GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Financial Statements and
Consolidating Information

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

**GBMC HEALTHCARE, INC.
AND SUBSIDIARIES**

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

Independent Auditors' Report

The Board of Directors
GBMC HealthCare, Inc.:

We have audited the accompanying consolidated financial statements of GBMC HealthCare, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GBMC HealthCare, Inc. and its subsidiaries as of June 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(v) to the consolidated financial statements, the Company adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), on July 1, 2020. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedules 1–3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Baltimore, Maryland
November 16, 2021

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2021 and 2020

(In thousands)

Assets		2021	2020
Current assets:			
Cash	$	44,983	96,755
Short-term investments and limited or restricted use funds		80,024	25,995
Patient accounts receivable, net		66,187	58,871
Other receivables		20,913	18,392
Other current assets		29,306	14,470
Total current assets		241,413	214,483
Noncurrent assets:			
Investments and limited or restricted use funds		607,390	498,376
Property, plant, and equipment, net		269,246	251,139
Operating lease right-of-use assets		16,723	—
Other assets		64,515	49,487
Total noncurrent assets		957,874	799,002
Total assets	$	1,199,287	1,013,485
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	99,832	71,718
Insurance reserves		13,632	12,162
Advances from third-party payors		91,831	107,151
Operating lease liabilities		3,644	—
Long-term debt and finance lease liabilities		13,931	15,581
Other current liabilities		6,229	5,814
Total current liabilities		229,099	212,426
Noncurrent liabilities:			
Long-term debt		116,932	116,521
Finance lease liabilities		20,856	23,774
Operating lease liabilities		13,283	—
Insurance reserves		48,437	44,161
Pension liability		9,777	16,095
Other long-term liabilities		1,747	2,110
Total liabilities		440,131	415,087
Net assets:			
Controlling interest		626,932	491,130
Non-controlling interest		7,182	7,017
Total net assets without donor restrictions		634,114	498,147
Net assets with donor restrictions		125,042	100,251
Total net assets		759,156	598,398
Total liabilities and net assets	$	1,199,287	1,013,485

See accompanying notes to consolidated financial statements.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Patient service revenue, net	$	622,755	562,524
Other operating revenue		34,111	32,275
Net assets released from restrictions		9,310	10,465
Total operating revenue		666,176	605,264
Operating expenses:			
Salaries, wages, and employee benefits		406,038	383,094
Expendable supplies		101,846	97,628
Purchased services and other		95,740	82,663
Depreciation and amortization		37,213	40,430
Interest		4,416	6,076
Total operating expenses		645,253	609,891
Total operating income (loss)		20,923	(4,627)
Other income (expense):			
Contributions		815	1,627
Fundraising expense		(3,238)	(3,421)
Investment income, net		94,016	21,450
Other components of net periodic pension cost		(40,957)	(5,206)
Total other income		50,636	14,450
Excess of revenues over expenses	$	71,559	9,823

See accompanying notes to consolidated financial statements.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Excess of revenues over expenses	$	71,559	9,823
Changes in net assets without donor restrictions:			
Pension related changes other than net periodic pension costs		57,078	(1,165)
Net assets released for purchase of fixed assets		205	844
Cumulative effect of accounting change		9,125	—
Distribution to non-controlling interest		(2,000)	(1,750)
Increase in net assets without donor restrictions		135,967	7,752
Changes in net assets with donor restrictions:			
Contributions		20,791	27,490
Investment income, net		13,515	2,975
Net assets released for operations		(9,310)	(10,465)
Net assets released for purchase of fixed assets		(205)	(844)
Increase in net assets with donor restrictions		24,791	19,156
Increase in net assets		160,758	26,908
Net assets, beginning of year		598,398	571,490
Net assets, end of year	$	759,156	598,398

See accompanying notes to consolidated financial statements.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	160,758	26,908
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		37,213	40,430
Cumulative effect of accounting change		(9,125)	—
Realized and unrealized gains on investments		(95,614)	(17,008)
Pension related changes other than net periodic pension costs		—	1,165
Restricted investment income		(1,067)	(531)
Restricted contributions		(20,791)	(27,490)
Unrealized gains on joint ventures		—	(970)
Distribution to non-controlling interest		2,000	1,750
Changes in assets and liabilities:			
(Increase) decrease in patient accounts receivable		(7,316)	8,103
Increase in other receivables and other assets		(21,318)	(729)
Increase in accounts payable and accrued expenses and other liabilities		27,119	6,402
(Decrease) increase in advances from third parties		(15,320)	93,595
(Decrease) increase in pension liability		(6,318)	5,037
Net cash provided by operating activities		50,221	136,662
Cash flows from investing activities:			
Increase in investments and limited or restricted use funds, net		(55,606)	(16,149)
Purchases of alternative investments		(7,473)	(6,608)
Proceeds from sale of alternative investments		4,324	1,349
Purchases of property and equipment		(43,133)	(28,519)
Net cash used in investing activities		(101,888)	(49,927)
Cash flows from financing activities:			
Payment on long-term debt and finance lease liabilities		(15,405)	(15,011)
Proceeds from finance lease arrangement		—	2,229
Proceeds from long-term debt		11,248	—
Proceeds from restricted contributions		13,659	20,156
Distributions to non-controlling interest		(2,000)	(1,750)
Net cash provided by financing activities		7,502	5,624
(Decrease) increase in cash		(44,165)	92,359
Cash, beginning of year		107,174	14,815
Cash, end of year	$	63,009	107,174
Supplemental cash flow disclosures for investing/financing activities:			
Cash paid during the year for interest	$	3,959	5,587
Capital additions accrued but not paid		3,638	576
Impact of adoption of ASC 842		20,000	—
Reconciliation of ending cash to consolidated balance sheets:			
Restricted cash included in limited or restricted use funds	$	18,026	10,419
Cash		44,983	96,755
Total cash	$	63,009	107,174

See accompanying notes to consolidated financial statements.

(1) Organization and Consolidation

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

The Medical Center is a wholly owned not-for-profit hospital, which provides in-patient, outpatient, emergency care, and physician services primarily for residents of the Baltimore metropolitan area. The Medical Center was formed by agreement dated September 1, 1965, by the Hospital for Women of Maryland of Baltimore City (Women's Hospital) and Presbyterian Eye, Ear and Throat Charity Hospital (Presbyterian Hospital). In addition, the Medical Center has ownership of Ruxton Insurance Company, Ltd., an insurance captive domiciled in Bermuda. Ruxton insures the risks for malpractice and general liability claims. The Medical Center includes a physician practice group doing business as GBMC Health Partners. In 2019, the Medical Center opened GBMC Health Partners at Helping Up Mission, LLC, a wholly owned subsidiary, providing primary care services in Baltimore City.

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

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

Gilchrist Hospice Care, Inc. d/b/a Gilchrist Services, Inc. (Hospice) is a wholly owned not-for-profit organization, which provides inpatient and home hospice care in the greater Baltimore area. Hospice is the sole member of Joseph Richey House, Inc. (JRH) which provides inpatient hospice care in Baltimore City. In July 2019, geriatric, palliative, and hospice physicians group was transferred to Hospice from GBMC Health Partners. In December 2020, Gilchrist Baltimore Center Support Corporation (GBCSC), an independent entity, was established to support the new market tax credit transaction. Refer to footnote 2(i) for further information.

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Consolidation of Subsidiaries

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

(c) Cash

Cash balances may exceed amounts insured by federal agencies and, therefore, bear a risk of loss. The Company has not experienced such losses on these funds.

(d) Limited or Restricted Use Funds

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

(e) Inventories

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

(f) Investments and Investment Income

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

Alternative investments are recorded under the equity method of accounting. Underlying securities of these alternative investments may include certain debt and equity securities that are not readily marketable. Because certain investments are not readily marketable, their fair value is subject to additional uncertainty, and therefore, values realized upon disposition may vary significantly from current reported values.

(In thousands)

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

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

(g) Property, Plant, and Equipment

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

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit 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.

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

(h) Leases

The Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), on July 1, 2020. The FASB issued ASU 2016-02 to increase transparency and comparability between organizations that enter into lease agreements. The key difference of the new standard is the recognition of a right-of-use (ROU) asset and lease liability on the balance sheet for those leases classified as operating and the disclosure of qualitative and quantitative information about leasing arrangements.

Leases that existed at the effective date were recognized and measured using a modified retrospective approach without restating the prior comparative periods. The Company elected to utilize the practical expedients being made available, including the package of practical expedients to not reassess whether a contract is or contains a lease, the lease classification, and initial direct costs. The Company also elected the practical expedient to exclude recording leases with an initial term of twelve months or less (short-term leases) as right-of-use assets and liabilities on the consolidated balance sheets; and combine associated lease and non-lease components into a single lease component. Built-to-suit assets and liabilities recorded under ASC 840 as the accounting owner prior to the effective date of the new lease standard were derecognized as of July 1, 2020 and were recognized under the new guidance and the difference was recorded in net assets.

Upon the adoption of ASU 2016-02, the Company recorded the following balances on the consolidated balance sheet; $20,658 in operating lease ROU assets, $20,658 in operating lease liabilities, $26,506 in finance lease ROU assets, and $26,506 in finance lease liabilities. The finance lease ROU assets and liabilities included a recognition of a built-to-suit that resulted in a change in net assets without donor restrictions of $9,125. The recognition represented a material noncash operating activity of $16,723 that affected the amount reported in other changes in assets and liabilities on the consolidated statement of cash flows. The adoption did not have a material impact on the consolidated statement of operations.

Finance lease ROU assets of $23,632 are included in property, plant, and equipment, net in the accompanying consolidated balance sheets as of June 30, 2021. Finance lease liabilities of $3,063 are included in current portion of long-term debt and finance lease liabilities in the accompanying consolidated balance sheets as of June 30, 2021.

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

(Continued)

(In thousands)

(i) Other Noncurrent Assets

Other noncurrent assets comprise the following items:

		2021	2020
Pledge receivables, net	$	29,209	22,202
Reinsurance receivable		14,640	14,604
New market tax credit note receivable		8,784	—
Goodwill		7,593	7,593
Equity investments		1,359	1,212
Deferred leasing costs		861	961
Other		2,069	2,915
	$	64,515	49,487

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

At June 30, 2021 and 2020, the Company assessed the goodwill for its reporting unit, GBDIP, for impairment. The Company determined that it was not more likely than not that the fair value of GBDIP was less than its carrying amount. Accordingly, the Company concluded that goodwill was not impaired as of June 30, 2021 and 2020 without having to perform the two-step impairment test.

New market tax credits (NMTC) are created by the federal government to help encourage investment in low-income communities. Investors receive a 39% federal tax credit earned over a seven-year period. In December 2020, Hospice entered into a NMTC transaction which provided a mechanism for Hospice to receive funding towards the construction of its new facility in Baltimore City, Stadium Place. Refer to footnote 7 for further information. Hospice made a loan to Capital One Community Renewal Fund Investor 164 (COCRF 164) resulting in a NMTC note receivable of $8,784.

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

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

(j) Donor-Restricted Contributions

Unconditional promises to give cash and other assets to the Company are reported at their fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

(k) Net Assets with Donor Restrictions

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

(l) Insurance Reserves

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

(m) Net Patient Service Revenue

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

Net 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.

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

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

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2021 and 2020 was not significant to the consolidated financial statements.

Rates for the Medical Center's facility-based patient service charges are established in accordance with the regulations and rate methodologies of Maryland's rate-setting authority, the Health Services Cost Review Commission (HSCRC), an independent agency of the Maryland State government. The HSCRC's GBR model is consistent with the Medical Center's mission of controlling utilization of acute-care services by managing a patient's total spectrum of medical care. The Global Budget Revenue (GBR) agreement allows the Medical Center to adjust unit rates, within certain limits, to achieve the overall revenue base for the Medical Center at year-end. Any overcharge or undercharge versus the GBR cap is prospectively added to the subsequent year's GBR cap. While the GBR cap does not adjust for changes in volume or service mix, the GBR cap is adjusted annually for inflation, and for changes in payor mix, market share and uncompensated care. During the year ending June 30, 2020, the HSCRC issued regulations due to the impact of COVID-19 (see footnote 2(u)) on all hospitals in Maryland that allows hospitals to carry over any undercharge less amount recouped from other federal programs to the following fiscal year GBR cap. The HSCRC also may impose various other revenue adjustments that could be significant in the future.

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

(n) Disaggregation of Revenue

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

(In thousands)

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

		2021	2020
Hospital services	$	462,816	412,152
Physician services		84,539	72,291
Hospice services		61,812	65,719
Radiology services – GBDIP joint venture		13,588	12,362
Total revenues from contracts with customers		622,755	562,524
Other nonpatient care		43,421	42,740
Total operating revenues	$	666,176	605,264

(o) Excess of Revenues over Expenses

The consolidated statements of operations include a performance indicator, 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 pension changes other than net periodic pension costs, contributions and distributions to non-controlling investors, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

(p) Financial Assistance and Community Benefits

As part of the Company's mission, it provides medical care without discrimination, including the ability of a patient to pay for services. Under the Company's Financial Assistance Policy, patients who meet certain financial based criteria can qualify for free care on all or a portion of cost of service. The total direct and indirect cost of providing financial assistance was approximately $4,914 and $3,619 during the years ended June 30, 2021 and 2020, respectively.

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

(q) Rental Income

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

(Continued)

(r) Income Taxes

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

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

The FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the consolidated financial statements as "more likely than not" that the position is sustainable, based on its technical merits. This standard also provides guidance on the measurement, classification and disclosure of tax return positions in the consolidated financial statements. The Company has adopted this guidance, and there were no amounts recorded in the consolidated financial statements as of and during the years ended June 30, 2021 and 2020 for uncertain tax positions.

GBMC Agency, Inc and Subsidiaries are taxable entities, which have tax operating loss carry forward available to offset future taxable income. Effective for tax years after December 31, 2017, the net operating loss carry forward is indefinite. As of June 30, 2021, and 2020, the deferred tax assets consisting primarily of net operating loss carry forwards were fully offset by a related valuation allowance.

(s) Going Concern

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

(t) Use of Estimates

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

(u) COVID-19

The Coronavirus Aid Relief and Economic Security Act (CARES Act), which was enacted on March 27, 2020, authorizes $100 billion in funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (the "PHSSEF"). Payments from the PHSSEF are intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using PHSSEF funds to reimburse expenses or losses that other sources are obligated to reimburse. For the years ended June 30, 2021 and 2020, the Company received approximately $7,499, and $15,129, respectively in payments from PHSSEF all of which were recognized as other operating revenue. Of the $22,628 received in PHSSEF funds in the two fiscal years only $7,225 was recognized as additional revenue, with the remaining offset against the GBR.

To increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program for Part A and Part B payments. Accelerated payments can be requested for up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments). Such accelerated payments are interest free for healthcare providers up to 29 months. The program currently requires CMS to recoup the payments beginning one year from receipt by the provider, by withholding 25% of future Medicare fee-for-service payments for 11 months and then 50% future Medicare fee-for-service payments for the next 6 months. The payments are made for services a healthcare entity has provided or will provide to its Medicare patients who are the healthcare entity’s customers, which are accounted for under Topic 606 as revenue. In April 2020, the Company received approximately $90,009 of accelerated payments, which have been recorded on the consolidated balance sheet as advances from third party payors, in accordance with ASC 606. This liability will be reduced over time as revenue is recognized for claims submitted for services provided. The balance of these advances was $77,323 and $90,009 at June 30, 2021 and 2020, respectively.

Lastly, the CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Company began deferring the employer portion of social security taxes in mid-April 2020. The Company deferred $10,885 and $3,026 as of June 30, 2021 and 2020, respectively in social security taxes.

Additionally, the Company recorded $3,286 and $0 of FEMA reimbursement for COVID-19 related expenses during the years ended June 30, 2021 and 2020, respectively.

Due to the recent enactment of the CARES Act and the PPPHCE Act, there is still a high degree of uncertainty surrounding their implementation, and the public health emergency continues to evolve. We continue to assess the potential impact of the CARES Act, the PPPHCE Act, the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on our business, results of operations, financial condition and cash flows.

(v) New Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU intends to improve the effectiveness of disclosures in the notes to financial statements by modifying the disclosure requirements for fair value measurements. The Company adopted ASU 2018-13 on July 1, 2020. The adoption of ASU 2018-13 had no impact on the consolidated financial statements.

(In thousands)

Effective July 1, 2020, the Company adopted ASU 2016-02, *Leases* (Topic 842), using the modified retrospective transition approach as of the period of adoption, or fiscal year 2021. The Company's financial statements for periods prior to July 1, 2020, were not modified for the application of the new lease accounting standard. Refer to footnote 2(h) for disclosure on impact of the adoption of the lease standard.

(3) Concentration of Credit Risk

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables and patient service revenue from patients and third parties as of June 30, 2021 and 2020 was as follows:

	Accounts receivable		Revenue	
	2021	**2020**	**2021**	**2020**
Medicare	31 %	36 %	37 %	41 %
Medicaid	7	7	4	3
Blue Cross	11	10	12	12
HMO	23	22	25	24
Other third-party payors	25	22	21	19
Self-pay	3	3	1	1
Total	100 %	100 %	100 %	100 %

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

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

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

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

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

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

As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over the next decade. This federal healthcare reform legislation did not affect the 2021 or 2020 consolidated financial statements.

(4) Investments and Limited or Restricted Use Funds

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The tables below present the balances of assets measured at fair value by levels excluding alternative investments, which are included within investments and limited or restricted use funds in the accompanying consolidated balance sheets, in the amount of $42,980 and $26,900, which are accounted for under the equity method, as of June 30, 2021 and 2020, respectively:

(In thousands)

		June 30, 2021			
Assets		**Level 1**	**Level 2**	**Level 3**	**Total**
Managed cash funds	$	97,676	—	—	97,676
Common stock		174,081	8,702	897	183,680
Foreign stock		10,562	—	—	10,562
Mutual funds		130,254	—	—	130,254
Mutual funds international		383	—	—	383
Total equity		315,280	8,702	897	324,879
Corporate debt securities		—	39,302	—	39,302
Bonds – treasury		10,832	—	—	10,832
Bonds – federal agency backed		—	3,920	—	3,920
Bonds – mortgage-backed		—	282	—	282
Bonds – fixed income		—	372	—	372
Mutual funds – fixed income		89	166,976	—	167,065
Municipal bonds		—	106	—	106
Total fixed income		10,921	210,958	—	221,879
Total investment and limited or restricted use funds		423,877	219,660	897	644,434
Current portion		80,024	—	—	80,024
Total noncurrent investment and limited or restricted use funds	$	343,853	219,660	897	564,410

(In thousands)

	June 30, 2020			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Managed cash funds	$ 37,450	—	—	37,450
Common stock	184,054	8,320	759	193,133
Foreign stock	13,457	—	—	13,457
Mutual funds	51,611	—	—	51,611
Mutual funds international	627	—	—	627
Total equity	249,749	8,320	759	258,828
Corporate debt securities	—	35,606	—	35,606
Bonds – treasury	13,957	—	—	13,957
Bonds – federal agency backed	—	4,326	—	4,326
Bonds – mortgage-backed	—	678	—	678
Bonds – fixed income	—	456	—	456
Mutual funds – fixed income	—	146,008	—	146,008
Municipal bonds	—	162	—	162
Total fixed income	13,957	187,236	—	201,193
Total investment and limited or restricted use funds	301,156	195,556	759	497,471
Current portion	25,995	—	—	25,995
Total noncurrent investment and limited or restricted use funds	$ 275,161	195,556	759	471,476

As of June 30, 2021, and 2020, the alternative investments consisted of subscription partnership agreements with capital commitments of approximately $53,250 and $49,370, respectively, which are subject to periodic distributions. These alternative investments are valued at fair value using net asset value (NAV) or equivalent as determined by the General Partner in the absence of readily ascertainable market values. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. All assets are unable to be fully distributed to the limited partners until the dissolution of the partnership, which may not be until a point in the future. The fair value of limited partnership interests is generally based on fair value capital balances reported by the underlying partnerships, subject to management review and adjustment. Security values of companies traded on exchanges, or quoted on NASDAQ, are based upon the last reported sales price on the valuation date. Security values of companies traded over the counter, but not quoted on NASDAQ, and securities for which no sale occurred on the valuation date are based upon the last quoted bid price. The value of any security for which a market

(Continued)

(In thousands)

quotation is not readily available may be its cost, provided however, that the General Partner adjusts such cost value to reflect any bona fide third-party transactions in such a security between knowledgeable investors, of which the General Partner has knowledge. In the absence of any such third-party transactions, the General Partner may use other information to develop a good faith determination of value. Examples include, but are not limited to, discounted cash flow models, absolute value models, and price multiple models. Inputs for these models may include, but are not limited to, financial statement information, discount rates, and salvage value assumptions.

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

As of June 30, 2021, and 2020, the Level 3 investments consist of holdings of donated stock in a closely held company of $897 and $759, respectively. The value of the donated stock is based on independent appraisals obtained by the closely held company. There were no significant transfers between levels during the years ended June 30, 2021 and 2020.

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

		2021	2020
Limited use for debt service	$	4,626	4,529
Insurance settlements		47,430	56,323
Alternative investments		42,980	26,900
Investments with donor restrictions		88,703	71,043
Investments without donor restrictions – board-designated		19,447	22,056
Investments without donor restrictions		484,228	343,520
Total investments and limited or restricted use funds	$	687,414	524,371

(In thousands)

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

		Without donor restrictions	
		2021	2020
Dividends and interest, net	$	10,850	6,886
Realized gains on sales of investments		42,189	11,220
Unrealized gains on investments		40,977	3,344
Total investment income, net without donor restrictions	$	94,016	21,450
		With donor restrictions	
		2021	**2020**
Dividends and interest, net	$	1,067	531
Realized gains on sales of investments		6,412	1,815
Unrealized gains on investments		6,036	629
Total investment income, net with donor restrictions	$	13,515	2,975
Total investment income, net	$	107,531	24,425

(5) Liquidity and Availability

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

		2021	2020
Financial assets:			
Cash	$	44,983	96,755
Patient accounts receivable, net		66,187	58,871
Other receivables		12,036	8,302
Investments without donor restrictions		484,228	343,520
Total financial assets available within one year		607,434	507,448
Liquidity resource:			
Bank line of credit		10,000	10,000
Total financial assets and liquidity resources available within one year	$	617,434	517,448

(In thousands)

The Company manages its financial assets to be available to meet operating expenditures, liabilities and other obligations as they come due. Although the noncurrent investments disclosed in the table above are intended to be held long-term, management could utilize those investments within the next year if deemed necessary. In addition, the Company maintains a $10,000 line of credit with a commercial bank to meet unanticipated liquidity needs. No amounts were borrowed as of June 30, 2021 or 2020.

(6) Property, Plant, and Equipment

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

		2021	2020
Land and land improvements	$	23,370	23,370
Buildings and building service equipment		443,002	425,158
Movable equipment		240,908	234,961
Finance right-of-use assets		36,468	39,241
Construction-in-progress		28,235	11,436
		771,983	734,166
Less accumulated depreciation and amortization		(502,737)	(483,027)
Total property, plant and equipment, net	$	269,246	251,139

		2021	2020
Depreciation expense	$	35,637	40,056
Amortization expense		1,576	374
Total depreciation and amortization expense	$	37,213	40,430

As of June 30, 2021, construction-in-progress was comprised primarily of two ongoing capital projects. The first project is for the construction of a new inpatient care center in Baltimore, Stadium Place, which will be completed in the fall of 2021. The budgeted total cost for the project is $15,350, with construction managed by Southway Builders with whom GBMC executed a not to exceed contract price of $11,986. In connection with this project, the Company has total unspent commitments of $4,277 as of June 30, 2021. The second project is the Promise Project, which has a budgeted total cost of $161,238. The Promise Project is a 3-story addition to the main hospital facility for 60 new modernized patient rooms and a 2-story medical office building (The Sandra R. Berman Pavilion), which will sit atop a newly constructed 4-story garage. The construction manager for the Promise Project, DPR, has GMP of $71,317. The 3-story addition is expected to be in-service September 2023, with a budgeted cost of $103,238. The pavilion will consolidate GBMC's cancer programs and is budgeted to cost $58,000. A construction manager has not been selected.

(Continued)

(In thousands)

(7) Long-Term Debt

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

		2021	2020
MHHEFA project and refunding revenue bonds:			
2020 Harbor CDE QLICI notes – 1.75%	$	9,800	—
2020 Capital One Sub-CDE 110 QLICI notes – 1.00%		2,000	—
2017 Capital One Bank term note – 3.83%		25,725	25,725
Series 2017 bonds:			
3.14% term bonds		70,700	71,455
2015 PNC Bank term note – 2.3%		5,763	13,288
Series 2012 bonds:			
3.25%–5.00% term bonds		3,475	3,475
Series 2011 bonds:			
4.75%–5.25% term bonds		8,925	12,585
Series 1995 bonds:			
Variable rate serial bonds		2,730	3,210
Unamortized deferred financing costs		(1,318)	(797)
		127,800	128,941
Less current portion of long-term debt		(10,868)	(12,420)
	$	116,932	116,521

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

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

On March 8, 2017, Maryland Health and Higher Education Facilities Authority (MHHEFA) issued $73,720 of tax-exempt Revenue Bonds, Series 2017, on behalf of the Company. The bond proceeds were used to refund a portion of the Series 2012 Revenue Bonds ($32,205) and a portion of the Series 2011 Revenue Bonds ($32,480). The Series 2017 bonds are due on July 1 in annual installments ranging from $740 in

2020 to $7,280 in 2035. On September 16, 2021, the Series 2017 bonds interest rate was modified to 2.56%.

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

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

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

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

On October 4, 1995, MHHEFA issued $10,000 of tax-exempt Revenue Bonds, Series 1995, on behalf of the Company. The Series 1995 bonds are due on July 1 in annual installments ranging from $480 in 2021 to $590 in 2026. The bonds bear interest at a variable rate, which is determined on a weekly basis by the remarketing agent of the issue. The rate was 0.15% and 0.31% as of June 30, 2021 and 2020, respectively. The Series 1995 Bonds are supported by a Standby Bond Purchase Agreement issued by M&T Bank, covering the remaining portion of the obligation, effective through July 1, 2025.

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

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

(In thousands)

The aggregate future maturities of long-term debt as of June 30, 2021 are as follows:

	Long-term debt
2022	$ 10,868
2023	5,135
2024	5,330
2025	7,975
2026	8,250
Thereafter	91,560
	129,118
Unamortized deferred financing costs	(1,318)
	$ 127,800

The fair value of the Company's long-term debt, which is estimated, based on quotes from underwriters, was approximately $129,250 and $130,310 as of June 30, 2021 and 2020, respectively.

Deferred financing costs related to long-term borrowings, are amortized on a straight-line basis, which approximates the effective interest rate method, over the life of the borrowings, which ranges from 7 to 34 years. The Company has incurred deferred financing costs related to the issuance of the NMTC loans, MHHEFA Series 2017, Series 2012, Series 2011, Series 1995 Revenue Bonds and 2017 Capital One and 2015 PNC Bank term note payables that have been capitalized. Accumulated amortization at June 30, 2021 and 2020 amounted to $1,819 and $1,681, respectively.

Under the Master Trust Indenture, the Company is required to maintain, among other covenants, a maximum annual debt service coverage ratio of not less than 1.1 to 1.0.

The Company has a line of credit in the amount of $10,000. The line of credit bears interest at the LIBOR Daily Floating Rate. No amounts were drawn on this line during the years ended June 30, 2021 and 2020.

(In thousands)

(8) Net Assets with Donor Restrictions

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

		2021	2020
Subject to expenditure for specified purpose:			
Departmental needs	$	24,913	27,126
Education		9,326	7,385
Buildings and equipment		35,936	16,114
Uncompensated care		7,147	5,065
Research		2,423	1,769
Total expenditures for specified purpose		79,745	57,459
Net assets perpetual in nature subject to spending policy:			
Departmental needs		25,183	22,825
Education		3,394	3,290
Uncompensated care		12,626	12,618
Research		3,548	3,547
General support		512	512
Total subject to endowment spending policy		45,263	42,792
Subject to passage of time:			
Pledges		34	—
Total net assets with donor restrictions	$	125,042	100,251

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

		2021	2020
Departmental needs	$	6,699	6,217
Education		323	499
Uncompensated care		1,090	1,141
Research		601	609
Buildings and equipment		205	844
Time restriction		597	1,999
Total net assets released from donor restrictions	$	9,515	11,309

(Continued)

(In thousands)

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

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

The Company had the following activities among its endowment fund during the years ended June 30 delineated by net asset class:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2019	$	2,481	57,643	60,124
Investment return:				
Investment income, net		861	951	1,812
Net appreciation (realized and unrealized)		1,774	2,017	3,791
Total investment return		2,635	2,968	5,603
Contributions		—	5,618	5,618
Appropriation of endowment assets for expenditure		(169)	(5,817)	(5,986)
Endowment net assets, June 30, 2020		4,947	60,412	65,359

(In thousands)

		Without donor restrictions	With donor restrictions	Total
Investment return:	$			
Investment income, net		970	1,097	2,067
Net appreciation (realized and unrealized)		11,185	12,412	23,597
Total investment return		12,155	13,509	25,664
Contributions		—	1,538	1,538
Appropriation of endowment assets for expenditure		(166)	(5,234)	(5,400)
Endowment net assets, June 30, 2021	$	16,936	70,225	87,161

(a) Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets without donor restrictions. As of June 30, 2021, and 2020, there were no endowments with deficits.

(b) Return Objectives and Risk Parameters

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

(c) Strategies Employed for Achieving Investment Objectives

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

(d) Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

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

(Continued)

(In thousands)

(9) Functional Expenses

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

	June 30, 2021							
		Program services					Support services	
		Hospital services	Physician services	Hospice services	Other program services	Total program services	Administration/ general	Total
Operating expenses:								
Wages and employee benefits	$	191,763	88,121	41,188	19,574	340,646	65,392	406,038
Expendable supplies		88,042	5,760	4,355	1,647	99,804	2,042	101,846
Purchased services and other		41,842	20,019	7,575	4,941	74,377	21,363	95,740
Depreciation and amortization		23,447	3,830	365	2,557	30,199	7,014	37,213
Interest		4,145	25	62	—	4,232	184	4,416
Total operating expenses	$	349,239	117,755	53,545	28,719	549,258	95,995	645,253

	June 30, 2021							
		Program services					Support services	
		Hospital services	Physician services	Hospice services	Other program services	Total program services	Administration/ general	Total
Operating expenses:								
Wages and employee benefits	$	184,014	82,007	44,438	17,311	327,770	55,324	383,094
Expendable supplies		77,279	11,192	4,929	1,822	95,222	2,406	97,628
Purchased services and other		27,213	19,130	7,302	11,831	65,476	17,187	82,663
Depreciation and amortization		26,972	3,638	370	2,706	33,686	6,744	40,430
Interest		4,535	51	—	1,265	5,851	225	6,076
Total operating expenses	$	320,013	116,018	57,039	34,935	528,005	81,886	609,891

(10) Leases

The Company adopted ASU 2016-02, *Leases* (Topic 842), on July 1, 2020. Topic 842 requires the recognition of right-of-use assets (“ROU”) and lease liabilities on the consolidated balance sheets and the disclosure of qualitative and quantitative information about leasing arrangements. The Company determines if an arrangement is a lease at the inception of the contract. The ROU assets represent the Company’s right to use the underlying assets for the lease term and the lease liabilities represent the Company’s obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments.

(In thousands)

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

Real estate leases may include one or more options to renew that can extend the lease term from 5 to 10 years. The exercise of lease renewal options is at the Company's sole discretion. The Company does not consider the renewal options to be reasonably likely to be exercised, therefore they are not included in ROU assets and lease liabilities. Lease expense for the year ended June 30, 2021 was as follows:

		2021
Finance lease expense:		
Amortization of ROU assets	$	4,062
Interest on lease liabilities		171
Operating lease expense		4,406
Short-term lease expense		629
Variable lease expense		157
Total lease cost	$	9,425

The weighted average lease terms and discount rates for operating and finance leases are as follows as of June 30, 2021:

Weighted average remaining lease term (years):	
Finance leases	7.7
Operating leases	10.2
Weighted average discount rate:	
Finance leases	5.4 %
Operating leases	2.4 %

(In thousands)

The following table presents supplemental cash flow information for the year ending June 20, 2021:

		2021
Cash paid for amounts included in measurement of lease liabilites:		
Operating cash flows for operating leases	$	3,863
Operating cash flows for finance leases		171
Financing cash flows for finance leases		4,344

The following table summarizes the maturity lease obligations as of June 30, 2021:

		Finance Lease	Operating Lease	Total
2022	$	4,271	3,968	8,239
2023		4,271	2,906	7,177
2024		3,739	2,678	6,417
2025		2,998	1,340	4,338
2026		3,005	638	3,643
Thereafter		11,268	7,683	18,951
Total lease payments		29,552	19,213	48,765
Less imputed interest		(5,633)	(2,286)	(7,919)
Total lease liabilities	$	23,919	16,927	40,846

(11) Retirement Plans

(a) Defined Benefit Plan

The Company has two noncontributory defined benefit pension plans, Greater Baltimore Medical Center Retirement Plan (DB Non-Union) and the Pension Plan for Members of the Bargaining Unit of Greater Baltimore Medical Center (DB Union), covering all full-time employees with at least one year of service. Benefits under the plans are determined based on increasing percentages (depending on years of service) of final average compensation. Annual contributions are made to these plans in accordance with the Employment Retirement Income Security Act (ERISA) regulations.

Effective June 30, 2007, the DB Non-Union plan was frozen. As a result, no future benefits may be earned; however, employees are eligible to vest under the terms of the plan. Effective September 3, 2020, the Board resolved to terminate the frozen Non-Union Pension Plan. The Company filed a Determination Letter request with the IRS with an effective date of plan termination of November 30, 2020. The Company received a favorable termination letter from the IRS on April 15, 2021. Participants were given the choice between (1) receiving their Plan Account distributed in a lump sum or (2) purchase an annuity contract from an insurance company. Assets were distributed in June 2021.

(In thousands)

The following tables set forth the plans' funded status and amounts recognized in the Company's consolidated financial statements as of June 30, 2021 and 2020. The change in benefit obligation, plan assets, and funded status of the pension plans is as follows:

	DB Union	
	2021	**2020**
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 43,346	39,263
Service cost	1,187	1,028
Interest cost	1,302	1,408
Actuarial loss	(835)	3,377
Benefits paid	(1,486)	(1,730)
Benefit obligation at end of year	43,514	43,346
Change in plan assets:		
Fair value of plan assets at beginning of year	27,251	26,671
Actual return on plan assets	6,975	1,030
Employer contribution	1,891	1,362
Benefits paid	(1,486)	(1,730)
Administrative expenses paid	(894)	(82)
Fair value of plan assets at end of year	33,737	27,251
Funded status at end of year	$ (9,777)	(16,095)

(Continued)

(In thousands)

		DB Non-Union	
		2021	**2020**
Change in benefit obligation:			
Benefit obligation at beginning of year	$	200,881	182,641
Interest cost		5,661	6,496
Actuarial (gain)/loss		(15,560)	20,477
Benefits paid		(7,510)	(8,733)
Settlement benefits paid		(183,472)	—
Benefit obligation at end of year		—	200,881
Change in plan assets:			
Fair value of plan assets at beginning of year		203,580	187,875
Actual return on plan assets		3,274	24,675
Excess assets returned to plan sponsor		(13,206)	—
Benefits paid		(7,510)	(8,733)
Administrative expenses paid		(2,666)	(237)
Settlement benefits paid		(183,472)	—
Fair value of plan assets at end of year		—	203,580
Funded status at end of year	$	—	2,699

Excess assets returned to plan sponsor reflect an estimated asset reversion of $13,206 and is recorded in other receivables in the accompanying consolidated balance sheets. The excess plan assets are offset by administrative expenses of $843 allocated to be paid after the measurement date which is included in administrative expenses paid and $147 to be paid to Pension Benefit Guaranty Corporation (PBGC) after June 30, 2021 for missing participants, which is included in settlement benefits paid.

Amounts recognized in net assets without donor restrictions as of June 30, 2021 and 2020 are as follows:

		DB Union	
		2021	**2020**
Net actuarial loss	$	5,509	12,479
	$	5,509	12,479

(In thousands)

	DB Non-Union	
	2021	2020
Net actuarial loss	$ —	50,110
	$ —	50,110

The components of net benefit costs other than the service cost of $1,187 and $1,028 were recorded in other income in the consolidated statements of operations for the year ended June 30, 2021 and 2020, respectively. Service costs is included as a component of fringe benefits, which is recorded as salaries, wages, and employee benefits in the accompanying consolidated statements of operations.

Components of net periodic benefit cost for the years ended June 30, 2021 and 2020 are as follows:

	DB Union	
	2021	2020
Service cost	$ 1,187	1,028
Interest cost	1,302	1,408
Expected return on plan assets	(1,330)	(1,265)
Amortization of loss deferral	1,384	1,105
Net periodic pension benefit cost	$ 2,543	2,276

	DB Non-Union	
	2021	2020
Interest cost	$ 5,660	6,496
Expected return on plan assets	(7,473)	(6,906)
Amortization of loss deferral	4,349	4,368
One-time settlement recognition	37,065	—
Net periodic pension benefit cost	$ 39,601	3,958

(Continued)

(In thousands)

Amounts in net assets without donor restrictions expected to be recognized as a component of net periodic pension benefit cost in fiscal year 2022:

		DB Union	DB Non-Union	Total
Prior service cost	$	—	—	—
Net actuarial loss		208	—	208
	$	208	—	208

(i) Assumptions

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

	DB Union		DB Non-Union	
	2021	2020	2021	2020
Discount rate	3.00 %	3.00 %	N/A	3.00 %
Rate of compensation increase	4.00 %	4.00 %	N/A	— %

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

	DB Union		DB Non-Union	
	2021	2020	2021	2020
Discount rate	3.00 %	4.00 %	3.00 %	3.00 %
Expected return on plan assets	7.00 %	7.00 %	4.00 %	4.00 %
Rate of compensation increase	4.00 %	4.00 %	— %	— %

The accumulated benefit obligation for the pension plans, which differs from the estimated actuarial present value of the projected benefit obligation because it is based on current rather than future compensation levels, was $43,514 and $244,227 as of June 30, 2021 and 2020, respectively. In 2020, GBMC utilized the Pri-2012 Mortality Table, projected generationally using the MP-2019 Mortality Improvement Scale. In 2021, GBMC utilized the Pri-2012 Mortality Table, projected generationally using the MP-2020 Mortality Improvement Scale.

(In thousands)

(ii) Expected Long-Term Rate of Return

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

(iii) Estimated Future Benefit Payments

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

	DB Non-Union	DB Union	Total
2022	$ —	1,745	1,745
2023	—	1,810	1,810
2024	—	1,898	1,898
2025	—	1,973	1,973
2026	—	2,036	2,036
2027–2031	—	11,022	11,022
Total	$ —	20,484	20,484

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

	DB Union	
	2021	2020
Equity securities	62 %	51 %
Debt securities	36	46
Cash and cash equivalents	2	3
	100 %	100 %

	DB Non-Union	
	2021	2020
Debt securities	— %	98 %
Cash and cash equivalents	—	2
	— %	100 %

(Continued)

(In thousands)

The following tables set forth by level, within the fair value hierarchy, the DB Union Plan's assets at fair value as of June 30:

	June 30, 2021				
		Level 1	Level 2	Level 3	Total
Managed cash funds	$	641	—	—	641
Common collective trust		—	12,299	—	12,299
Total fixed income		—	12,299	—	12,299
Common stock		7,473	—	—	7,473
Foreign stock		664	—	—	664
Mutual funds		9,904	—	—	9,904
Mutual funds international		2,756	—	—	2,756
Total equity		20,797	—	—	20,797
Total plan assets	$	21,438	12,299	—	33,737

	June 30, 2020				
		Level 1	Level 2	Level 3	Total
Managed cash funds	$	673	—	—	673
Common collective trust		—	12,606	—	12,606
Total fixed income		—	12,606	—	12,606
Common stock		8,136	—	—	8,136
Foreign stock		699	—	—	699
Mutual funds		3,787	—	—	3,787
Mutual funds international		1,350	—	—	1,350
Total equity		13,972	—	—	13,972
Total plan assets	$	14,645	12,606	—	27,251

The following tables set forth by level, within the fair value hierarchy, the DB Non-Union Plan's assets at fair value as of June 30: For fiscal year ending June 30, 2021, the plan assets balance represents excess assets amount which will be used for administrative and investment expenses, adjustments to final annuity pricing. The remaining amount will revert back to the Company.

(In thousands)

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Managed cash funds	$ 14,196	—	—	14,196
Corporate bonds	—	—	—	—
Total plan assets	$ 14,196	—	—	14,196

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Managed cash funds	$ 6,472	—	—	6,472
Corporate bonds	—	197,108	—	197,108
Total plan assets	$ 6,472	197,108	—	203,580

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

Corporate bonds: Valued at unadjusted quoted market share prices within active markets or based on external price data of comparable securities.

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

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

(iv) Pension Investment Policies

DB Union Plan

The primary objective of the Medical Center’s pension investment program is the long-term growth of capital consistent with the asset allocations. The program utilizes several balanced managers and provides for asset allocation guidelines consistent with the Medical Center’s risk exposure. The equity portion of the DB Union portfolio may range from 45% to 65% of total portfolio assets. The fixed-income and cash equivalents portion of the DB Union portfolio may range from 35% to 55% of total portfolio assets.

(In thousands)

DB Non-Union Plan

Since the Plan has terminated and benefits have been paid out, remaining assets in the plan are in cash available to pay administrative expenses

Contributions

The Company expects to contribute $1,216 to its DB Union and $0 DB Non-Union pension plans in the fiscal year ending June 30, 2022.

(b) Defined Contribution Plan

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

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

		2021	2020
Basic contribution	$	2,788	2,822
Match contribution		4,136	4,990
Total contribution	$	6,924	7,812

Effective July 1, 2009, the Company established the GBMC, Inc. 401(a) Defined Contribution Plan for Members of the Bargaining Union of Greater Baltimore Medical Center (DC Union) for the members covered by a collective bargaining agreement. The Company matches up to 3% of eligible employee wages of those who contribute to the Greater Baltimore Medical Center, Inc. Voluntary 403(b) Plan. The Company contributed $108 and $104 for the years ended June 30, 2021 and 2020, respectively.

(c) Nonqualified Plan

The Company has a noncontributory, nonqualified deferred compensation plan for certain key employees. Benefits under the plan are determined based on increasing percentages (depending on years of service) of base pay. The Company recorded expense related to this plan of $851 and $814 for the years ended June 30, 2021 and 2020, respectively.

(12) Insurance Reserves

The Company maintains an off-shore captive insurance company in Bermuda to provide coverage for medical malpractice claims. Reserve balances have been discounted at the rate of 3% for the years ended June 30, 2021 and 2020. The receivable for the expected reinsurance recoverable is recorded within other assets on the consolidated balance sheet. Retention on limits in which Ruxton assumes risk of loss is based on an annual occurrence basis of $5 million per occurrence and $22 million in aggregate as of

(Continued)

(In thousands)

August 1, 2019. Amounts in excess of these limits are insured by highly rated commercial insurance companies.

As of June 30, 2021, and 2020, the Company was partially self-insured for workers' compensation and health insurance claims. The aggregate reserves for workers' compensation claims were determined and discounted at the rate of 1.0% and 0.4% for 2021 and 2020, respectively. The receivable for the expected reinsurance recoverable is recorded within other current assets on the consolidated balance sheets. As of August 1, 2020, the Company's excess workers' compensation policy is based on a per claim basis in excess of $1 million.

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

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

		June 30, 2021			
		Malpractice	**Workers' compensation**	**Health**	**Total**
Insurance reserves for self insured claims	$	38,679	4,920	3,830	47,429
Reserves that are recoverable from reinsurance carrier		14,566	74	—	14,640
Total insurance reserves		53,245	4,994	3,830	62,069
Less current portion of insurance reserve		8,825	977	3,830	13,632
Total noncurrent insurance reserves	$	44,420	4,017	—	48,437

(In thousands)

		June 30, 2020			
		Malpractice	Workers' compensation	Health	Total
Insurance reserves for self insured claims	$	33,713	5,169	2,837	41,719
Reserves that are recoverable from reinsurance carrier		13,937	667	—	14,604
Total insurance reserves		47,650	5,836	2,837	56,323
Less current portion of insurance reserves		8,000	1,325	2,837	12,162
Total noncurrent insurance reserves	$	39,650	4,511	—	44,161

(13) Promises to Contribute

The Company has received unconditional and conditional promises to give. The pledge receivables are recorded on a discounted basis using the rate in effect at the time of the pledge. Such rates approximate 2%. The Company is the beneficiary of charitable remainder trusts whose present value as of June 30, 2021 and 2020 was $9,756 and $10,672, respectively. Current pledge receivables are included in other receivables and noncurrent pledge receivables are included in other assets in the accompanying consolidated balance sheets.

		2021	2020
Due within 1 year	$	7,837	7,295
Due 1–5 years		21,553	13,331
Due over 5 years		9,756	10,672
Gross pledge receivables		39,146	31,298
Less discount and allowance		(2,807)	(2,091)
Net pledge receivables	$	36,339	29,207

(Continued)

(In thousands)

(14) Controlling and Non-controlling Interest

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

		Net assets without donor restrictions – controlling interest	Net assets without donor restrictions – non-controlling interest	Total net assets without donor restrictions
Balance as of June 30, 2019	$	483,542	6,853	490,395
Excess of revenues over expenses		7,909	1,914	9,823
Pension related changes other than net periodic pension costs		(1,165)	—	(1,165)
Distributions to non-controlling interest owners		—	(1,750)	(1,750)
Net assets released for purchase of fixed assets		844	—	844
Increase in net assets without donor restrictions		7,588	164	7,752
Balance as of June 30, 2020		491,130	7,017	498,147
Excess of revenues over expenses		69,394	2,165	71,559
Pension related changes other than net periodic pension costs		57,078	—	57,078
Distribution to non-controlling interest		—	(2,000)	(2,000)
Net assets released for purchase of fixed assets		205	—	205
Cumulative effect of accounting change		9,125	—	9,125
Increase in net assets without donor restrictions		135,802	165	135,967
Balance as of June 30, 2021	$	626,932	7,182	634,114

(15) Subsequent Events

To fund the Promise Project, Maryland Health and Higher Education Facilities Authority (MHHEFA) issued $104,095 tax exempt Revenue Bonds, Series 2021A, on behalf of the Company. In addition, $25,000 tax-exempt variable rate drawdown bonds, 2021B bonds, were issued. The 2021B bonds are expected to be repaid with the proceeds of a $60,000 capital campaign. Series 2021A and 2021B bonds closed on September 1, 2021. In addition, the Company repaid the balance of Series 2011 bonds and defeased Series 2012 Bonds. Refer to footnote 7 for additional information on long-term debt.

The Company has evaluated all other events and transactions through November 16, 2021, the date the consolidated financial statements were issued, and determined there are no other items to be recognized or disclosed this period.

CONSOLIDATING INFORMATION

Schedule 1

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidating Balance Sheet

June 30, 2021

(In thousands)

Assets	(Obligated group) Greater Baltimore Medical Center, Inc.	Ruxton Insurance	GBMC Agency Inc. and Subsidiaries	Gilchrist Hospice Care Inc.	GBHA Inc.	GBMC Land Inc.	GBMC Healthcare Inc. (Parent)	Eliminating entries	Total
Current assets:									
Cash	$ 29,589	137	11	15,246	—	—	—	—	44,983
Short-term investments and limited or restricted use funds	48,354	7,367	—	24,303	—	—	—	—	80,024
Patient accounts receivable, net	54,042	—	1,405	10,740	—	—	—	—	66,187
Other receivables	11,118	629	5,949	2,846	—	371	—	—	20,913
Advances to affiliates	23,085	—	—	—	—	—	—	(23,085)	—
Other current assets	27,660	249	86	1,309	—	2	—	—	29,306
Total current assets	193,848	8,382	7,451	54,444	—	373	—	(23,085)	241,413
Investments and limited or restricted use funds	333,409	74,625	9,524	189,832	—	—	—	—	607,390
Interest in net assets of affiliate	—	—	—	—	—	—	759,448	(759,448)	—
Long-term receivables from affiliates	26,413	—	—	—	—	—	—	(26,413)	—
Property, plant, and equipment, net	234,687	—	12,052	19,354	166	2,987	—	—	269,246
Operating lease right-of-use assets	28,494	—	518	2,605	—	19,700	—	(34,594)	16,723
Other noncurrent assets	25,902	14,566	10,037	14,143	—	1,750	—	(1,883)	64,515
Total assets	$ 842,753	97,573	39,582	280,378	166	24,810	759,448	(845,423)	1,199,287
Liabilities and Net Assets									
Current liabilities:									
Accounts payable and accrued expenses	$ 88,408	(81)	292	9,980	858	375	—	—	99,832
Insurance reserves	4,088	9,375	—	169	—	—	—	—	13,632
Payable to affiliates	2	2,764	(2,855)	22,883	—	—	292	(23,086)	—
Advances from third-party payors	79,261	—	—	12,570	—	—	—	—	91,831
Right-of-use lease liabilities	2,572	—	183	889	—	—	—	—	3,644
Long-term debt & finance lease liabilities	13,931	—	—	—	—	—	—	—	13,931
Other current liabilities	8,679	—	—	896	—	1,643	—	(4,989)	6,229
Total current liabilities	196,941	12,058	(2,380)	47,387	858	2,018	292	(28,075)	229,099
Long-term debt & finance lease liabilities	105,684	—	—	11,248	—	—	—	—	116,932
Financing lease liabilities	20,856	—	—	—	—	—	—	—	20,856
Operating lease liabilities	11,162	—	365	1,756	—	—	—	—	13,283
Insurance reserves	3,716	44,420	—	301	—	—	—	—	48,437
Long-term payable to affiliate	—	—	24,967	—	589	857	—	(26,413)	—
Pension liability	9,777	—	—	—	—	—	—	—	9,777
Other long-term liabilities	13,241	—	4	615	—	18,196	—	(30,309)	1,747
Total liabilities	361,377	56,478	22,956	61,307	1,447	21,071	292	(84,797)	440,131
Net assets:									
Controlling	393,331	41,095	9,444	181,824	(1,281)	3,739	626,932	(628,152)	626,932
Non-controlling	—	—	7,182	—	—	—	7,182	(7,182)	7,182
Net assets without donor restrictions	393,331	41,095	16,626	181,824	(1,281)	3,739	634,114	(635,334)	634,114
Net assets with donor restrictions	88,045	—	—	37,247	—	—	125,042	(125,292)	125,042
Total net assets	481,376	41,095	16,626	219,071	(1,281)	3,739	759,156	(760,626)	759,156
Total liabilities and net assets	$ 842,753	97,573	39,582	280,378	166	24,810	759,448	(845,423)	1,199,287

See accompanying independent auditors' report.

Schedule 2

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidating Statement of Operations

June 30, 2021

(In thousands)

	(Obligated group) Greater Baltimore Medical Center, Inc.	Ruxton Insurance	GBMC Agency Inc. and Subsidiaries	Gilchrist Hospice Care Inc.	GBHA Inc.	GBMC Land Inc.	GBMC Healthcare Inc. (Parent)	Eliminating entries	Total
Patient service revenue, net	$ 542,829	—	13,588	66,338	—	—	—	—	622,755
Other operating revenue	23,719	17,030	6,035	1,128	3,121	3,178	—	(20,100)	34,111
Net assets released from restrictions	5,591	—	—	3,719	—	—	—	—	9,310
Total operating revenue	572,139	17,030	19,623	71,185	3,121	3,178	—	(20,100)	666,176
Operating expenses:									
Salaries, wages, and employee benefits	345,725	—	3,697	52,125	4,339	417	—	(265)	406,038
Expendable supplies	96,163	—	1,248	4,406	6	23	—	—	101,846
Purchased services and other	80,040	11,730	6,936	12,922	51	3,718	29	(19,686)	95,740
Depreciation and amortization	32,984	—	1,859	1,845	14	511	—	—	37,213
Interest	4,354	—	—	62	—	—	—	—	4,416
Overhead	(2,146)	250	402	931	—	50	263	250	—
Total operating expenses	557,120	11,980	14,142	72,291	4,410	4,719	292	(19,701)	645,253
Operating (loss) income	15,019	5,050	5,481	(1,106)	(1,289)	(1,541)	(292)	(399)	20,923
Other income:									
Contributions	384	—	—	431	—	—	—	—	815
Fundraising expense	(2,445)	—	—	(1,043)	—	—	—	250	(3,238)
Investment income, net	54,039	2,148	3,347	34,482	—	—	—	—	94,016
Other components of net periodic pension cost	(40,957)	—	—	—	—	—	—	—	(40,957)
Interests in net assets of affiliate	—	—	—	—	—	—	127,134	(127,134)	—
Excess of revenues over expenses	$ 26,040	7,198	8,828	32,764	(1,289)	(1,541)	126,842	(127,283)	71,559

See accompanying independent auditors' report.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidating Statement of Changes in Net Assets

June 30, 2021

(In thousands)

	(Obligated group) Greater Baltimore Medical Center, Inc.	Ruxton Insurance	GBMC Agency Inc. and Subsidiaries	Gilchrist Hospice Care Inc.	GBHA Inc.	GBMC Land Inc.	GBMC Healthcare Inc. (Parent)	Eliminating entries	Total
Changes in net assets without donor restrictions:									
Excess of revenues over expenses	$ 26,040	7,198	8,828	32,764	(1,289)	(1,541)	126,842	(127,283)	71,559
Pension related changes other than net periodic pension costs	57,078	—	—	—	—	—	—	—	57,078
Net assets released for purchase of fixed assets	205	—	—	—	—	—	—	—	205
Cumulative effect of accounting change	9,125	—	—	—	—	—	9,125	(9,125)	9,125
Distribution to non-controlling interest	—	—	(2,000)	—	—	—	—	—	(2,000)
Increase (decrease) in net assets without donor restrictions	92,448	7,198	6,828	32,764	(1,289)	(1,541)	135,967	(136,408)	135,967
Changes in net assets with donor restrictions:									
Contributions	16,737	—	—	4,054	—	—	—	—	20,791
Investment income, net	8,572	—	—	4,943	—	—	—	—	13,515
Interest in net assets of affiliate	—	—	—	—	—	—	24,791	(24,791)	—
Net assets released for purchase of fixed assets	(205)	—	—	—	—	—	—	—	(205)
Net assets released for operations	(5,591)	—	—	(3,719)	—	—	—	—	(9,310)
Increase (decrease) in net assets with donor restrictions	19,513	—	—	5,278	—	—	24,791	(24,791)	24,791
Increase (decrease) in net assets	111,961	7,198	6,828	38,042	(1,289)	(1,541)	160,758	(161,199)	160,758
Net assets, beginning of year	369,415	33,897	9,798	181,029	8	5,280	598,397	(599,426)	598,398
Net assets, end of year	$ 481,376	41,095	16,626	219,071	(1,281)	3,739	759,155	(760,625)	759,156

See accompanying independent auditors' report.