions	11,117,296	—	—	9,483,756	(9,117,296)	11,483,756	—	—	11,483,756
Total net assets (deficit)	220,085,317	(3,321,780)	173,509,755	15,057,667	(9,117,296)	396,213,663	9,801,444	(11,950,126)	394,064,981
Total liabilities and net assets	\$ 441,746,427	9,957,193	175,704,247	16,430,489	(25,000,398)	618,837,958	14,484,818	(15,025,743)	618,297,033

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidating Balance Sheet Information

June 30, 2025

Mosaic Community Services, Inc.											
	Mosaic Community Services, Inc.		Behavioral Health Partners	DuCHoDo	ReCHoDo	Eliminations	Total Mosaic Community Services, Inc.	Family Services Inc.	Way Station, Inc.	Consolidating eliminations	Consolidated totals
Assets		Alliance									
Current assets:											
Cash and cash equivalents	\$ 5,810,571	8,046,497	—	266,542	450,542	—	14,574,152	4,261,450	7,315,187	—	91,184,492
Investments limited or restricted as to use	—	—	—	—	—	—	—	—	—	—	4,587,738
Accounts receivable, net	5,577,500	4,307,467	221,755	—	—	—	10,106,722	4,780,465	5,116,758	—	63,447,128
Due from affiliates	4,421,120	1,247,044	4,622,369	—	—	(7,823,763)	2,466,770	1,162,679	506,193	(21,643,769)	—
Prepaid expenses and other current assets	484,210	146,872	—	—	109	—	631,191	137,597	680,960	—	12,456,928
Total current assets	16,293,401	13,747,880	4,844,124	266,542	450,651	(7,823,763)	27,778,835	10,342,191	13,619,098	(21,643,769)	171,676,286
Investments limited or restricted as to use, less current portion	5,738,733	—	—	—	—	—	5,738,733	44,000	10,210,683	—	216,435,659
Property and equipment, net	25,902,983	2,832,026	—	200,601	821,820	—	29,757,430	9,801,515	25,832,881	—	332,155,711
Third-party payor settlements receivable	—	—	—	—	—	—	—	—	—	—	2,302,310
Operating right-of-use assets	69,854	—	—	—	—	—	69,854	2,429,108	1,132,493	—	9,287,925
Other assets	462,047	291,279	—	—	44,333	—	797,659	25,060	306,878	—	2,681,791
Total assets	\$ 48,467,018	16,871,185	4,844,124	467,143	1,316,804	(7,823,763)	64,142,511	22,641,874	51,102,033	(21,643,769)	734,539,682
Liabilities and Net Assets											
Current liabilities:											
Current maturities of long-term debt	\$ 48,868	76,862	—	400,000	285,505	—	811,235	—	4,332	—	5,723,069
Current portion of obligations under finance leases	437,891	—	—	—	—	—	437,891	—	—	—	696,125
Current portion of obligations under operating leases	70,468	—	—	—	—	—	70,468	546,352	150,574	—	1,743,401
Accounts payable	721,686	87,279	100,797	(397)	2,235	—	911,600	372,746	445,322	—	7,388,124
Accrued salaries, wages, and employee benefits	4,170,048	1,269,478	88,640	—	—	—	5,528,166	2,493,498	5,009,860	—	46,044,783
Due to affiliates	11,106,859	841,262	7,005,714	594,982	3,387,277	(7,823,763)	15,112,331	1,938,123	3,599,104	(21,643,769)	—
Self-insurance liabilities	776,012	—	—	—	—	—	776,012	461,057	805,714	—	9,483,241
Other accrued expenses	2,128,233	49,063	—	1,100	5,100	—	2,183,496	662,467	715,929	—	16,258,485
Total current liabilities	19,460,065	2,323,944	7,195,151	995,685	3,680,117	(7,823,763)	25,831,199	6,474,243	10,730,835	(21,643,769)	87,337,228
Long-term liabilities:											
Long-term debt, less current portion	251,591	384,442	—	—	30,637	—	666,670	—	24,132	—	143,952,815
Obligations under finance leases, less current portion	7,323,119	—	—	—	—	—	7,323,119	—	—	—	12,348,869
Obligations under operating leases, less current portion	—	—	—	—	—	—	—	2,085,701	1,036,099	—	8,591,096
Self-insurance liabilities	190,341	—	—	—	—	—	190,341	159,242	384,020	—	5,263,839
Other long-term liabilities	239,568	762,409	—	—	182,527	—	1,184,504	76,111	3,201,522	—	4,462,174
Total liabilities	27,464,684	3,470,795	7,195,151	995,685	3,893,281	(7,823,763)	35,195,833	8,795,297	15,376,608	(21,643,769)	261,956,021
Net assets (deficit):											
Without donor restrictions	20,701,697	9,389,709	(2,351,027)	(528,542)	(2,576,477)	—	24,635,360	12,371,311	27,752,245	—	447,340,141
With donor restrictions	300,637	4,010,681	—	—	—	—	4,311,318	1,475,266	7,973,180	—	25,243,520
Total net assets (deficit)	21,002,334	13,400,390	(2,351,027)	(528,542)	(2,576,477)	—	28,946,678	13,846,577	35,725,425	—	472,583,661
Total liabilities and net assets	\$ 48,467,018	16,871,185	4,844,124	467,143	1,316,804	(7,823,763)	64,142,511	22,641,874	51,102,033	(21,643,769)	734,539,682

See accompanying independent auditors' report.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidating Statement of Operations Information

Year ended June 30, 2025

	Obligated group							
	Sheppard Pratt Health System, Inc.	Sheppard Pratt Physicians, P.A.	Sheppard Pratt Investment, Inc.	Sheppard and Enoch Pratt Foundation, Inc.	Obligated Group combining eliminations	Combined Obligated Group subtotal	Sheppard Pratt Properties, LLC	Subtotal
Revenues, gains, and other support:								
Patient service revenue	\$ 185,262,828	14,599,116	—	—	—	199,861,944	—	199,861,944
Residential and educational service revenue	101,538,880	—	—	—	—	101,538,880	—	101,538,880
Net service revenue	286,801,708	14,599,116	—	—	—	301,400,824	—	301,400,824
Net assets released from restrictions used for operations	643,013	102,778	—	—	—	745,791	—	745,791
Intercorporate revenue	252,092	—	—	—	—	252,092	171,572	252,092
Other operating revenue	26,316,114	335,767	5,195	214,372	—	26,871,448	357,228	27,228,676
Total revenues, gains, and other support	314,012,927	15,037,661	5,195	214,372	—	329,270,155	528,800	329,627,383
Expenses:								
Salaries and wages	189,749,257	11,444,314	—	—	—	201,193,571	—	201,193,571
Employee benefits	41,296,684	1,901,527	—	—	—	43,198,211	—	43,198,211
Expendable supplies	10,605,283	7,804	—	—	—	10,613,087	80	10,613,167
Purchased services	62,745,694	1,242,570	—	10,135	—	63,998,399	229,284	64,227,683
Intercorporate charges	(26,405,354)	742,077	—	—	—	(25,663,277)	—	(25,834,849)
Interest	4,703,535	—	—	—	—	4,703,535	53,901	4,757,436
Repairs and maintenance	7,785,596	—	—	—	—	7,785,596	92,332	7,877,928
Depreciation and amortization	19,716,882	—	—	—	—	19,716,882	474,979	20,191,861
Total expenses	310,197,577	15,338,292	—	10,135	—	325,546,004	850,576	326,225,008
Operating income (loss)	3,815,350	(300,631)	5,195	204,237	—	3,724,151	(321,776)	3,402,375
Other income (expense):								
Investment income, net	168,680	—	1,244,322	(23)	—	1,412,979	—	1,412,979
Realized gains on investments, net	206,433	—	2,323,638	—	—	2,530,071	—	2,530,071
Unrealized gains on investments, net	3,254,172	—	17,677,780	—	—	20,931,952	—	20,931,952
Other	936,746	—	9,625	772,764	—	1,719,135	—	1,719,135
Total other income (expense)	4,566,031	—	21,255,365	772,741	—	26,594,137	—	26,594,137
Excess (deficiency) of revenues over expenses	8,381,381	(300,631)	21,260,560	976,978	—	30,318,288	(321,776)	29,996,512
Other changes in net assets:								
Net assets released from restrictions used for purchases of property and equipment	765,181	—	—	—	—	765,181	—	765,181
Transfer (to) from affiliates	5,522,076	—	(5,522,076)	—	—	—	621,217	—
Capital grants and other	—	—	—	—	—	—	—	—
Increase (decrease) in net assets without donor restrictions	\$ 14,668,638	(300,631)	15,738,484	976,978	—	31,083,469	299,441	30,761,693

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidating Statement of Operations Information
Year ended June 30, 2025

	Mosaic Community Services, Inc.										
	Mosaic Community Services, Inc.		Behavioral Health Partners	DuCHoDo	ReCHoDo	Eliminations	Total Mosaic Community Services, Inc.	Family Services Inc.	Way Station, Inc.	Consolidating eliminations	Consolidated totals
		Alliance									
Revenues, gains, and other support:											
Patient service revenue	\$	—	—	—	—	—	—	—	—	—	199,861,944
Residential and educational service revenue		46,758,226	2,347,463	6,888,670	102,493	28,835	56,125,687	13,276,119	47,828,703	—	218,769,389
Net service revenue		46,758,226	2,347,463	6,888,670	102,493	28,835	56,125,687	13,276,119	47,828,703	—	418,631,333
Net assets released from restrictions used for operations		152,000	1,000	—	—	—	153,000	2,759	2,000	—	903,550
Intercompany revenue		—	249,701	—	—	(249,701)	—	460,000	—	(712,092)	—
Other operating revenue		5,671,352	25,180,507	—	201,038	197,700	31,250,597	18,082,558	5,843,504	—	82,405,335
Total revenues, gains, and other support		52,581,578	27,778,671	6,888,670	303,531	226,535	87,529,284	31,821,436	53,674,207	(712,092)	501,940,218
Expenses:		—	—	—	—	—	(1)	—	—	—	—
Salaries and wages		23,282,459	14,360,875	3,548,246	1,395	4,714	41,197,689	15,643,850	27,274,647	—	285,309,757
Employee benefits		4,615,996	2,906,552	783,784	(1)	(4)	8,306,327	3,361,100	6,670,884	—	61,536,522
Expendable supplies		2,173,693	827,467	7,019	—	3,057	3,011,236	1,077,122	1,718,746	—	16,420,271
Purchased services		11,174,768	5,087,463	518,446	109,101	189,084	17,078,862	4,814,958	5,813,519	—	91,935,022
Intercompany charges		8,791,553	4,212,421	875,902	25,303	57,308	(249,701)	13,712,786	4,752,200	8,081,955	(712,092)
Interest		78,074	—	—	—	6,308	84,382	—	46,084	—	4,887,902
Repairs and maintenance		1,348,820	65,337	31,883	16,517	44,257	1,506,814	298,657	1,552,607	—	11,236,006
Depreciation and amortization		2,031,942	299,599	16,231	15,872	76,157	2,439,801	703,143	1,766,563	—	25,101,368
Total expenses		53,497,305	27,759,714	5,781,511	168,187	380,881	(249,701)	87,337,897	30,651,030	52,925,005	(712,092)
Operating income (loss)		(915,727)	18,957	1,107,159	135,344	(154,346)	191,387	1,170,406	749,202	—	5,513,370
Other income (expense):											
Investment income, net		—	—	—	—	—	—	—	69,317	—	1,482,296
Realized gains on investments, net		—	—	—	—	—	—	—	131,837	—	2,661,908
Unrealized gains on investments, net		73,389	—	—	—	—	73,389	—	1,002,986	—	22,008,327
Other		452,121	—	—	—	—	452,121	(388,992)	189,868	—	1,972,132
Total other income (expense)		525,510	—	—	—	—	525,510	(388,992)	1,394,008	—	28,124,663
Excess (deficiency) of revenues over expenses		(390,217)	18,957	1,107,159	135,344	(154,346)	716,897	781,414	2,143,210	—	33,638,033
Other changes in net assets:											
Net assets released from restrictions used for purchases of property and equipment		115,186	—	—	—	—	115,186	1,600,000	1,168,014	—	3,648,381
Transfer from affiliates		—	—	—	—	—	—	—	—	—	—
Capital grants and other		—	—	—	—	—	—	—	—	—	—
Increase (decrease) in net assets without donor restrictions	\$	(275,031)	18,957	1,107,159	135,344	(154,346)	832,083	2,381,414	3,311,224	—	37,286,414

See accompanying independent auditors' report.

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2025

	Obligated group							
	Sheppard Pratt Health System, Inc.	Sheppard Pratt Physicians, P.A.	Sheppard Pratt Investment, Inc.	Sheppard and Enoch Pratt Foundation, Inc.	Obligated Group combining eliminations	Combined Obligated Group subtotal	Sheppard Pratt Properties, LLC	Subtotal
Net assets without donor restrictions:								
Excess (deficiency) of revenues over expenses	\$ 8,381,381	(300,631)	21,260,560	976,978	—	30,318,288	(321,776)	29,996,512
Other changes in net assets:								
Net assets released from restrictions used for purchases of property and equipment	765,181	—	—	—	—	765,181	—	765,181
Transfer (to) from affiliates	5,522,076	—	(5,522,076)	—	—	—	621,217	—
Increase (decrease) in net assets without donor restrictions	14,668,638	(300,631)	15,738,484	976,978	—	31,083,469	299,441	30,761,693
Net assets with donor restrictions:								
Gifts and grants	2,471,692	—	—	(103,364)	—	2,368,328	—	2,368,328
Investment income, net	—	—	—	77,063	—	77,063	—	77,063
Realized gains on investments, net	—	—	—	107,003	—	107,003	—	107,003
Unrealized gains on investments, net	—	—	—	814,057	—	814,057	—	814,057
Interest in Net Assets of Foundation	(440,889)	—	—	—	440,889	—	—	—
Transfer (to) from affiliates	936,505	102,777	—	(1,312,225)	—	(272,943)	—	(272,943)
Net assets released from restrictions for operations	(643,016)	(102,777)	—	—	—	(745,793)	—	(745,793)
Net assets released from restrictions for purchases of property and equipment	(765,181)	—	—	—	—	(765,181)	—	(765,181)
Increase (decrease) in net assets with donor restrictions	1,559,111	—	—	(417,466)	440,889	1,582,534	—	1,582,534
Increase (decrease) in net assets	16,227,749	(300,631)	15,738,484	559,512	440,889	32,666,003	299,441	32,344,227
Net assets (deficit), beginning of year	203,857,569	(3,021,148)	157,771,271	14,498,155	(9,558,185)	363,547,662	9,502,002	361,720,755
Net assets (deficit), end of year	\$ 220,085,318	(3,321,779)	173,509,755	15,057,667	(9,117,296)	396,213,665	9,801,443	394,064,982

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2025

	Mosaic Community Services, Inc.									
	Mosaic Community Services, Inc.	Alliance	Behavioral Health Partners	DuCHoDo	ReCHoDo	Total Mosaic Community Services, Inc.	Family Services Inc.	Way Station, Inc.	Consolidating eliminations	Consolidated totals
Net assets without donor restrictions:										
Excess (deficiency) of revenues over expenses	\$ (390,217)	18,957	1,107,159	135,344	(154,346)	716,897	781,414	2,143,210	—	33,638,033
Other changes in net assets:										
Net assets released from restrictions used for purchases of property and equipment	115,186	—	—	—	—	115,186	1,600,000	1,168,014	—	3,648,381
Transfer from affiliates	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in net assets without donor restrictions	(275,031)	18,957	1,107,159	135,344	(154,346)	832,083	2,381,414	3,311,224	—	37,286,414
Net assets with donor restrictions:										
Gifts and grants	—	—	—	—	—	—	666,174	1,044,937	—	4,079,439
Investment income, net	—	—	—	—	—	—	—	—	—	77,063
Realized gains on investments, net	—	—	—	—	—	—	—	—	—	107,003
Unrealized gains on investments, net	—	—	—	—	—	—	—	—	—	814,057
Interest in Net Assets of Foundation	—	—	—	—	—	—	—	—	—	—
Transfer from affiliates	267,186	1,000	—	—	—	268,186	2,757	2,000	—	—
Net assets released from restrictions for operations	(152,000)	(1,000)	—	—	—	(153,000)	(2,757)	(2,000)	—	(903,550)
Net assets released from restrictions for purchases of property and equipment	(115,186)	—	—	—	—	(115,186)	(1,600,000)	(1,168,014)	—	(3,648,381)
Decrease in net assets with donor restrictions	—	—	—	—	—	—	(933,826)	(123,077)	—	525,631
Increase (decrease) in net assets	(275,031)	18,957	1,107,159	135,344	(154,346)	832,083	1,447,588	3,188,147	—	37,812,045
Net assets (deficit), beginning of year	21,277,365	13,381,432	(3,458,186)	(663,885)	(2,422,130)	28,114,596	12,398,988	32,537,277	—	434,771,616
Net assets (deficit), end of year	\$ 21,002,334	13,400,389	(2,351,027)	(528,541)	(2,576,476)	28,946,679	13,846,576	35,725,424	—	472,583,661

**SHEPPARD AND ENOCH PRATT FOUNDATION, INC.
AND SUBSIDIARIES**

Health Department Funding

Year ended June 30, 2025

Way Station, Inc. receives funding from Anne Arundel County Mental Health Agency, Inc. (AACMHA), Frederick County Health Department (FCHD), Howard County Health Department (HCHD), and Washington County Mental Health Authority (WCMHA) for rendering services in Carroll County, Frederick County, Howard County and Washington County, Maryland, respectively. Funding received for the year ended June 30, 2025 was as follows:

	FCHD						WCMHA						
						Specialized Services for Individuals Dually Diagnosed with Mental Illness and Developmental Disability							
	Crisis Response Services F324	Crisis Response Services F828	Crisis Response Services F846	Crisis Response Services F897/F818A	Crisis Response Services F818		Mobile Crisis Expansion State Opioid Response	Mobile Crisis Expansion House Bill 1092 F753	Crisis Response Service	Healthy Transitions Initiative	Mobile Crisis Team Pilot	Mental Health Stabilization Services	Mobile Response Stabilization Services
Total revenue	\$ 1,321,314	91,498	30,188	310,936	47,973	169,284	175,589	87,640	49,630	147,226	544,363	112,384	302,277
Total expenses	(1,321,314)	(91,498)	(30,188)	(310,936)	(47,973)	(169,284)	(175,589)	(87,640)	(49,630)	(147,226)	(544,363)	(112,384)	(302,277)
Change in net assets	\$ —	—	—	—	—	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.